

Stock Code: 3163



波若威科技股份有限公司

Browave Corporation

2022 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.

Printed on April 30, 2023

The annual report can be accessed at <http://mops.twse.com.tw>

The Company's website: <http://www.browave.com>

1. Name, title, contact telephone number and e-mail address of the spokesperson and acting spokesperson

Name of spokesperson: Chang Wen-Qiao

Title of spokesperson: Vice President of Marketing and Sales Department

Telephone number of spokesperson: (03) 563-0099

E-mail address: George.Chang@browave.com

Name of acting spokesperson: Huang Shu-Jun

Title of acting spokesperson: Assistant VP, Finance and Accounting Department

Telephone number of acting spokesperson: (03) 563-0099

E-mail address: Cindy.Huang@browave.com

2. Address and telephone number of head office, branch, and plant

Head office address: 3F, No.30, Industry East Road IX, Hsinchu Science Park, Hsinchu County, Taiwan, R.O.C.

TEL: (03)563-0099

3. Name, address, website, and telephone number of the stock transfer agency

Name: Stock Administration Department, KGI Securities Co., Ltd.

Address: 5F, No. 2, Section 1, Chongqing South Road, Zhongzheng District, Taipei City

TEL: (02) 2389-2999

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

4. Name, firm, address, website, and telephone number of the CPAs attesting the most recent annual financial statements

CPA name: Liu Chien-Yu, Lin Yu-Kuan

Name: PwC Taiwan

Address: 27F, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City

TEL: (02) 2729-6666

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

5. The names of any exchanges where the Company's securities are listed offshore, and the method by which to access information on the offshore securities: None

6. Company website: <http://www.browave.com>



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I. Letter to Shareholders

1. 2022 Business Results

- (1) Implementation results of business plan:
The consolidated operating revenue in 2022 reached NT\$3,211 million, which was increase 40% compared to last year. In terms of profit, the consolidated net income was NT\$ 452 million, Earnings Per Share was NT\$ 6.00.
- (2) State of 2022 budget implementation:
This item is not applicable since Browave Corporation has not disclosed any financial forecasts.
- (3) Financial receipts and expenditures and profitability

Unit: In thousands of NTD

| Item \ Year | | 2022 | 2021 | Difference (%) |
|--------------------|---------------------------------------|-----------|-----------|----------------|
| Financial Position | Operating Revenue | 3,210,572 | 2,296,452 | 40 |
| | Gross Profit | 794,961 | 365,812 | 117 |
| | Operating Income | 473,812 | 107,775 | 340 |
| | Net Income | 451,583 | 81,644 | 453 |
| Profitability | Return on assets(%) | 14.64 | 2.97 | 393 |
| | Return on equity(%) | 22.44 | 4.43 | 407 |
| | Pre-tax income to paid-in capital (%) | 77.92 | 13.77 | 466 |
| | Net income ratio (%) | 14.07 | 3.56 | 295 |
| | Earnings Per Share (in dollar) | 6.00 | 1.09 | 450 |

- (4) Research and Development:

Regarding CWDM Fiber Harness products for 400G/800G transceiver, aligning itself with customers' master plans, Browave has conducted sample qualifications and is ready for mass production. Browave has also made progress with miniaturization of related products, making optical modules more widely applicable by reducing its size by half, as well as introduces the Filter Block technique to not only SM but MM products also.

As to OBO/ CPO products, in response to major customers' requirements, Browave continues developing various fiber arrays for different applications, with unconventional designs like using PM fibers, bare fiber polish, reflow process, and 2D fiber arrays, one sample after another delivered and under qualifications.

While new products are being developed and introduced, Browave continues improving automation in manufacturing. On the basis of the well-developed auto-alignment technique platform, further develops passive alignment by image recognition and automation in optical testing solution, aims at simplifying and modularizing the production which was deemed to be difficult to be standardized, to accelerate product development and extend compatibility in production processes.

To echo the developments being made, Browave also invests in the study of

laser equipment and is about to develop laser machining for glass hole array, which to be applied for fields including fiber endface treatment and precise drilling and dicing, in order to further vertically integrate optical components.

2. Business Plan for 2023

Guidance:

The growth in 2023 is expected to be mainly driven by deployments in 3 major application fields, 400G/ 800G products for data center, next generation PON, and next generation CATV.

- (1) Customized Cables for 400G/800G AOC for data centers:
Centered on MM/SM platform, 200G is being gradually replaced by 400G/800G, with MM making up major proportion.
- (2) 400G/800G Fiber Harness products for data centers:
Revolved around silicon photonics products, 200G is being gradually replaced by 400G/800G, FRx and DRx products are the focus. North America remains main market.
- (3) Next generation PON:
Focus on 10G PON, in the wake of the need for WDM modules, demand for Branch modules has surged, mainly for higher channel count splitters(e.g. 1x32 or 1x64).
- (4) Next generation CATV:
With government subsidies for bandwidth expansion being granted in North America, MSOs enhance its competitiveness, to compete with telecom service providers, through increasing investments in upgrading HFC network to DOCSIS 4.0, with bandwidth expanded to 10Gbps comes a surge in demand for WDM and Branch modules, especially for DWDM modules

3. Competition, Government Regulations, and Macroeconomic Environment

Start 2023, the inflation challenges remain, tech giants continue announcing layoffs, job cuts, downsizing, and reorganizations, in the face of an economic slowdown, market demand remains weak. Despite customers begin reducing order intakes and destocking, Browave strives to increase flexibility in productions and supplies to support any spike in customer demand, well-positioning itself to overcome the challenging situation.

4. 2023 outlook

Browave will focus on the following segments:

- (1) Customized Cables for 400G/800G AOC for data centers.
- (2) 400G/800G Fiber Harness products for data centers.
- (3) WDM and Branch products for Next-Gen PON Upgrade.
- (4) WDM products for Next-Gen CATV Upgrade.

Browave team will conduct the business with the utmost integrity and effort to achieve the Company's continued growth.

Chairperson: Cheng Wann-Lai

II. Company Profile

1. Date of Establishment: May 18, 1998

2. Company History

| YEAR | IMPORTANT MILESTONES |
|-----------|---|
| 1998 | |
| MAY | The Company was established with a capital of NTD 51,000,000. |
| AUGUST | Completed the first stage of plant establishment and officially started the construction on August 8 (the plant is located at Bade Road, Hsinchu City). |
| SEPTEMBER | Obtained the first customer's supplier certification. Increased capital by cash to NTD 120,000,000. |
| 1999 | |
| APRIL | Some products passed Bellcore's environmental and stability test specifications. |
| JUNE | The pump combiner development plan received a grant from the Ministry of Economic Affairs to encourage SMEs to develop new technologies. |
| JULY | Obtained approval to move into the Science Park. |
| AUGUST | Increased capital by cash to NTD 180,000,000. Received ISO 9001 certification from RWTÜV, a German certification company. |
| 2000 | |
| MAY | Increased capital by cash to NTD 280,000,000. |
| JULY | Established Zhongshan Plant in Guangdong and started operation. |
| OCTOBER | Formally introduced the mass production of new products such as 3-port CWDM, 100GHz/200GHZ OADM, 200GHz 4ch/8ch DWDM, etc. |
| 2001 | |
| FEBRUARY | Increased capital by cash and capital surplus to NTD 585,000,000. |
| JUNE | Guangdong Zhongshan Plant officially passed the annual audit of ISO 9000 by RWTUV. |
| JULY | Increased capital by cash to NTD 825,000,000. |
| DECEMBER | Held the first Zhongshan optical fiber communication seminar. |
| 2002 | |
| FEBRUARY | Certified by IECQ as a reliability test laboratory. |
| 2003 | |
| JANUARY | Became a major supplier of optical coupler products to the Japanese FTTH market. |
| FEBRUARY | Gain Block products were officially taken into mass production and entered the Japanese market. |
| APRIL | EDFA module products are officially taken into mass production and entered the Japanese market. |
| OCTOBER | Compact ADF passed Telcordia certification (green product). |
| 2004 | |
| APRIL | Awarded the 2nd Optical Communication Elite Award for outstanding products. |
| JUNE | Became a major supplier of FWDM filter for FTTH GE-PON network in Japan. |

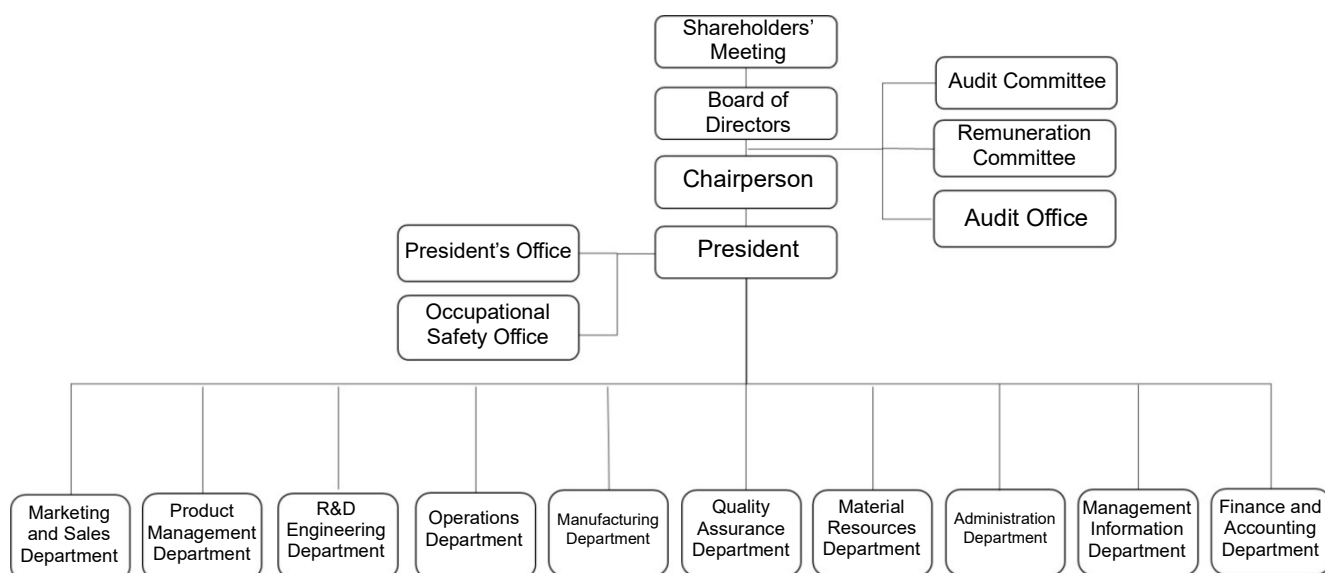
| YEAR | | IMPORTANT MILESTONES |
|------|-----------|---|
| 2005 | JULY | Achieved mass production of TFF series of thin film filters that meet the requirements of green environment. |
| 2006 | JANUARY | Browave's Zhongshan Plant passed RWTUV ISO 14001 certification. |
| | | PLC Splitter products were officially taken into mass production. |
| | DECEMBER | Started mass production of 40ch AWG Module products. |
| 2007 | JUNE | Achieved RoHS 6 compliance for all optical fiber passive components. |
| | AUGUST | Passed TL-9000 certification. |
| | OCTOBER | The shareholders' meeting approved the capital reduction proposal. After the capital reduction, the capital amount was NTD 546,810,000. |
| 2008 | JANUARY | Started mass production of MPO and MTP patch cables for the data transmission and storage industry. |
| 2009 | MARCH | Started contract production of ROADM. |
| | MAY | PLC optical splitter and optical fiber connector products were certified by China Telecommunication Technology Labs. |
| | OCTOBER | CATV-EDFA passed the inspection and certification of China's National Radio and Television Administration. |
| 2010 | MARCH | IPD passed U.S. customer verification and was introduced into mass production. |
| 2011 | MARCH | Complex Module was certified by system vendor and introduced into mass production. |
| | SEPTEMBER | Approved by the Securities and Futures Bureau for public offering. |
| | | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 552,985,000. |
| | NOVEMBER | Approved stock trading on the emerging market. |
| 2012 | JANUARY | Passed NRTL/Intertek product safety certification by North American system operators. |
| | MARCH | Compact CWDM was certified by system vendor and introduced into mass production. |
| | APRIL | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 564,846,000. |
| | JUNE | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 570,171,000. |
| | AUGUST | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 572,175,000. |
| | SEPTEMBER | Increased capital from earnings to NTD 623,690,000. |
| | DECEMBER | Officially listed on the TPEX. |
| | | Increased capital by cash of NTD 59,240,000 with paid-in capital reaching NTD 682,929,000 upon listing on the TPEX. |

| YEAR | IMPORTANT MILESTONES |
|-----------|---|
| 2013 | |
| JULY | Issued the first domestic unsecured convertible bonds, totaling NTD 200,000,000 |
| AUGUST | Invested in Browave Japan Corporation |
| DECEMBER | Convertible bonds were converted into common stock and the paid-in capital amounted to NTD 709,770,000. |
| 2014 | |
| APRIL | Convertible bonds were converted into common stock and the paid-in capital amounted to NTD 710,159,000. |
| SEPTEMBER | Convertible bonds were converted into common stock and the paid-in capital amounted to NTD 716,177,000. |
| NOVEMBER | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 717,128,000. |
| 2015 | |
| APRIL | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 718,381,000. |
| SEPTEMBER | Employee stock warrants were converted into common stock and the paid-in capital amounted to NTD 729,211,000. |
| NOVEMBER | Convertible bonds were converted into common stock and the paid-in capital amounted to NTD 729,265,000. |
| 2016 | |
| SEPTEMBER | Issued the first employee restricted stocks rights, with paid-in capital of NTD 744,265,000. |
| 2017 | |
| FEBRUARY | Data center application for optical transceiver key component platform development. |
| AUGUST | Received BSI ISO 14001 certification. |
| 2018 | |
| JUNE | Passed BSI TL9000 R6.0 and ISO 9001:2015 revision certification. |
| AUGUST | Convertible bonds were converted into common stock and the paid-in capital amounted to NTD 753,004,000. |
| 2019 | |
| SEPTEMBER | CWDM MDM was approved by customer and introduced into mass production. |
| 2020 | |
| JANUARY | 100G/400G optical module used in data center module passed customer certification. |
| AUGUST | Compact DWDM (CDWDM) module with 12 channels passed customer certification and system testing. |
| OCTOBER | Issued the second domestic unsecured convertible bonds, totaling NTD 300,000,000. |
| 2022 | |
| AUGUST | Invested in Browave (Philippines) Corporation. |

III. Corporate Governance Report

1. Organizational System

(1) Organizational Structure



(2) Business of Major Departments

| Name of Department | Major Responsibilities |
|--------------------------------|---|
| President's Office | (1)Responsible for the development of the Company's vision, business strategies and operating policies. (2)Establish the Company's goal management system to guide the work of all departments to achieve the Company's overall goals. |
| Audit Office | (1)Assist in establishing an effective internal control system, business, and operating regulations. (2)Perform audits on the Company's business, finance, risk control and compliance with laws and regulations, and to make recommendations for improvement in the implementation of internal controls. (3)Establish the content and procedures of self-audit and evaluation of the internal control system, and supervise and review the regular implementation of self-audits by each unit. |
| Marketing and Sales Department | Execution, supervision and management of sales plans, interdepartmental coordination and integration, price negotiations, establishment of purchase and sale terms, and management of accounts receivable, confirmation and supervision of customer requests, analysis and execution of market competition strategies, and management of finished goods promotion plans and benefits. |
| Product Management Department | Responsible for managing product revenue, cost and profitability, managing new product projects, coordinating and integrating internal resources, serving customer engineering windows, and evaluating new product specifications. |
| R&D Engineering Department | Development of new designs, new products and new processes, manufacturing technology transfer, selection and judgment and incoming material management, trial execution, guidance, supervision and evaluation of work process, defect analysis support, cost reduction promotion management, customer product technology response and sales support. |
| Operations Department | Responsible for the management of overseas production base operations. |
| Manufacturing Department | (1)Execution and promotion of production innovation, execution and promotion management of yield rate improvement, and execution and management of manufacturing engineering improvement. (2)Personnel planning, personnel training, process yield management and improvement, material and work in process storage management, manufacturing cost management, RMA implementation and analysis. (3)Equipment maintenance and management, plant facility management, environmental measurement and monitoring, new product mass production equipment planning and introduction, equipment utilization improvement. |
| Quality Assurance Department | (1)Quality assurance operation target setting, quality inspection and improvement, customer complaint handling and analysis, prevention, and correction measures. (2)Customer plant audits, ISO audits responses, guidance and management of outsourced manufacturers, quality confirmation and reliability testing, analysis and management, investigation of manufacturing obstacles and customer complaints, and implementation of countermeasures. |

| Name of Department | Major Responsibilities |
|-----------------------------------|--|
| Material Resources Department | <p>(1)Material preparation, production scheduling, and shipment plan to meet customer needs.</p> <p>(2)Inventory management and incoming material control to improve material turnover and make full use of company resources.</p> <p>(3)Import/export and bonding operations management to ensure effective control and execution of import/export operations, compliance with customs regulations and customer satisfaction with delivery schedules.</p> <p>(4)Production material procurement, evaluation, import execution, etc., production material subcontractor investigation, evaluation, management and maintenance, regular cost bargaining to reduce the purchase price.</p> <p>(5)Production material procurement data archive, management and maintenance, the handling of incoming material quality and quantity abnormalities and material shortage, the implementation of the Company's import affairs and the preparation of documents, the control of incoming material timing and safe quantity management, and inventory control.</p> |
| Administration Department | <p>(1)Planning of personnel related systems, management and supervision of recruitment and appointment, management and supervision of attendance and payroll, design and supervision of various education and training, performance management, employee insurance and employee relations, etc.</p> <p>(2)General affairs of the Company, liaison and supervision of plant affairs, arrangement and supervision of repair and maintenance work, management, allocation and supervision of plant assets, supervision and improvement of safety, health affairs, and other overall needs and planning management of the Company.</p> |
| Occupational Safety Office | Definition of standards and plan related to labor safety and health affairsandtheir implementation, supervision, and improvement. |
| Management Information Department | Management of computer software and hardware procurement, information-related equipment and server rooms, management of system software and hardware usage and maintenance operations, execution, maintenance, management and support of company information systems, access control and security control of data, data restoration and backup management, and management of information system customized report program design. |
| Finance and Accounting Department | Review of accounting certificates, preparation of financial statements, fund allocation, budget preparation, tax planning, stock affairs operations, provision, and analysis of financial and management information. |

2. Information on Directors, President, Vice President, Assistant VP, and Officers of Departments and Branches

(1) Information on the Members of the Board of Directors

1. Board members:

| Title | Nationality or Place of Registration | Name | Gender Age | Date Elected | Term of Office (years) | First Elected Date | Shareholding When Elected | | Shareholding at Present | | Shareholding of Spouse and Minor Children now | | Shareholding in the Name of Others | | Major Experience (education) | Concurrent positions in the Company and other companies now | Spouse or Relatives Within Second Degree of Kinship Who Are Officers, Directors, or Supervisors of the Company | | |
|-------------|--------------------------------------|---|----------------------|--------------|------------------------|--------------------|---------------------------|-------------------------|-------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|--|--|--|------|--------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Chairperson | R.O.C. | Cheng Wann-Lai | Male 71-80 years old | 2020.6.18 | 3 | 2007.6.14 | 1,770,083 | 2.35% | 1,770,083 | 2.35% | 0 | 0% | 0 | 0% | Department of Business Administration, Fu Jen Catholic University | Chairperson, Browave Corporation Chairperson, Browave Holding Inc. Independent director, Powertech Technology Inc. Corporate director representative, Bioengine Technology Development Inc. Corporate director representative, LUMOSA THERAPEUTICS CO. LTD. Corporate director representative, Glac Biotech Co., Ltd. | None | None | None |
| Director | R.O.C. | Chen Yu-Liang | Male 71-80 years old | 2020.6.18 | 3 | 1998.4.30 | 2,176,090 | 2.89% | 2,176,090 | 2.89% | 1,948 | 0% | 0 | 0% | Department of Electrical Engineering, National Taiwan University | Director, Spirox Corp. Director, RDC SEMICONDUCTOR CO., LTD. Director, Taiwan Oasis Technology Co., Ltd. Independent director, Wistron Corporation | None | None | None |
| Director | R.O.C. | National Development Fund, Executive Yuan | Not Applicable | 2020.6.18 | 3 | 2001.9.20 | 3,033,125 | 4.03% | 3,033,125 | 4.03% | 0 | 0% | 0 | 0% | None | None | None | None | None |
| | | Corporate representative Liu Po-Tsun | Male 51-60 years old | 2020.6.18 | 3 | 2016.9.7 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Ph.D., Institute of Electronics, National Yang Ming Chiao Tung University Visiting Professor, Department of Electrical Engineering, Stanford University, USA | Chair Professor, Department of Photonics of National Yang Ming Chiao Tung University Chair Professor, Industry Academia Innovation School of National Yang Ming Chiao Tung University Chair Professor, International College of Semiconductor Technology of National Yang Ming Chiao Tung University Dean, Department of Photonics of National Yang Ming Chiao Tung University Director, Taiwan Display Union Association and Secretary General of Taipei Chapter, Society for Information Display Secretary, Taiwan Display Union Association and Secretary General of Taipei Chapter, Society for Information Display | None | None | None |
| Director | R.O.C. | Wu Jin-Hong | Male 61-70 years old | 2020.6.18 | 3 | 2015.6.24 | 300,111 | 0.4% | 153,111 | 0.20% | 0 | 0% | 0 | 0% | Electrical Engineering, Chin-Yi Institute of Technology Production Chief, Microelectronics Technology, Inc. | Chairperson, Browave ZhongShan Corporation | None | None | None |
| Director | R.O.C. | Hwang Yu-Wen | Male 51-60 years old | 2020.6.18 | 3 | 2017.6.20 | 366,018 | 0.49% | 422,018 | 0.56% | 0 | 0% | 0 | 0% | Master of Science in Optoelectronics, National Yang Ming Chiao Tung University Section Chief, ELECTRONIC & OPTOELECTRONIC SYSTEM RESEARCH LABORATORIES/INDUSTRIAL TECHNOLOGY RESEARCH INSTITUTE | President, Browave Corporation Director, Browave ZhongShan Corporation Director, Browave (Philippines) Corporation | None | None | None |
| Director | R.O.C. | Wu Yu-Chun | Male 71-80 years old | 2020.6.18 | 3 | 2020.6.18 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Master of Advanced Public Administration, National Taiwan University President, TPEx | Independent director, Yuanta Securities Co., Ltd. Independent director, Yuanta Futures Co., Ltd. | None | None | None |

| Title | Nationality or Place of Registration | Name | Gender Age | Date Elected | Term of Office (years) | First Elected Date | Shareholding When Elected | | Shareholding at Present | | Shareholding of Spouse and Minor Children now | | Shareholding in the Name of Others | | Major Experience (education) | Concurrent positions in the Company and other companies now | Spouse or Relatives Within Second Degree of Kinship Who Are Officers, Directors, or Supervisors of the Company | | |
|----------------------|--------------------------------------|----------------|------------------------|--------------|------------------------|--------------------|---------------------------|-------------------------|-------------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|---|---|--|------|--------------|
| | | | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Independent director | R.O.C. | Lin Chien-Chih | Male 51-60 years old | 2020.6.18 | 3 | 2019.6.6 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | J.D., University of London, UK Chairperson, Financial Ombudsman Institution Executive Officer, Master Program of International Business Administration, National Chengchi University Chair, Department of Risk Management and Insurance, National Chengchi University | Professor, Department of Risk Management and Insurance, National Chengchi University Chairperson, Ji Yun Insurance Culture and Education Foundation Chairperson, Taiwan Insurance Law Association Vice Chairperson, Insurance Society of the The Republic of China Director, Association Internationale de Droit des Assurance Independent director, Taiwan Life Insurance Co., Ltd. Independent director, Yunta Securities Co., Ltd. | None | None | None |
| Independent director | R.O.C. | Meng Ching-Li | Male 61-70 years old | 2020.6.18 | 3 | 2020.6.18 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | President, Taiwan Depository & Clearing Corporation | Director, Jinan Acetate Chemical Co., LTD. | None | None | None |
| Independent director | R.O.C. | Fang Pei-Hua | Female 51-60 years old | 2020.6.18 | 3 | 2020.6.18 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | President of Taiwan, SCOR Reinsurance Company (Asia) Limited Vice President of Taiwan Branch, Swiss Re-insurance Company | None | None | None | None |

Note 1: The table shows the information on directors in service as of the date of publication of the annual report.

Major Shareholders of Corporate Shareholders

April 21, 2023

| Name of corporate shareholder | Major shareholders of corporate shareholders |
|---|--|
| National Development Fund, Executive Yuan | Non-corporate organizations. Not applicable. |

2. Disclosure of information on specialized qualifications and independence of independent directors

| Criteria Name | Professional Qualifications and Experience | Status of Independence | Number of Other Public Companies in Which the Individual Is Concurrently Serving as an Independent Director |
|--|--|------------------------|---|
| Chairperson Cheng Wann-Lai | More than five years of working experience in commerce, finance, and corporate business, and currently Chairperson of the Company and the corporate representative of several companies. No circumstances under Article 30 of the Company Act. | Not Applicable | 1 |
| Director Chen Yu-Liang | More than five years of working experience in commerce, finance, and corporate business, and is currently Director of several listed companies. No circumstances under Article 30 of the Company Act. | | 1 |
| Director Representative of National Development Fund, Executive Yuan: Liu Po-Tsun | More than five years of specialized experience as a professor at public and private universities in departments relevant to business and corporate operations, and specialized industry knowledge; currently, director of the Joint Research Center for Display Technology, National Yang Ming Chiao Tung University. No circumstances under Article 30 of the Company Act. | | 1 |
| Director Wu Jin-Hong | More than five years of experience in commerce, finance and corporate business, and extensive industry experience; currently Vice President of the Company and formerly the Production Chief of Microelectronics Technology, Inc. No circumstances under Article 30 of the Company Act. | | 0 |
| Director Hwang Yu-Wen | More than five years of working experience in commerce, finance, and corporate business, and currently President of the Company. Formerly the person in charge of Optoplex Corporation with extensive industry experience and judgment of global specialized market competitions. No circumstances under Article 30 of the Company Act. | | 0 |
| Director Wu Yu-Chun | More than five years of working experience in commerce, finance, and corporate business, and currently an independent director of Yuanta Securities Co., Ltd. Work experience: served as Team Leader and Director Secretary of the Securities and Futures Commission, Ministry of Finance, Deputy Director of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, President of the Taipei Exchange, and Chairperson of Master Link Securities Investment Advisory Co. Ltd. No circumstances under Article 30 of the Company Act. | | 2 |

| Criteria Name | Professional Qualifications and Experience | Status of Independence | Number of Other Public Companies in Which the Individual Is Concurrently Serving as an Independent Director |
|--|--|--|---|
| Independent director Lin Chien-Chih | More than five years of experience in commerce, finance, and corporate business, and specializing in the field of law and currently a professor in the Department of Risk Management and Insurance, National Chengchi University No circumstances under Article 30 of the Company Act. | The independent directors of the Company are in compliance with Paragraphs 1-9, Article 3 of the "Regulations Governing Appointment of Independent | 2 |
| Independent director Meng Ching-Li | More than five years of experience in commerce, finance, and corporate business, formerly the President of Taiwan Depository & Clearing Corporation No circumstances under Article 30 of the Company Act. | Directors and Compliance Matters for Public Companies". (Note) | 0 |
| Independent director Fang Pei-Hua | More than five years of working experience in commerce, finance, and corporate business. Formerly the President of SCOR Reinsurance Company (Asia) Limited, Vice President of Swiss Re-insurance Taiwan Branch, and Actuarial Assistant VP of MetLife Taiwan Branch No circumstances under Article 30 of the Company Act. | | 0 |

Note:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates.
- (3) Not a natural-person shareholder holding more than 1% of the total number of issued shares or among the top 10 natural-person shareholders in the name of itself, its spouse, minor children, or others.
- (4) Not a managerial officer under (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship under (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder directly holding 5% or more of the total number of issued shares of the Company, or among the top 5 in shareholdings, or designating its representative to serve as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other company. If a majority of the Company's director seats or shares with voting rights and those of that other company are controlled by the same person.
- (7) Not a director, supervisor, or employee of the other company or institution who is or whose spouse is the chairperson, general manager, or equivalent positions of the Company.
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company.
- (9) Not a specialized, sole proprietor, partner, owner of a company or institution, director, supervisor, managerial officer, or its spouse that provides the Company or affiliates with audit services or commercial, legal, financial, accounting or related services with cumulative amount of remuneration in the last two years exceeding NTD 500,000.

3. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors

In accordance with Article 20 of the Company's "Corporate Governance Best Practice Principles", diversity should be considered for the composition of the Board of Directors and its members should generally possess the knowledge, skills, and qualities necessary to perform its duties. In order to achieve the desired objectives of corporate governance, it is desirable that the Board of Directors as a whole have the following competencies: 1. The ability to make judgments about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management ability. 5. Industry knowledge. 6. International market perspective. 7. Leadership ability. 8. Decision-making ability.

The implementation status is as follows:

| Core Diversity Items Title/Name | | Gender | Part-time Employee | Term of Directors Office (years) | | | | Judgments About Operations | Accounting and Financial Analysis Ability | Business Management | Crisis Management | Industry Knowledge | International Market Perspective | Leadership Ability | Decision-making Ability |
|------------------------------------|---|--------|--------------------|----------------------------------|-----|-----|----|----------------------------|---|---------------------|-------------------|--------------------|----------------------------------|--------------------|-------------------------|
| | | | | <3 | 3~6 | 6~9 | >9 | | | | | | | | |
| Chairperson | Cheng Wann-Lai | Male | | | | | V | V | V | V | V | V | V | V | V |
| Director | Chen Yu-Liang | Male | | | | | V | V | - | V | V | V | V | V | V |
| Director | National Development Fund, Executive Yuan | - | | | | | V | V | - | V | V | V | V | V | V |
| | Representative: Liu Po-Tsun | Male | | | | V | | | | | | | | | |
| Director | Wu Jin-Hong | Male | | | | V | | V | - | V | V | V | V | V | V |
| Director | Hwang Yu-Wen | Male | V | | V | | | V | - | V | V | V | V | V | V |
| Director | Wu Yu-Chun | Male | | V | | | | V | V | V | V | - | V | V | V |
| Independent Director | Lin Chien-Chih | Male | | | V | | | V | V | V | V | - | V | V | V |
| Independent Director | Meng Ching-Li | Male | | V | | | | V | V | V | V | - | V | V | V |
| Independent Director | Fang Pei-Hua | Female | | V | | | | V | V | V | V | - | V | V | V |

The specific management objectives of the Board's diversity policy and their achievement are as follows:

| Management Objectives | Achievement |
|---|-------------|
| The number of directors who are also managerial officers should not exceed one-third of the number of directors | Achieved |
| There is at least one female member in the Board of Directors | Achieved |
| No independent directors have served more than three terms | Achieved |

(2) Independence of the Board of Directors: The 9th Board of Directors is composed of 9 directors, including 3 independent directors, accounting for 33% of the total board members. They are outstanding individuals with rich professional practical

experience, leadership decision-making, and industry knowledge. The three independent directors have expertise in legal, financial accounting, and business management backgrounds respectively. Their tenure is as follows: 2 directors have been in office for less than 3 years, and 1 director has been in office for less than 6 years. Mr. Lin Chien-Chih was graduated with a PhD in Law from the University of London, currently serves as a professor in the Department of Risk Management and Insurance at National Chengchi University.

(2) Information on President, Vice President, Assistant VP, and Officers of Departments and Branches

April 21, 2023; Unit: Shares

| Title | Nationality | Name | Gender | Elected Date | Shareholding | | Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Major Experience (education) | Concurrent Positions in Other Companies | Spouse Relatives Within Second Degree of Kinship Who Are Managerial Officers of the Company | | |
|--|-------------|--------------|--------|--------------|------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|--|--|---|------|--------------|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| President | R.O.C. | Hwang Yu-Wen | Male | 2015.8.10 | 422,018 | 0.56% | 0 | 0% | 0 | 0% | Master of Science in Optoelectronics, National Chiao Tung University Section Chief, ELECTRONIC & OPTOELECTRONIC SYSTEM RESEARCH LABORATORIES/INDUSTRIAL TECHNOLOGY RESEARCH INSTITUTE Person in charge, Optoplex Corporation | Director, Browave Japan Corporation Director, Browave (Philippines) Corporation | None | None | None |
| President's Office Vice President | R.O.C. | Wu Jin-Hong | Male | 2009.8.1 | 153,111 | 0.20% | 0 | 0% | 0 | 0% | Electrical Engineering, Chin-Yi Institute of Technology Production Chief, Microelectronics Technology, Inc. | Director, Browave Japan Corporation | None | None | None |
| Product Management Department Vice President | R.O.C. | Chen Yong-He | Male | 2015.8.10 | 107,688 | 0.14% | 0 | 0% | 0 | 0% | Ph.D., Institute of Electronics, National Chiao Tung University Engineer ELECTRONIC & OPTOELECTRONIC SYSTEM RESEARCH LABORATORIES/INDUSTRIAL TECHNOLOGY RESEARCH INSTITUTE | None | None | None | None |
| R&D Engineering Department Vice President | R.O.C. | Chou Wei-Jen | Male | 2016.12.1 | 150,000 | 0.20% | 0 | 0% | 0 | 0% | Institute of Optoelectronics, National Chiao Tung University R&D VP, AmTRAN Technology Co., Ltd. | None | None | None | None |

| Title | Nationality | Name | Gender | Elected Date | Shareholding | | Shareholding of Spouse and Minor Children | | Shareholding in the Name of Others | | Major Experience (education) | Concurrent Positions in Other Companies | Spouse Relatives Within Second Degree of Kinship Who Are Managerial Officers of the Company | | |
|---|-------------|-----------------|--------|--------------|------------------|-------------------------|---|-------------------------|------------------------------------|-------------------------|--|---|---|------|--------------|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship |
| Marketing and Sales Department Vice President | R.O.C. | Chang Wen-Chiao | Male | 2015.8.10 | 118,081 | 0.16% | 0 | 0% | 0 | 0% | Master of Science in Applied Mechanics, National Taiwan University | None | None | None | None |
| Vice President of Material Resources Department | R.O.C. | Lin Jin-Xiong | Male | 2019.3.7 | 240,000 | 0.32% | 0 | 0% | 0 | 0% | Mechanical Engineering, Taipei Institute of Technology Reliability Engineering Manager, Aetas Systems Incorporated Vice President, FOCI FIBER OPTIC COMMUNICATIONS, INC. | Director, Browave (ZhongShan) Corporation Chairperson, Browave (Philippines) Corporation | None | None | None |
| Operation Center Vice President | R.O.C. | Liu Bang-Zhen | Male | 2009.9.1 | 57,156 | 0.08% | 0 | 0% | 0 | 0% | Electronic Engineering, Asia Eastern Institute of Technology | President, Browave (ZhongShan) Corporation | None | None | None |
| Finance and Accounting Department Assistant VP | R.O.C. | Huang Shu-Jun | Female | 2015.4.15 | 145,000 | 0.19% | 0 | 0% | 0 | 0% | Department of Accounting, Feng Chia University Accounting Manager, Macronix International Co., Ltd. | None | None | None | None |

Note 1: The table shows the information on managerial officers in service as of the date of publication of the annual report.

Note 2: There is no circumstances where the President or equivalent (top managerial officer) and the Chairperson of the Board of Directors are the same person.

Note 3: Mr. Wu Jin-Hong has retired as of April 1, 2023.

3. Remuneration for Directors, Supervisors, President, and Vice President for the Most Recent Year

(1) Remuneration for regular directors and independent directors

Unit: In thousands of NTD

| Unit: In thousands of NTD | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---------------------------------|--|---------------------------|--|---|--|--|--|---|--|---|--|---------------------------|--|---|--------------|--|--------------|--|--|--|
| Title | Name | Total Remuneration to Directors | | | | | | | | A, B, C and D as A % Of the Net Profit After Tax (Note 4) | | Remuneration for a concurrent position as an employee | | | | | | | | A, B, C, D, E, F and G as A % Of the Net Profit After Tax (Note 4) | | Remuneration From Investees Outside Subsidiaries or From the Parent Company (Note 8) |
| | | Base Remuneration (A) (Note 1) | | Severance and Pension (B) | | Remuneration for Directors (C) (Note 2) | | Business Execution Expenses (D) (Note 3) | | | | Salary, Bonus, Allowance (E) (Note 5) | | Severance and pension (F) | | Remuneration for Employees (G) (Note 6) | | | | | | |
| | | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | All companies in the Financial Statements (Note 7) | The Company | | All companies in the Financial Statements (Note 6) | | The Company | All companies in the Financial Statements (Note 7) | |
| | | | | | | | | | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Chairperson | Cheng Wann-Lai | 1,800 | 1,800 | 0 | 0 | 13,600 | 13,600 | 4,413 | 4,413 | 19,813 4.39% | 19,813 4.39% | 6,033 | 6,855 | 195 | 195 | 2,911 | 0 | 2,911 | 0 | 28,952 6.41% | 29,774 6.59% | |
| Director | Chen Yu-Liang | | | | | | | | | | | | | | | | | | | | | |
| Director | Representative of National Development Fund, Executive Yuan: Liu Po-Tsun | | | | | | | | | | | | | | | | | | | | | |
| Director | Wu Jin-Hong | | | | | | | | | | | | | | | | | | | | | |
| Director | Hwang Yu-Wen | | | | | | | | | | | | | | | | | | | | | |
| Director | Wu Yu-Chun | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Lin Chien-Chih | 3,600 | 3,600 | 0 | 0 | 0 | 0 | 60 | 60 | 3,660 0.81% | 3,660 0.81% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,660 0.81% | 3,660 0.81% | |
| Independent Director | Meng Ching-Li | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Fang Pei-Hua | | | | | | | | | | | | | | | | | | | | | |
| <div>1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: Please refer to page 20 of the Annual Report.</div> <div>2. In addition to the disclosure above, the remuneration for the directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.</div> | | | | | | | | | | | | | | | | | | | | | | |

Range of Remuneration

| Remuneration Range for the Directors of the Company | Director's Name | | | |
|---|---|---|--|--|
| | Total Amount of the First Four Remunerations (A+B+C+D) | | Total Amount of the First Seven Remunerations (A+B+C+D+E+F+G) | |
| | The Company | All Companies in the Financial Statements | The Company | All Companies in the Financial Statements |
| Less than NTD 1,000,000 | | | | |
| \$1,000,000 (inclusive) to NTD 2,000,000 | Lin Chien-Chih, Meng Ching-Li, Fang Pei-Hua | Lin Chien-Chih, Meng Ching-Li, Fang Pei-Hua | Lin Chien-Chih, Meng Ching-Li, Fang Pei-Hua | Lin Chien-Chih, Meng Ching-Li, Fang Pei-Hua |
| \$2,000,000 (inclusive) to NTD 3,500,000 | Chen Yu-Liang, National Development Fund, Executive Yuan, Wu Jin-Hong, Hwang Yu-Wen, Wu Yu-Chun | Chen Yu-Liang, National Development Fund, Executive Yuan, Wu Jin-Hong, Hwang Yu-Wen, Wu Yu-Chun | Chen Yu-Liang, National Development Fund, Executive Yuan, Wu Yu-Chun | Chen Yu-Liang, National Development Fund, Executive Yuan, Wu Yu-Chun |
| \$3,500,000 (inclusive) to NTD 5,000,000 | | | Wu Jin-Hong | |
| \$5,000,000 (inclusive) to NTD 10,000,000 | Cheng Wann-Lai | Cheng Wann-Lai | Cheng Wann-Lai, Hwang Yu-Wen | Cheng Wann-Lai, Hwang Yu-Wen, Wu Jin-Hong |
| \$10,000,000 (inclusive) to NTD 15,000,000 | | | | |
| \$15,000,000 (inclusive) to NTD 30,000,000 | | | | |
| \$30,000,000 (inclusive) to NTD 50,000,000 | | | | |
| \$50,000,000 (inclusive) to NTD 100,000,000 | | | | |
| More than NTD 100,000,000 | | | | |
| Total | 9 seats | 9 seats | 9 seats | 9 seats |

Note 1: This refers to the remunerations for directors (including director's base salary, duty allowance, severance, various bonuses, and incentives, etc.) for the most recent year.

Note 2: This refers to the amount of directors' remunerations approved by the Board of Directors for the most recent year.

Note 3: This refers to directors' business execution expenses (including travel expenses, special allowances, various subsidies, dormitory, company car, etc.) for the most recent year.

Note 4: The net profit after tax refers to the net profit after tax of the standalone financial statements for the most recent year.

Note 5: This refers to the salaries, duty allowance, severance, bonuses, incentives, travel expenses, special allowances, various subsidies, dormitories, company cars, and other provisions received by directors for their concurrent positions as employees (including the president, vice presidents, other managerial officers, and employees) for the most recent year. Salary expenses recognized in accordance with IFRS 2, "Share-based Payment", include the acquisition of employee stock options, employee restricted stocks, and participation in cash capital increase subscriptions.

Note 6: This refers to the employee remuneration for the most recent year to directors who concurrently serve the Company as employees (including president, vice president, other managerial officers and employees). The amounts shown above are the proposed amounts.

Note 7: This refers to the total amount of remuneration paid to the directors of the Company by all companies in the consolidated statements (including the Company).

Note 8: This refers to the base and bonus remuneration (including bonus for employees, directors, and supervisors) and business execution expenses of the Company's directors in their capacity as directors, supervisors or managerial officers of the Company's investees outside of subsidiaries or the parent company.

(2) Remuneration for President and Vice President

Unit: In thousands of NTD

| Title | Name | Salary (A) | | Severance and Pension (B) | | Bonus and Allowance (C) | | Remuneration for Employees (D) (Note 2) | | | | A, B, C and D as a % of the Net Profit after Tax | | Remuneration from Investees Outside Subsidiaries or from the Parent Company (Note 3) |
|--|------------------------------|----------------|---|---------------------------|---|-------------------------|---|--|-----------------|---|-----------------|--|---|--|
| | | The Company | All Companies in the Financial Statements (Note 1) | The Company | All Companies in the Financial Statements (Note 1) | The Company | All Companies in the Financial Statements (Note 1) | The Company | | All companies in the financial statements (Note 1) | | The Company | All Companies in the Financial Statements (Note 1) | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| President/Director of Subsidiary | Hwang Yu- Wen (Note 4) | 12,851 | 14,555 | 719 | 719 | 8,208 | 8,468 | 9,700 | 0 | 9,700 | 0 | 31,478 6.97% | 33,442 7.41% | 0 |
| Vice President/ Chairperson of Subsidiary | Wu Jin-Hong (Note 5) | | | | | | | | | | | | | |
| Vice President | Chen Yong-He | | | | | | | | | | | | | |
| Vice President | Chou Wei-Jen | | | | | | | | | | | | | |
| Vice President | Chang Wen- Chiao | | | | | | | | | | | | | |
| Vice President/ Chairperson of Subsidiary | Lin Jin-Xiong | | | | | | | | | | | | | |
| Vice President/President of Subsidiary | Liu Bang-Zhen (Note 6) | | | | | | | | | | | | | |

Remuneration Range

| Remuneration Range for Each President and Vice President of the Company | Name of President and Vice President | |
|---|---|---|
| | The Company | All Companies in the Financial Statements (Note 1) |
| Less than NTD 1,000,000 | | |
| \$1,000,000 (inclusive) to NTD 2,000,000 | Wu Jin-Hong, | Wu Jin-Hong, |
| \$2,000,000 (inclusive) to NTD 3,500,000 | | |
| \$3,500,000 (inclusive) to NTD 5,000,000 | Chen Yong-He, Chou Wei-Jen, Chang Wen-Chiao, Lin Jin-Xiong, Liu Bang-Zhen | Chen Yong-He, Chou Wei-Jen, Chang Wen-Chiao, Lin Jin-Xiong, Liu Bang-Zhen |
| \$5,000,000 (inclusive) to NTD 10,000,000 | Hwang Yu-Wen | Hwang Yu-Wen |
| \$10,000,000 (inclusive) to NTD 15,000,000 | | |
| \$15,000,000 (inclusive) to NTD 30,000,000 | | |
| \$30,000,000 (inclusive) to NTD 50,000,000 | | |
| \$50,000,000 (inclusive) to NTD 100,000,000 | | |
| More than NTD 100,000,000 | | |
| Total | 7 | 7 |

Note 1: This refers to the total amount paid by all companies in the consolidated statements (including the Company).

Note 2: The amounts shown above are the proposed amounts.

Note 3: This refers to the base and bonus remuneration (including bonus for employees, and directors) and business execution expenses of the Company's president and vice president in their capacity as directors, or managerial officers of the Company's investees outside of subsidiaries or the parent company.

Note 4: Mr. Hwang Yu-Wen has been appointed as Director of Browave (Philippines) Corporation on August 4, 2022.

Note 5: Mr. Wu Jin-Hong has been appointed as Chairperson of Browave (Zhongshan) Corporation on August 4, 2022, and applied for retirement from the position of Deputy General Manager of the Head Office at the parent company on April 01, 2023.

Note 6: Mr. Liu Bang-Zhen has been appointed as President of Browave (Philippines) Corporation on August 4, 2022.

- (3) Name of managerial officers who received employee remuneration and the distribution status:

Unit: In thousands of NTD

| | Title | Name | Stock Amount | Cash Amount (Note 2) | Total | Total amount as a % of net profit after tax (%) |
|--------------------|----------------|-----------------|--------------|----------------------|--------|---|
| Managerial Officer | President | Hwang Yu-Wen | 0 | 10,400 | 10,400 | 2.30 |
| | Vice President | Wu Jin-Hong | | | | |
| | Vice President | Chen Yong-He | | | | |
| | Vice President | Chou Wei-Jen | | | | |
| | Vice President | Chang Wen-Chiao | | | | |
| | Vice President | Lin Jin-Xiong | | | | |
| | Vice President | Liu Bang-Zhen | | | | |
| | Assistant VP | Huang Shu-Jun | | | | |

Note 1: Mr. Wu Jin-Hong has applied for retirement and resigned from the position of Deputy General Manager of the Head Office at the parent company on April 01, 2023.

Note 2: The amounts shown above are the proposed amounts.

- (4) Compare and describe the total remuneration paid to directors, president, and vice president for the most recent two years by the Company and all companies in the consolidated statements as a % of the net profit after tax, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks:

- Analysis of the total remuneration paid to the Company's directors, president, and vice president as a % of net profit after tax for most recent two years by the Company and all companies in the consolidated statements:

Unit: In thousands of NTD

| Year Item | The Company | | | | All Companies in the Financial Statements | | | |
|------------------------------|---------------|--------------------------------|-----------------|--------------------------------|---|--------------------------------|-----------------|--------------------------------|
| | 2021 (Actual) | | 2022 (Proposed) | | 2021 (Actual) | | 2022 (Proposed) | |
| | Total Amount | As a % of Net Profit After Tax | Total Amount | As a % of Net Profit After Tax | Total Amount | As a % of Net Profit After Tax | Total Amount | As a % of Net Profit After Tax |
| Director | 18,460 | 22.61% | 32,601 | 7.22% | 18,932 | 23.19% | 33,422 | 7.40% |
| President and Vice President | 23,087 | 28.28% | 31,478 | 6.97% | 24,527 | 30.04% | 33,442 | 7.41% |
| Net Profit After Tax | 81,644 | - | 451,583 | - | 81,644 | - | 451,583 | - |

- Policies, criteria, combination, and the procedures for determining remuneration and the correlation to operating performances and future risks:

- (1) Description of the Company's Remuneration to Independent Directors

The independent directors of the Company are compensated based on

the recommendation by the Remuneration Committee with reference taken from the industry standard and are not included in the distribution of earnings and are paid after the resolution of the Board of Directors. They will also be paid travel expenses based on the number of meetings attended.

(2) Remuneration to Directors

In accordance with the Company's Articles of Incorporation, directors are entitled to receive fixed remuneration, the amount of which is determined by the Remuneration Committee with reference taken from the industry standard; when the Company earns a profit in the year, the remuneration of directors shall be no more than 3% of the Company's profitability for the year in accordance with the Company's Articles of Incorporation. In addition, travel expenses are paid based on the number of meetings attended. In summary, the remuneration of the Company's directors is highly correlated with the Company's operating performance.

(3) Description of Remuneration for the President and Vice President of the Company

The remuneration for the President and Vice President consists of a fixed salary and a variable salary, with the fixed salary being the monthly salary payment and the variable salary being the employee remuneration and immediate incentive payment, depending on the profitability of the Company and the performance appraisal of the individual.

In accordance with the Company's Articles of Incorporation, the Company shall allocate 5% to 15% as employees' remuneration based on the profitability of the year, among which the President and Vice President shall be compensated based on the recommendation by the Remuneration Committee with reference taken from the industry standard, personal performance appraisal and contribution to the Company's operation with approval by the Board of Directors. In summary, the overall remuneration of the President and Vice President of the Company is highly correlated with the operating performance of the Company.

4. The Operation of Corporate Governance

(1) The Operation of the Board of Directors

1. The 9th board of directors of our company consists of a total of 9 members.
2. The term of office for this session is from June 18, 2020 to June 17, 2023.
3. The Board of Directors met four times (A) in 2022 and the attendance of directors was as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance by Proxy | As a % of Attendance in Person [B/A] | Remarks |
|----------------------|---|------------------------------------|-------------------------------|--------------------------------------|---------------|
| Chairperson | Cheng Wann-Lai | 4 | 0 | 100% | Re-elected |
| Director | Chen Yu-Liang | 4 | 0 | 100% | Re-elected |
| Director | National Development Fund, Executive Yuan Representative: Liu Po-Tsun | 4 | 0 | 100% | Re-elected |
| Director | Wu Jin-Hong | 4 | 0 | 100% | Re-elected |
| Director | Hwang Yu-Wen | 4 | 0 | 100% | Re-elected |
| Director | Wu Yu-Chun | 4 | 0 | 100% | Newly elected |
| Independent director | Lin Chien-Chih | 4 | 0 | 100% | Re-elected |
| Independent director | Meng Ching-Li | 4 | 0 | 100% | Newly elected |
| Independent director | Fang Pei-Hua | 4 | 0 | 100% | Newly elected |

Other matters required to be recorded:

1. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:
 - (1) Matters listed in Article 14-3 of the Securities and Exchange Act: The related matters are listed below. As the Company has established an audit committee since June 18, 2020, the related matters under Article 14-5 of the Securities and Exchange Act are applicable; please refer to page 27 of the Annual Report for its operation.

| Term and Session/ Date | Motion Content | The Opinions of Independent Directors | The Company's Handling of the Opinions of the Independent Directors | Resolution |
|--|---|---------------------------------------|---|--|
| 9th Board 10th Session (2022.2.23) | 1. 2021 Statement of Internal Control System. 2. 2021 Business Report and financial statements. 3. 2021 earnings distribution. 4. Distribution of 2021 remuneration for employees and directors. 5. Distribution of 2021 remuneration for directors (excluding independent directors). 6. Loaning of funds to the Japanese subsidiary. | Agreed | Not Applicable | Approved as proposed without objection after the chair consulted all directors present |
| 9th Board 11th Session (2022.5.5) | 1. Report "The schedule and plan for inventorying and verifying greenhouse gas emissions." 2. Evaluation of the independence of the attesting CPA Liu Chien-Yu and Lin Yu-Kuan from PwC Taiwan for the year 2022. | | | |

| | | | | |
|--|---|--------|----------------|--|
| | 3. Proposed disposal of real estate or equity in the Japanese subsidiary. 4. Amendment to the fund loan to the Japanese subsidiary. | | | |
| 9th Board 12th Session (2022.8.4) | 1. Changes in the Chairman of the Board for our subsidiary, Browave (Zhongshan) Corporation. 2. Appointment of Directors and President for our new subsidiary Browave (Philippines) Corporation. | Agreed | Not Applicable | Approved as proposed without objection after the chair consulted all directors present |
| 9th Board 13th Session (2022.11.3) | 1. Description of the contents of the directors and officers liability insurance policy for the year 2023. 2. 2023 internal audit plan. 3. Reorganization of the audit department's management. 4. 2023 business plan. 5. Amendment of certain articles of the "Board of Directors Meeting Rules and Regulations". 6. Amendment of certain articles of the "Operating Procedures for Internal Handling of Material Nonpublic Information and Prevention of Insider Trading". | | | |
| 9th Board 14th Session (2023.2.23) | 1. 2022 Statement of Internal Control System. 2. 2022 earnings distribution. 3. Distribution of 2022 remuneration for employees and directors. 4. Distribution of 2022 remuneration for directors (excluding independent directors). 5. Amendment of certain articles of the "Procedure for the Acquisition or Disposal of Assets". 6. Amendment of certain articles of the "Procedures for Ethical Management and Guidelines for Conduct" 7. Capital increase and fund loan to Philippines subsidiary. | | | |

(2) In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.

2. The recusal of directors from motions that involved a conflict of interest. Specify the names of the directors, the content of the motions, and reason for recusal, and their participation in voting:

(1) Resolution of the 10th meeting of the ninth Board of Directors held on February 23, 2022:

1. Name of directors: Mr. Hwang Yu-Wen and Mr. Wu Jin-Hong
Motion content: Distribution of 2021 employee remuneration to managerial officers
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself/herself in accordance with the law and did not participate in voting.

2. Name of directors: Mr. Cheng Wann-Lai, Mr. Chen Yu-Liang, Representative of National Development Fund, Executive Yuan: Mr. Liu Po-Tsun, Mr. Wu Jin-Hong, Mr. Hwang Yu-Wen, Mr. Wu Yu-Chun
Motion content: Distribution of 2021 director remuneration
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself/herself in accordance with the law and did not participate in voting.

(2) Resolution of the 12th meeting of the ninth Board of Directors held on August 4 23, 2022:

1. Name of directors: Mr. Wu Jin-Hong
Motion content: Changes in the Chairman of the Board for our subsidiary, Browave (Zhongshan) Corporation
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself in accordance with the law and did not participate in voting.
2. Name of directors: Mr. Hwang Yu-Wen
Motion content: 2. Appointment of Directors for our new subsidiary, Browave (Philippines) Corporation.
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself in accordance with the law and did not participate in voting.

(3) Resolution of the 14th meeting of the ninth Board of Directors held on February 23, 2023:

1. Name of directors: Mr. Hwang Yu-Wen and Mr. Wu Jin-Hong
Motion content: Distribution of 2022 employee remuneration to managerial officers
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself/herself in accordance with the law and did not participate in voting.
2. Name of directors: Mr. Cheng Wann-Lai, Mr. Chen Yu-Liang, Representative of National Development Fund, Executive Yuan: Mr. Liu Po-Tsun, Mr. Wu Jin-Hong, Mr. Hwang Yu-Wen, Mr. Wu Yu-Chun
Motion content: Distribution of 2022 director remuneration
Reason for recusal: Interested party in this motion
Participation in voting: The director who is an interested party in the motion recused himself/herself in accordance with the law and did not participate in voting.

3. Listed companies should disclose information on the periodicity and period, scope, method, and content of the self-evaluation (or peer evaluation) by the Board of Directors and fill in the following table for the implementation of the Board of Directors' evaluation.

| Evaluation Periodicity | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|------------------------|---------------------|-----------------------------------|---|---|
| Once a year | 2022.1.1~2022.12.31 | Members of the Board of Directors | The evaluation is conducted by means of named questionnaire and the results are reported to the Board of Directors. | A. Alignment of the Company's objectives and tasks. B. Perception of directors' responsibilities. C. The extent of participation in the Company's operations. D. Internal relationship management and communication. E. Professionalism and continuing education of directors. F. Internal control |

| Evaluation Periodicity | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content |
|------------------------|---------------------|--|---|--|
| Once a year | 2022.1.1~2022.12.31 | The entire Board of Directors | The evaluation is conducted by means of named questionnaire and the results are reported to the Board of Directors. | A. The extent of participation in the Company's operations. B. Improvement in the quality of the Board's decision-making. C. Composition and structure of the Board. D. Election and continuing education of directors. E. Internal control |
| Once a year | 2022.1.1~2022.12.31 | Audit Committee/ Remuneration Committee | The evaluation is conducted by means of named questionnaire and the results are reported to the Board of Directors. | A. The extent of participation in the Company's operations. B. Improvement in the quality of the functional committee's decision-making. C. Composition and election of the functional committee members D. Continuing education of functional committee members E. Internal control |

Note 1: The results of the 2022 performance evaluation were included in the report of the Board of Directors on February 23, 2023.

4. Evaluation of the current and most recent year's objectives for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation:
 - (1) Enhance the functions of the Board of Directors
 1. In order to improve corporate governance and enhance the functions of the Board of Directors, the Company has established a remuneration committee to assist the Board of Directors in performing remuneration management. In addition, three independent directors were elected at the annual shareholders' meeting in 2020, and an audit committee was established to perform the duties and responsibilities required by laws and regulations.
 2. The Company's Board of Directors has approved the "Procedures for Ethical Management and Guidelines for Conduct", "Corporate Governance Best Practice Principles", "Code of Ethical Conduct", "Sustainable Development Best Practice Principles", "Measures for Self-evaluation or Peer Evaluation of the Board of Directors", "Operational Risk Management and Control" and "Board of Directors Meeting Rules and Regulations" to strengthen the functions of the Board of Directors and enhance information transparency.
 3. In order to protect directors and managerial officers from the risks they bear in carrying out their business, the Company purchases "Directors', Supervisors' and Managers' Liability Insurance" for directors and managerial officers every year, and the information on the contents of the insurance policy was submitted to the Board of Directors on November 3, 2022 to ensure that the contents meet the management needs of the Company.

4. The directors' continuing education in 2022 is as follows:

| Title | Name | Organizer | Course Name | Number of Hours |
|--------------------------------------|----------------|---|--------------------------------------|-----------------|
| Chairperson | Cheng Wann-Lai | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Director | Chen Yu-Liang | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Representative of corporate director | Liu Po-Tsun | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Director | Wu Jin-Hong | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Director | Hwang Yu-Wen | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Director | Wu Yu-Chun | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Independent director | Lin Chien-Chih | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Independent director | Meng Ching-Li | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |
| Independent director | Fang Pei-Hua | Taiwan Corporate Governance Association | CSR/ESG Trends and Developments | 3 |
| | | | Green Bonds and Sustainable Business | 3 |

(2) Enhance information transparency

The Company's financial information, significant resolutions, directors' attendance at board meetings and directors' continuing education programs are announced on the Market Observation Post System in a timely manner as required by law, and the Company's financial and business information is also disclosed on the Company's website so that the investing public can obtain the information immediately.

(2) The operation of the Audit Committee:

1. The operation of the Audit Committee:

(1) On June 18, 2020, the Company established the Audit Committee to replace the supervisor system. The Committee consists of three members and Current term of office: June 18, 2020 to June 17, 2023.

(2) The responsibilities of the Audit Committee are as follows:

- i. Establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Securities and Exchange Act.
- ii. Evaluate the efficacy of the internal control system.
- iii. Establish or amend procedures for handling significant financial transactions involving the acquisition or disposal of assets, derivative transactions, loaning of funds to others, or endorsement or guarantee for others in accordance with Article 36-1 of the Securities and Exchange Act.
- iv. Matters involving directors' own interests.
- v. Significant asset or derivative transactions.
- vi. Significant loaning of funds, endorsements, or provisions of guarantees.
- vii. Raising, issuance or private placement of securities of an equity nature.
- viii. Appointment, dismissal, or compensation of attesting CPAs.
- ix. Appointment or dismissal of financial, accounting, or internal audit officers.
- x. Financial statements
- xi. Other significant matters as required by the Company or the competent authorities

(3) The Audit Committee met four times in 2022 (A), and the attendance of independent directors was as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance by Proxy | % of Attendance in Person [B/A] | Remarks |
|----------------------|----------------|------------------------------------|-------------------------------|---------------------------------|---------------|
| Independent director | Lin Chien-Chih | 4 | 0 | 100% | Re-elected |
| Independent director | Meng Ching-Li | 4 | 0 | 100% | Newly elected |
| Independent director | Fang Pei-Hua | 4 | 0 | 100% | Newly elected |

Other matters required to be recorded:

1. If the operation of the Audit Committee is under any of the following circumstances, the date, period, proposal content, the results of the Audit Committee's resolution and the Company's handling of their opinions should be described:

| (1) Matters listed in Article 14-5 of the Securities and Exchange Act. | | | | | | |
|--|---|--|---|---|---|--|
| Session Date | Motion Content | Independent Directors' Objections, Reservations or Significant Recommendations | Results of the Audit Committee's Resolution | The Company's Handling of the Opinions of the Audit Committee | Resolution of the Board of Directors | |
| 1st board 8th session (2022.2.23) | 1. 2021 "Statement of Internal Control System". 2. 2021 Business Report and financial statements. 3. Loaning of funds to the Japanese subsidiary. | None | Agreed | Not Applicable | Approved as proposed without objection by all directors present | |
| 1st board 9th session (2022.5.5) | 1. Evaluation of the independence of the attesting CPA Liu Chien-Yu and Lin Yu-Kuan from PwC Taiwan and the appointment of the CPAs to audit the Company's 2022 financial statements. 2. 2022 Consolidated financial statements for Q1. 3. Proposed disposal of real estate or equity in the Japanese subsidiary. 4. Amendment to the fund loan to the Japanese subsidiary. | | | | | |
| 1st board 10th session (2022.8.4) | 2022 Consolidated financial statements for Q2. | | | | | |
| 1st board 11th session (2022.11.3) | 1. 2023 internal audit plan. 2. Reorganization of the audit department's management. 3. 2022 Consolidated financial statements for Q3. 4. 2023 business plan 5. Amendment of certain articles of the "Board of Directors Meeting Rules and Regulations". 6. Amendment of certain articles of the "Operating Procedures for Internal Handling of Material Nonpublic Information and Prevention of Insider Trading". | | | | | |

- (2) In addition to the preceding matters, other resolutions not approved by the Audit Committee and approved by two-thirds or more of all directors: No such situation.
2. The recusal of independent directors from motions that involve a conflict of interest. Specify the names of the independent directors, the content of the motions, and reason for recusal, and their participation in voting: No such situation.
3. Communication between the independent directors, internal audit officer and CPAs (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):

(1) Summary of communication between independent directors and internal audit officer for 2022

| Date of the Audit Committee Meeting | Highlights of Communication | The Opinions of Independent Directors |
|-------------------------------------|--|---------------------------------------|
| 2022.2.23 | 1. Internal audit reports for October 2021 to January 2022 include 22 reports on the financing, sales and receivables cycles, processing of derivative products, endorsement and guarantee operations, lending to others, management of the remuneration committee, and investment cycle. 2. Statement of Internal Control System | No opinion |
| 2022.5.5 | Internal audit reports for February-March 2022, include 7 reports on production cycle, processing of derivative products, acquisition or disposal of assets processing, fixed assets cycle, and salary cycle. | No opinion |
| 2022.8.4 | Internal audit reports for the second quarter of 2022 include 16 reports on handling of derivative transactions, endorsement and guarantee operations, lending and borrowing operations, oversight of subsidiaries, management of internal material information processing and prevention of insider trading, payroll cycles, property management operations, and operations related to group companies, specific companies, and related party transactions. | No opinion |
| 2022.11.3 | 1. Internal audit reports for the third quarter of 2022 include 19 reports on management of the financial statement preparation process, handling of derivative transactions, compliance with international accounting standards and relevant laws and regulations, research and development processes, procurement and payment processes, delegation of authority and agency operations, management of the financial statement preparation process, accounting professional judgment processes, and processes related to changes in accounting policies and estimates. 2. 2023 internal audit plan | No opinion |

The audit officer communicates with the independent directors through the audit report on a monthly basis, reports at least once a quarter on the performance of the audit business through the Audit Committee and immediately reports to the Audit Committee if there are special circumstances. The Company's Audit Committee and the internal audit officer communicate well with each other.

(2) Summary of communication between independent directors and CPAs for 2022

| Date of | Communication meetings | Highlights of Communication | The Opinions of Independent Directors |
|-----------|-----------------------------|---|---------------------------------------|
| 2022.2.23 | The Audit Committee meeting | 1. Standalone and consolidated financial statements for 2021. 2. Scope of Audit, Key Items, and Communication Regarding Important Regulatory Updates | No opinion |
| 2022.5.5 | The Audit Committee meeting | 2022 results of the review of the consolidated financial statements for Q1 | No opinion |
| 2022.8.4 | The Audit Committee meeting | 2022 results of the review of the consolidated financial statements for Q2 | No opinion |
| 2022.11.3 | The Audit Committee meeting | 2022 results of the review of the consolidated financial statements for Q3 | No opinion |
| 2023.2.21 | Individual meeting | Audit Quality Indicators (AQI) | No opinion |

The Company invites the attesting CPAs to sit in the Audit Committee meetings to communicate the results of the review or audit of financial reports and related legal regulations. Their interaction with each other is good.

4. Key tasks of the Audit Committee in 2022:

- (1) Review of the 2021 financial reports, and financial reports of 2022 Q1, Q2, and Q3.
- (2) Appointment and compensation of the attesting CPA's and the assessment of their independence.
- (3) Review of the annual audit plan.
- (4) Appraisal of the effectiveness of the internal control system and the review of the internal audit reports and tracking reports.

(3) The state of operation of the Company's corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| 1. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"? | V | | The Company has established "Corporate Governance Best Practice Principles" and has followed the laws and regulations to implement and disclose information to protect the rights and interests of the investing public, stakeholders, and employees. | No material difference |
| 2. The Company's equity structure and shareholder equity | | | | No material difference |
| (1) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures? | V | | (1) The Company has a spokesperson, an acting spokesperson, and an investor hotline to handle shareholder proposals and related matters, and discloses contact information on the Investor Relations Section of the Company's website. | |
| (2) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders? | V | | (2) The Company keeps track of the shareholdings of its directors, managerial officers and shareholders holding more than 5% of the shares and discloses this information on a regular basis. | |
| (3) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies? | V | | (3) The Company has established "Procedures for Group Enterprises, Specific Companies and Related Party Transactions" and follows the laws and regulations and the internal control system. | |
| (4) Has the Company formulated internal regulations to prevent insiders from trading | V | | (4) The Company has established the "Procedures for Handling Material Inside Information and Prevention of Insider Trading" and "Procedures | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| securities using undisclosed information on the market? | | | for Ethical Management and Guidelines for Conduct” to prevent improper disclosure of information and to ensure the consistency and correctness of information published by the Company to the outside world and strengthen the prevention of insider trading. | |
| 3. Composition and Responsibilities of the Board of Directors | | | | No material difference |
| (1) Has the Board of Directors formulated and implemented a membership diversity policy? | V | | (1) The Company's “Corporate Governance Best Practice Principles” regulate the qualifications of directors and independent directors, and set up a diversity policy for the Company's operation, business model and development needs, and adopted a nomination system for candidates in accordance with the Company's Articles of Incorporation to ensure the diversity and independence of Board members. The 9th Board of Directors is composed of 8 male and 1 female member, including 7 directors with extensive management experience and 2 university professors with extensive academic experience. Please refer to page 13 of the Annual Report for the implementation of the Board's diversity policy. | |
| (2) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees? | | V | (2) No other functional committees have been established. | |
| (3) Has the Company formulated board performance evaluation measures and methods, | V | | (3) The Company has established the “Measures for Self-evaluation or Peer Evaluation of the Board of Directors” to conduct annual | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| <p>conducts performance evaluations annually and regularly, and reports the results of performance evaluations to the Board of Directors, and uses them as a reference for individual directors' remuneration and nomination for reappointment?</p> <p>(4) Does the Company regularly evaluate the independence of attesting CPAs?</p> | | V | <p>performance evaluation (please refer to page 24 of the Annual Report), and the results of this year's evaluation are excellent. The results of the evaluation were presented to the Board of Directors on February 23, 2023, as a reference for directors' remuneration and future nomination for reappointment. On February 23, 2023, the 8th meeting of the 4th Remuneration Committee reported on the directors' and managers' performance and compensation for the year 2022.</p> <p>(4) The company's Audit Committee evaluates the independence and suitability of the external auditors annually. In addition to requesting the auditors to provide an "Independence Declaration" and "Audit Quality Indicators (AQIs)," the committee also assesses the independence of Ms. Liu Qianyu and Ms. Lin Yukuan from Zhicheng & Associates, in accordance with the Independence Evaluation Checklist (Note). The evaluation results for the most recent fiscal year were discussed and approved by the Audit Committee on February 23, 2023, and the resolution was presented to the Board of Directors on the same day.</p> | |
| <p>4. Does the Company as a listed enterprise have a suitable and appropriate number of corporate governance personnel and has it appointed a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing</p> <p>Continued on next page</p> | V | | <p>After the Board of Directors meeting scheduled for May 04, 2023, the company plans to establish a Corporate Governance Officer in compliance with the law to handle matters related to corporate governance, and to handle matters related to Board of Directors and shareholders' meetings, prepare minutes of Board of Directors' and shareholders' meetings in accordance with the law, assist directors in their appointment and continuing education,</p> | No material difference |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)? | | | provide information necessary for directors to perform their business, and other matters in accordance with the Company's Articles of Incorporation or contracts. | |
| 5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders? | V | | <p>1. Our website has a Stakeholder Inquiry Desk, including a contact window and a contact information mailbox, which provides a channel for communication with stakeholders such as investors, media, employees, customers, environmental protection and sustainability initiatives, and suppliers, in order to appropriately respond to the concerns of various stakeholders.</p> <p>2. The Company has an Employee Welfare Committee that meets quarterly to discuss issues related to employee welfare.</p> | No material difference |
| 6. Has the Company appointed a specialized stock affairs agency to handle matters for shareholder meetings? | V | | The Company has appointed KGI Securities Co., Ltd. as its stock affairs agency for shareholders' meetings. | No material difference |
| 7. Information Disclosure (1) Has the Company set up a website to disclose finance and business matters and corporate | V | | (1) The Company announces all financial, business, and corporate governance information in accordance with the regulations | No material difference |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|--|------------------------|
| | Yes | No | Summary Description | |
| governance information? | | | and discloses them on the Company's website. (http://www.browave.com) | |
| (2) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)? | V | | (2) The Company has set up a spokesperson and acting spokesperson system in accordance with the regulations, and discloses their names and contact information on the website, and holds a "corporate presentation" every year to enable investors to fully understand the Company's operation and future development, so as to achieve transparency of the Company's information. | |
| (3) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline? | V | | (3) The Company's financial reports and monthly operations are announced on the Market Observation Post System (MOPS) and disclosed on the Company's website within the prescribed period. | |
| 8. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, Implementation of risk | V | | The Company's management actively promotes corporate governance, and the related systems, measures and their implementation status are as follows: 1. The Company has purchased liability insurance for its directors and supervisors, and reported the important contents of the insurance amount, coverage, and rates to the Board of Directors on November 3, 2022. 2. The number of hours of continuing education for directors is in accordance with the law and is disclosed on the MOPS. 3. The Company has established work | No material difference |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|--|-----------------------|
| | Yes | No | Summary Description | |
| management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)? | | | <p>rules in accordance with the Labor Standards Act and related laws and regulations to protect the rights and interests of employees, and has established an employee welfare committee to serve as a channel of communication between management and employees, and has promoted various employee welfare policies to create a harmonious working environment and enrich the lives of employees. In order to implement safety, quality, hygiene and environmental management, we have obtained ISO 9001:2015 and ISO 14001 certifications, and regularly promote and monitor their implementation to provide a safe and quality working environment.</p> <p>4. The Company focuses on operating our core business and complies with relevant laws and regulations. We have established a Risk Management Review Committee to promote and implement the execution of various policies. We have also formulated the "Risk Control Management Regulations" to reduce and avoid any risks that may harm the interests of the company. Major operational policies, investment projects, asset acquisitions and disposals, and endorsement guarantees are all evaluated and analyzed by relevant departments before being submitted to the board of directors for resolution, in order to implement a supervision mechanism for risk control.</p> <p>5. The Company has established a "succession ladder" development mechanism, guided by the Chairman, General Manager, and various professional consultants, to regularly hold strategic discussions on market marketing/ operation</p> | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|-----------------|-------------------------|----|--|-----------------------|
| | Yes | No | Summary Description | |
| | | | <p>integration/R&D engineering/financial risks and other areas of communication. The main targets are the Chairman, General Manager, and company-level (including) or higher-level executives. In addition to arranging education and training and setting agents, the company plans a succession timetable that spans 1 to 3 years of lateral or subordinate relationships, and conducts 270-degree performance assessments every quarter to understand the status of their core job functions. The training content includes:</p> <p>(1). Education and training: We provide new executives with courses that share the management experiences of the general manager. The content includes strategic thinking, performance management and talent management, high-performance leadership, organizational change, talent development, and leadership succession, in order to improve the management abilities of the executives and establish common rules.</p> <p>(2). The company implements the OKR performance management system on a quarterly basis, using an OKR management system to facilitate communication among team members and ensure consistency in work objectives and performance. The system also helps to develop a management mindset among supervisors in managing departmental objectives.</p> <p>(3). Acting person system: Leaders of level 8 or above shall</p> | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|--|-----------------------|
| | Yes | No | Summary Description | |
| | | | <p>designate two acting persons who shall deputize for the leader during the leader's leave of absence for the purpose of developing the acting persons' specialized and management skills.</p> <p>(4). The strategy seminar and operation monthly report system: Participants include the chairman, professional consultants in various fields, the general manager, and the management level of managers and above; the total time for discussion and reporting is 48 hours.</p> <p>Implementation Results: In 2022, President management experience sharing courses once. The company has established and begun to use the OKR (Objectives and Key Results) management system to ensure the consistency of work objectives and performance. Through the OKR system, there is better communication between managers and employees, allowing them to understand each other's goals and work more clearly, thus improving work efficiency and effectiveness. Additionally, the OKR system enables managers to effectively monitor and evaluate employee performance and provide relevant feedback and rewards.</p> | |
| <p>9. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved</p> <p>The Company's most recent annual corporate governance evaluation ranking range is 21% to 35%, and the improvement status is as follows:</p> <ol style="list-style-type: none"> All nine directors were present at the 2022 shareholders' meeting (including the convener of the Audit Committee) and the attendance list was disclosed in the minutes of the meeting. Disclose the annual work priorities and operation status of the Audit Committee in the annual report and company website. Independent directors' separate communications with the internal audit director and | | | | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|---------------------|-----------------------|
| | Yes | No | Summary Description | |
| accountant shall be disclosed on the company's website. | | | | |
| d. The financial report shall be disclosed within two months after the end of the accounting year. | | | | |
| The unimproved items for improvement are prioritized as follows: | | | | |
| a. Upload of internal shareholding changes by insiders is required before the 10th day of each month. | | | | |
| b. Adding an English version of the annual report. | | | | |

Note: Our CPAs' independence is evaluated as follows:

1. Do the services provided to the Group by the attesting CPA, the practicing CPAs of his or her accounting firms and other alliance member firms meet the independence criteria.
2. Has the Company paid the attesting CPA or his or her accounting firm any contingent fees or referral fees, commissions, etc.
3. Does the attesting CPA serve as a director or independent director of the Company or its affiliates
4. Is the attesting CPA a shareholder of the Company or its affiliates.
5. Is the attesting CPA on the payroll of the Company or its affiliates.
6. Has attesting CPA provided audit services to the Company for seven consecutive years.
7. Does the attesting CPA confirm that his or her accounting firm has complied with the independence criteria.
8. Have the partner CPAs or audit team members of the attesting CPA's accounting firm served as a director, managerial officer, or had a significant influence on the audit within one year of his or her separation.
9. Is there a business relationship between the attesting CPA's accounting firm and the Company.
10. Is there any pending or potential litigation between the attesting CPA's accounting firm and the Company.
11. Does the Company still have outstanding fees from the previous year.

(4) Composition, Responsibilities and Operation of the Remuneration Committee

1. Membership Information

| Criteria Status Name | | Professional Qualifications, Experience and Independence | Number of Other Public Companies Where the Member Is Also a Member of Their Remuneration Committees |
|-------------------------|-----------------------|---|--|
| Independent director | Lin Chien- Chih | Please refer to page 11 of the Annual Report. And without violating the independence requirements set forth in Article 6 of the "Regulations Governing the Establishment and Exercise of Powers of the Compensation Committee of a Company Listed on the Stock Exchange or Traded Over the Counter by Securities Firms". | 2 |
| Independent director | Meng Ching- Li | | 0 |
| Independent director | Fang Pei- Hua | | 0 |

2. Information on the operation of the Remuneration Committee

- (1) The Company's Remuneration Committee has three members
- (2) The term of office of the fourth Remuneration Committee member is from June 18, 2020 to June 17, 2023.
- (3) They met two times in 2022 and the attendance of the members as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance by Proxy | % Of Attendance in Person [B/A] | Remarks |
|-------------------------|-----------------------|---|-------------------------------------|--|------------------|
| Independent director | Lin Chien- Chih | 2 | 0 | 100% | Re-elected |
| Independent director | Meng Ching- Li | 2 | 0 | 100% | Newly elected |
| Independent director | Fang Pei- Hua | 2 | 0 | 100% | Newly elected |

Other matters required to be recorded:

1. The Remuneration Committee meetings convened in the most recent year and the main issues discussed are as follows:

| Session Date | Motion Content | Results of the Remuneration Committee's Resolution | The Company's Handling of the Opinions of the Remuneration Committee | Resolution of the Board of Directors |
|-----------------------------------|--|--|--|---|
| 4th board 6rd session (2022.2.23) | <ol style="list-style-type: none"> 1. Performance appraisal of managerial officers and remuneration payments for 2021. 2. Description of 2022 fixed remuneration for independent directors and directors (excluding the Chairperson). 3. Distribution of 2021 employee remuneration to managerial officers. 4. Distribution of 2021 director remuneration. | Agreed | Not Applicable | Passed without objection after discussion by the directors present (recusal due to conflict of interest). |
| 4th board 7th session (2022.5.5) | Amendments to "Organization Regulations for the Compensation Committee of Browave Corporation". | | | Passed without objection after discussion by the directors present. |

2. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, period, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): No such situation.
3. For the resolutions by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, the opinions of all members, its handling of the members' opinions should be stated: No such situation.
4. The scope of authority of the Compensation Committee is as follows:
 - (1). To conduct regular reviews of this organizational regulations and propose amendments when necessary.
 - (2). The committee shall establish and periodically review policies, systems, standards, and structures for the annual and long-term performance evaluation and compensation of directors and executives.
 - (3). The Committee shall periodically evaluate the performance of the Company's directors and executives in achieving their performance goals, and determine the content and amount of their individual compensation.

(5) Implementation status of the promotion of sustainable development, the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX listed Companies and the reasons therefor

| Promotion Items | Implementation Status | | | Differences & Reasons |
|--|-----------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| 1. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors? | V | | The company authorizes the President, appointed to serve as the highest cross-departmental leader of the "Sustainability Promotion Task Force". The task force is composed of the finance and accounting department, information management department, operations department, marketing and sales department, and administrative department, each responsible for proposing and implementing sustainability policies and specific promotion plans based on their individual organizational functions. The general manager leads the task force and guides all colleagues to promote sustainable development, including advocating and providing education and training on the latest international information, maintaining sustainable environments, engaging in public welfare activities, and regularly reporting operational conditions to the board of directors. | No material difference |
| 2. Does the Company, in accordance with the principle of materiality, conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations, and formulate risk management policies or strategies? | V | | The Company has established and the Board of Directors has approved the "Management Measures for Risk Control" to implement risk management and assessment. The Company intends to report on its operation in the recent board meeting. Major operational policies, investment projects, acquisition and disposition of assets, and endorsement guarantees are all subject to evaluation and analysis by the relevant departments before being submitted to the Audit Committee for discussion and approval by the Board of Directors. This is to ensure the implementation of risk control and other supervisory mechanisms. | No material difference |
| 3. Environmental Issues (1) Has the Company set up an appropriate environmental management system based on the | V | | (1) The Company upholds the environmental policy of "cherishing resources, devoting to environmental protection, pollution prevention, and continuous improvement", and in 2017, | No material difference |

| Promotion Items | Implementation Status | | | Differences & Reasons |
|---|-----------------------|----|---|-----------------------|
| | Yes | No | Summary Description | |
| characteristics of its industry? | | | we passed the ISO -14001 certification (effective date: 2023/8/17) and pledged to become a member of the world's green enterprises. We are committed to reducing energy consumption and improving the efficiency of its use. We also actively manage waste generated during production activities through the principles of reduction, reuse and recycling. | |
| (2) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment? | V | | (2) Based on the principle of cherishing resources, the Company continues to promote energy conservation and carbon reduction by controlling and compiling statistics on water and electricity consumption, promoting energy conservation, turning off lights and power during the noon break and at night, and program the air conditioning system to turn off after work. In addition, we assign dedicated personnel to carry out daily measures for waste recycling, sorting, and paper reduction to achieve the purpose of waste sorting, reduction, and resource recovery. | |
| (3) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues? | V | | (3) Climate change may bring the threat of resource shortage, which will impact on the Company's operations and cause losses. In order to mitigate and respond to the impact of climate change, the Company takes measures to reduce operating costs by conserving water, electricity, and recycling resources effectively. | |
| (4) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, | V | | (4) The company has implemented active measures such as energy conservation, carbon reduction, and water usage reduction. The parent company- Hsinchu site has set quantifiable goals for energy conservation and carbon reduction, with the greenhouse gas emissions in 2019 | |

| Promotion Items | Implementation Status | | | | Differences & Reasons | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|--------|--|------------------------|------------------------|------|------|------|------------------------|-------------|-------------|--------|--------|-------|-------------------|-------------|--------|--------|--------|------------------------|----|-------|-----|------|--------------------------|----|--------|-------|------|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management? | | | <p>as the baseline. From 2020 to 2024, the goal is to reduce emissions by a cumulative total of 120 tons. In 2020, emissions were reduced by 74 tons, and in 2021, they were reduced by 6 tons. However, there was an increase of 4.8 tons in 2022, resulting in a cumulative reduction of 75.2 tons. Additionally, the plant undergoes annual third-party audits for ISO 14001 certification. Regarding the power-saving project, the Hsinchu plant has completed the installation of temperature-controlled switches for the exhaust fans in the equipment room, replaced the lighting in the dust-free room with LED tubes, and changed the 24-hour emergency lighting fixtures to manual control.</p> <p>The increase or decrease of electricity, water consumption and business waste in the past two years are as follows:</p> <table><tr><th>Item</th><th>Unit</th><th>2021</th><th>2022</th><th>Increase or decrease %</th></tr><tr><td>Electricity</td><td>CO2 tonnage</td><td>10,860</td><td>10,335</td><td>(4.8)</td></tr><tr><td>Water consumption</td><td>CO2 tonnage</td><td>14,592</td><td>12,824</td><td>(12.1)</td></tr><tr><td>General business waste</td><td>kg</td><td>7,683</td><td>550</td><td>(93)</td></tr><tr><td>Hazardous business waste</td><td>kg</td><td>11,000</td><td>9,747</td><td>(11)</td></tr></table> <p>Note:</p> <p>1. The relevant data includes the electricity and water consumption and the amount of industrial waste of related companies. The classification of industrial waste is carried out according to local government environmental regulations.</p> <p>2. In 2022, general industrial waste decreased by 93%, mainly due to untreated waste optical fibers in 2022.</p> | | Item | Unit | 2021 | 2022 | Increase or decrease % | Electricity | CO2 tonnage | 10,860 | 10,335 | (4.8) | Water consumption | CO2 tonnage | 14,592 | 12,824 | (12.1) | General business waste | kg | 7,683 | 550 | (93) | Hazardous business waste | kg | 11,000 | 9,747 | (11) | |
| Item | Unit | 2021 | 2022 | Increase or decrease % | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity | CO2 tonnage | 10,860 | 10,335 | (4.8) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Water consumption | CO2 tonnage | 14,592 | 12,824 | (12.1) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General business waste | kg | 7,683 | 550 | (93) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hazardous business waste | kg | 11,000 | 9,747 | (11) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Social Issues (1) Has the company formulated management policies and procedures in accordance with laws and regulations as well as the | V | | (1) The Company protects the rights and interests of employees in accordance with the Labor Standards Act and related laws and regulations, and provides equal rights to all employees whose abilities and qualifications meet the requirements in terms of | | No material difference | | | | | | | | | | | | | | | | | | | | | | | | | |

| Promotion Items | Implementation Status | | | Differences & Reasons |
|--|-----------------------|----|---|-----------------------|
| | Yes | No | Summary Description | |
| International Bill of Human Rights? | | | <p>appointment and promotion without restrictions on race or gender. In addition, the Company holds regular labor-management meetings in order to contribute to the establishment of corporate ethics and specialized morality.</p> <p>The company regularly reviews employee attendance hours and overtime status. If there are any abnormal attendance hours, the supervisors are required to make immediate improvements. There were no abnormal attendance hours in 2022. The company strictly adheres to government laws and regulations regarding personnel employment and does not employ child labor.</p> | |
| (2) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration? | V | | (2) The Company complies with the labor laws and regulations and has established various employee welfare measures and retirement systems. Please refer to page 92 of the Annual Report for the details and implementation of these measures, and payroll is appropriately adjusted based on performance or results. In addition, Article 28-1 of the Company's Articles of Incorporation stipulates that employee remuneration shall be distributed at a rate of 5-15% of the current year's profitability. | |
| (3) Does the Company provide employees with a safe and healthy working environment, and related education? | V | | (3) The Company conducts environmental inspection and sampling every six months, and appoints a third party to conduct environmental testing to establish a testing report to protect the working environment and personal safety of employees. In accordance with the occupational safety related laws and regulations, the Company regularly holds employee health checkups to protect employee for their safety, and organizes CPR or AED training from | |

| Promotion Items | Implementation Status | | | Differences & Reasons |
|--|-----------------------|----|--|-----------------------|
| | Yes | No | Summary Description | |
| | | | time to time. On-site nurses are stationed four times a month, and a doctor is stationed once every quarter to provide health education and consultation to employees. | |
| (4) Has the Company established an effective career development training program for employees? | V | | (4) The Company has established internal and external education and training programs to actively train employees for career development. An annual survey on the training and education needs is conducted, and the progress of the implementation is reviewed every quarter to ensure the effectiveness of the training programs. | |
| (5) Does the Company comply with laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish customer rights protection policies and complaint procedures? | V | | (5) We maintain good communication channels with our customers and provide effective customer complaint handling procedures based on the philosophy of specialized service. | |
| (6) Has the Company formulated supplier management policies that require suppliers to follow regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation? | V | | (6) The Company requires suppliers to submit written declarations of compliance with ROHS and non-use of hazardous substances in order to fulfill long-term social responsibility for environmental protection. The Company also signs quality agreements with its major suppliers, requiring them to ensure their compliance with labor laws and regulations of national and local governments, to take responsibility for the occupational health and safety of their employees, and to assume their | |

| Promotion Items | Implementation Status | | | Differences & Reasons |
|--|-----------------------|----|--|------------------------|
| | Yes | No | Summary Description | |
| | | | corresponding social responsibilities. Child labor is prohibited; forced labor is prohibited; any form of discrimination is prohibited; and legal working hours and labor remuneration for employees are guaranteed. The Company may terminate or cancel the contract at any time if a supplier is involved in a violation of its CSR policy that has a significant impact on the environment and society. | |
| 5. Does the Company take reference from international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the confirmation or assurance opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph? | | V | The Company's industry and size do not meet the criteria for the preparation of a sustainability report. | No material difference |
| 6. If the Company has related practice principles of its own in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the implementation status: Our company has established the "Sustainability Practice Guidelines". We recognize that as a corporate citizen, we have a responsibility to fulfill our social responsibility. Therefore, we have long considered sustainability-related issues in both the design of our corporate system and the direction of our operational strategies. We actively and concretely promote corporate governance, sustainable environmental development, and the maintenance of social welfare, and aim to integrate these efforts with our corporate culture. Our overall operations related to sustainability practices conform to the relevant principles of the guidelines without any significant differences. | | | | |
| 7. Other important information that is helpful to understand the implementation of sustainable development: None | | | | |

(6) Implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|---|------------------------|
| | Yes | No | Summary Description | |
| 1. The Formulation of Ethical Corporate Management Policy and Plan | | | | No material difference |
| (1) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy? | V | | (1) On March 20, 2012, the 2nd meeting of the 6th Board of Directors approved the "Procedures for Ethical Management and Guidelines for Conduct" to build a corporate culture of ethical management and sound development, and the Board of Directors and management are actively carrying through the commitment of the policy of ethical management. | |
| (2) Does the Company have a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"? | V | | (2) The Company's Board of Directors approved the "Code of Ethical Conduct for Browave Corporation" on May 8, 2014, and is regularly audited by auditors. No director, managerial officer or employee of the Company or person having de facto control over the Company shall, in the course of engaging in business, directly or indirectly, offer, promise, demand or accept any improper benefit or engage in other violation of ethics. | |
| (3) Does the Company have specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it? | V | | (3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and requires employees to follow the highest standards of ethics and to establish good corporate governance and risk control mechanisms. In | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|--|------------------------|
| | Yes | No | Summary Description | |
| | | | order to strengthen and implement ethical management, the employment contracts of new employees include provisions on the principle of ethics, and education and training related to ethical management are conducted regularly to internalize it as the value of employees. | |
| 2. The Implementation of Ethical Corporate Management | | | | No material difference |
| (1) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties? | V | | (1) The Company will check whether the counterparty has an unethical record before business dealings, and will prevent transactions or contracts with those who have a record of unethical behavior, and may terminate or cancel contracts at any time if the counterparty is involved in unethical behaviors. | |
| (2) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management, and report regularly (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation? | | V | (2) The Company's corporate governance team as the dedicated unit to promote ethical corporate management is expected to report to the Board of Directors on the implementation since 2022 (at least once a year). | |
| (3) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and implement it? | V | | (3) The Company has established the "Code of Ethical Conduct for Browave Corporation" and its employees are expected to recuse themselves from any matters involving conflicts of interest when performing their duties. The Company also provide appropriate channels | |

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|--|-------------------------|----|--|------------------------|
| | Yes | No | Summary Description | |
| <p>(4) Does the Company have an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?</p> <p>(5) Does the Company regularly organize internal and external education and training on ethical corporate management?</p> | V | | <p>for the personnel to explain whether they have potential conflicts of interest with the Company.</p> <p>(4) The Company has established an effective accounting system and internal control system in order to implement ethical management. The internal audit unit establishes audit plans and regularly reviews the compliance of the foregoing systems and reports to the Board of Directors.</p> <p>(5) The Company's internal key units, including the Audit Office and the Financial and Accounting Department, have been required by law to take 48 hours of courses, including courses on information security and cloud security, operational and fraud risks, and training on new legal knowledge, codes of conduct and behavior for financial and accounting personnel, as well as internal promotional education for units involved. The company has specified "dedication and responsibility" as core competency and incorporated ethical management into employee performance appraisal and human resources policies. No corruption or anti-competitive behavior occurred in 2022.</p> | |
| <p>3. The Operation of the Company's Whistleblower Reporting System</p> <p>(1) Has the Company set up a specific whistleblower reporting</p> | V | | <p>(1) The Company has an employee whistleblower</p> | No material difference |

Continued on next page

| Evaluation Item | The State of Operations | | | Differences & Reasons |
|---|-------------------------|----|--|------------------------|
| | Yes | No | Summary Description | |
| and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters? | | | reporting system, and a review committee will be formed to consider the case according to the condition of the case, and the whistleblower may be rewarded or punished according to the reward and punishment rules. | |
| (2) Has the Company formulated standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and the confidentiality mechanisms? | V | | (2) The Company provides confidentiality and protection to the identity of the whistleblower and the content of the report, and clearly stipulates the investigation procedures and the handling of the investigation results. | |
| (3) Has the Company taken measures to protect whistleblowers from being improperly handled due to reporting? | V | | (3) The Company shall provide confidentiality and protection to the whistleblower, and the personnel involved in the investigation of the case shall not disclose the information without permission, so as to avoid unfair treatment, retaliation or threat to the whistleblower. | |
| 4. Enhancement of Information Disclosure Does the Company disclose the content and efficacy of its Ethical Corporate Management Principles on its website and the Market Observation Post System? | V | | The Company disclose the "Procedures for Ethical Management and Guidelines for Conduct" and the "Code of Ethical Conduct for Browave Corporation" on the Company's website and on the Market Observation Post System. | No material difference |
| 5. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: The company has implemented the "Integrity Management Operating Procedures and Code of Conduct Guidelines" according to the established procedures. | | | | |
| 6. Other important information that is helpful to understand the implementation of ethical corporate management (e.g., the Company's review and amendments to its Ethical Corporate Management Best Practice Principles): None | | | | |

- (7) If the Company has formulated the Corporate Governance Practice Principles and related rules, it shall disclose its inquiry methods:
Please refer to our website (<http://www.browave.com>).
- (8) Other important information for understanding of the operations of corporate governance may be disclosed: None
- (9) Implementation of the internal control system
 - 1. Statement of Internal Control: Please refer to page 53 of the Annual Report.
 - 2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: Not applicable

Browave Corporation
Statement of Internal Control System

Date: February 23, 2023

The Company states the following for its internal control system for 2022, based on the results of self-evaluation:

1. The Company knows that establishing, implementing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and management, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the efficacy and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with rulings, laws, and regulations, etc.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three objectives above; moreover, due to changes in the environment and circumstances, the efficacy of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
3. The Company determines the efficacy of the design and implementation of its internal control system in accordance with the criteria of the efficacy of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of internal control system adopted in the "Regulations" are based on the process of managerial control and divide internal control system into five components: 1. Control Environment, 2. Risk Evaluation, 3. Control Operations, 4. Information and Communication, and 5. Monitoring Operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
4. The Company has adopted the aforementioned criteria of internal control system to evaluate the efficacy of the design and implementation of its internal control system.
5. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system was effective as of December 31, 2022 (including the supervision and management of subsidiaries), with an understanding of the extent to which the objectives of efficacy and efficiency of operations were achieved, whether the reporting was reliable, timely, transparent, and if the compliance with rulings, laws and regulations is met, and a reasonable assurance of the achievement of these objectives.
6. This statement will become the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.
7. This statement was approved by the Company's Board of Directors on February 23, 2023. Of the 9 directors present, 0 had objections, and the rest all agreed with the content of this statement and declare here.

Browave Corporation

Chairperson: Cheng Wann-Lai

President: Hwang Yu-Wen

- (10) During the most recent year or during the current year up to the date of publication of the Annual Report, if the Company or its internal personnel have been punished in accordance with law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the major deficiencies and improvements should be listed: None
- (11) Important resolutions of the shareholders' meeting and board meeting during the most recent year or during the current year up to the date of publication of the Annual Report:

1. Important resolutions of the shareholders' meeting

| Meeting Date | Important Resolution | Implementation Status |
|--|---|--|
| 2022.5.23 regular shareholders' meeting | 2021 Business Report and financial statements | It has been announced in accordance with Article 230 of the Company Act. |
| | 2021 earnings distribution proposal | <ul style="list-style-type: none"> ● The cash dividend per share is 1 NT dollar. ● The ex-dividend date was set as July 6, 2022. ● The cash dividend was paid on July 15, 2022. |

2. Important resolutions of the board meeting

| Meeting Date | Important Resolution |
|---|--|
| 9th board 10th session (2022.2.23) | <ol style="list-style-type: none"> 1. Approval of 2021 Statement of Internal Control System. 2. Approval of 2021 Business Report and financial statements. 3. Approval of 2021 earnings distribution proposal. 4. Approval of 2021 remuneration for employees and directors. 5. Approval of the convening the 2022 regular shareholders' meeting and acceptance of proposals from shareholders. 6. Approval of the loaning of funds to the Japanese subsidiary. 7. Approval of the change of the Chairperson and directors of subsidiary. |
| 9th board 11th session (2022.5.5) | <ol style="list-style-type: none"> 1. Approval of the evaluation of the independence of the attesting CPA Liu Chien-Yu and Lin Yu-Kuan from PwC Taiwan and the appointment of the CPAs to audit the Company's 2022 financial statements. 2. Approval of the consolidated financial statements for the first quarter of 2022. 3. Approval of the proposed disposal of real estate or equity in the Japanese subsidiary. 4. Approval of the amendment to the fund loan to the Japanese subsidiary. |
| 9th board 12th session (2022.8.4) | <ol style="list-style-type: none"> 1. Approval of the consolidated financial statements for the second quarter of 2022. 2. Approval of the changes in the Chairman of the Board for our subsidiary, Browave (Zhongshan) Corporation. |

| Meeting Date | Important Resolution |
|---|--|
| | 3. Approval of the Appointment of Directors and President for our new subsidiary Browave (Philippines) Corporation. |
| 9th board 13th session (2022.11.3) | 1. Approval of 2023 internal audit plan. 2. Approval of reorganization of the audit department's management. 3. Approval of the consolidated financial statements for the third quarter of 2022. 4. Approval of 2023 business plan. |
| 9th board 14th session (2023.2.23) | 1. Approval of 2022 Statement of Internal Control System. 2. Approval of 2022 Business Report and financial statements. 3. Approval of 2022 earnings distribution proposal. 4. Approval of 2022 remuneration for employees and directors. 5. Approval of Amendment of certain articles of the "Procedure for the Acquisition or Disposal of Assets". 6. Approval of proposal for comprehensive election of directors and accepted nominations from shareholders. 7. Approval of the convening the 2023 regular shareholders' meeting and acceptance of proposals from shareholders. 8. Approval of the evaluation of the independence of the attesting CPA Liu Chien-Yu and Hsieh Chih-Cheng from PwC Taiwan and the appointment of the CPAs to audit the Company's 2023 financial statements 9. Approval of capital increase and fund loan to Philippines subsidiary. |

(12) During the most recent year or during the current year up to the date of publication of the Annual Report, if board directors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: None

(13) For the most recent year or the current year up to the date of publication of the annual report, summary of the resignation and discharge of the Company's of persons related to financial reporting (including Chairperson, President, Accounting Officer, Finance Officer, Internal Audit Officer, and R&D Officer):

| Job title | Name | Date of appointment | Date of resignation | Reson |
|------------------------|--------------|---------------------|---------------------|------------|
| Head of Internal Audit | JIANG XIN-YI | 2014.05.08 | 2022.12.01 | Job change |

5. Professional Fees of the Attesting CPAs

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

Unit: In thousands of NTD

| CPA Firm | CPA Name | Audit Period | Audit Fees | Non-audit Fees (Note 2) | Total | Remarks |
|------------|--------------|---------------------------|------------|----------------------------|-------|----------|
| PwC Taiwan | Liu Chien-Yu | 2022.01.01~ 2022.12.31 | 2,860 | 1,869 | 4,729 | (Note 1) |
| | Lin Yu-Kuan | | | | | |

Note 1: Due to the internal job rotation of the CPA firm, therefore, from 2022 onwards, the attesting CPAs were changed from Li Dian-Yi and Lin Yu-Kuan to Liu Chien-Yu and Lin Yu-Kuan.

Note 2: The non-audit fees service includes tax audit, transfer pricing and group master file report, and tax consulting service fees, etc.

- (2) Where the audit fee paid in the year of the replacement of CPA firm is less than the audit fee in the year before the change, the amount of audit fees before and after replacement should be disclosed and the reasons: None
- (3) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage, and reason for the decrease in the audit fee should be disclosed: None

6. Information on the Change of CPAs:

(1) About the predecessor CPAs

| | | | |
|---|---|-----|------------------------------------|
| Date of Change | January 1, 2021 | | |
| Reason for Change and Explanation | The Company's predecessor attesting CPAs were Cheng Ya-Hui and Li Dian-Yi. In order to meet the internal job rotation of the CPA firm PwC Taiwan, the attestation of the Company's financial statements have been handled by Li Dian-Yi and Lin Yu-Kuan since 2021. | | |
| Indicate Whether the Appointment is Terminated or Not Accepted by the Client or CPAs | <div> <div>The Party</div> <div>Situation</div> </div> | CPA | Client |
| | Proactively terminated the appointment | - | - |
| | Not accepted (continued) the appointment | - | - |
| Opinions in and Reason for Audit Reports Issued Other Than Unqualified Opinion in the Last Two Years | None | | |
| Any Disagreement with the Issuer | Yes | - | Accounting principles or practices |
| | | - | Disclosure of financial statements |
| | | - | Audit scope or procedures |
| | | - | Others |
| | None | V | |
| Explanation | - | | |
| Other Disclosures (Disclosures deemed necessary under Items 1-4 to 1-7, Paragraph 6, Article 10 of The Regulations) | None | | |

| | | | |
|---|--|-----|------------------------------------|
| Date of Change | January 1, 2022 | | |
| Reason for Change and Explanation | The Company's predecessor attesting CPAs were Li Dian-Yi and Lin Yu-Kuan. In order to meet the internal job rotation of the CPA firm PwC Taiwan, the attestation of the Company's financial statements have been handled by Liu Chien-Yu and Lin Yu-Kuan since 2022. | | |
| Indicate Whether the Appointment is Terminated or Not Accepted by the Client or CPAs | <div>The Party</div> <div>Situation</div> | CPA | Client |
| | Proactively terminated the appointment | - | - |
| | Not accepted (continued) the appointment | - | - |
| Opinions in and Reason for Audit Reports Issued Other Than Unqualified Opinion in the Last Two Years | None | | |
| Any Disagreement with the Issuer | Yes | - | Accounting principles or practices |
| | | - | Disclosure of financial statements |
| | | - | Audit scope or procedures |
| | | - | Others |
| | None | V | |
| | Explanation | - | |
| Other Disclosures (Disclosures deemed necessary under Items 1-4 to 1-7, Paragraph 6, Article 10 of The Regulations) | None | | |

| | | | |
|---|--|-----|------------------------------------|
| Date of Change | January 1, 2023 | | |
| Reason for Change and Explanation | The Company's predecessor attesting CPAs were Liu Chien-Yu and Lin Yu-Kuan. In order to meet the internal job rotation of the CPA firm PwC Taiwan, the attestation of the Company's financial statements have been handled by Liu Chien-Yu and Hsieh Chih-Cheng since the first quarter of 2023. | | |
| Indicate Whether the Appointment is Terminated or Not Accepted by the Client or CPAs | <div>The Party</div> <div>Situation</div> | CPA | Client |
| | Proactively terminated the appointment | - | - |
| | Not accepted (continued) the appointment | - | - |
| Opinions in and Reason for Audit Reports Issued Other Than Unqualified Opinion in the Last Two Years | None | | |
| Any Disagreement with the Issuer | Yes | - | Accounting principles or practices |
| | | - | Disclosure of financial statements |
| | | - | Audit scope or procedures |
| | | - | Others |
| | None | V | |
| | Explanation | - | |
| Other Disclosures (Disclosures deemed necessary under Items 1-4 to 1-7, Paragraph 6, Article 10 of The Regulations) | None | | |

(2) About the successor CPAs

| CPA Firm | PwC Taiwan | | |
|--|----------------------------|------------------------------|-----------------------------------|
| CPA Name | Li Dian-Yi and Lin Yu-Kuan | Liu Chien-Yu and Lin Yu-Kuan | Liu Chien-Yu and Hsieh Chih-Cheng |
| Date of Appointment | January 1, 2021 | January 1, 2022 | January 1, 2023 |
| Matters and results of consultation on the accounting treatment or accounting principles for specific transactions and on the possible issuance of financial statements prior to the appointment | None | None | None |
| Written opinion of the successor CPAs on matters on which the successor CPAs disagreed with the predecessor CPAs | None | None | None |

(3) The predecessor CPA's reply to Item 1 of Paragraph 6 of Article 10 and Item 3 of Item 2 of the regulation: No such situation

7. Any of the Company's Chairperson, President, or managers involved in financial or accounting affairs being employed by the CPA firm or any of its affiliated company within the most recent year: None

8. Changes in transfer and pledge of shares by directors, managerial officers, and shareholders with more than 10% shareholding in the most recent year up till the publication date of this Annual Report

(1) Changes in shareholdings of directors, managerial officers, and major shareholders:

Unit: Shares

| Title | Name | 2022 | | 2023 up to April 30 | |
|-------------------------|---|---|--|---|--|
| | | Increase/ Decrease in the Number of Shares Held | Increase/ Decrease in the Number of Shares Pledged | Increase/ Decrease in the Number of Shares Held | Increase/ Decrease in the Number of Shares Pledged |
| Chairperson | Cheng Wann-Lai | 0 | 0 | 0 | 0 |
| Director | Chen Yu-Liang | 0 | 0 | 0 | 0 |
| Director | National Development Fund, Executive Yuan | 0 | 0 | 0 | 0 |
| | Representative: Liu Po-Tsun | 0 | 0 | 0 | 0 |
| Director | Wu Jin-Hong | (20,000) | 0 | 0 | 0 |
| Director/ President | Hwang Yu-Wen | (73,000) | 0 | 0 | 0 |
| Director | Wu Yu-Chun | 0 | 0 | 0 | 0 |
| Independent director | Lin Chien-Chih | 0 | 0 | 0 | 0 |
| Independent director | Meng Ching-Li | 0 | 0 | 0 | 0 |
| Independent director | Fang Pei-Hua | 0 | 0 | 0 | 0 |
| Vice President | Chen Yong-He | 0 | 0 | 0 | 0 |
| Vice President | Chou Wei-Jen | 0 | 0 | 0 | 0 |
| Vice President | Chang Wen-Chiao | 0 | 0 | 0 | 0 |
| Vice President | Lin Jin-Xiong | (30,000) | 0 | 0 | 0 |
| Vice President | Liu Bang-Zhen | (72,000) | 0 | 0 | 0 |
| Assistant VP | Huang Shu-Jun | (40,000) | 0 | 0 | 0 |

Note: The above is the information on those who were still employed on the publication date of the Annual Report.

(2) Information on transfer of shares: None

(3) The counterparty to whom the shares are pledged is a related party: None

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

April 21, 2023; Unit: Shares

| Name | Shareholding of the Individual | | Shareholding of Spouse and Minor Children | | Total Shareholding in the Name of Others | | The Name of and Relationship Among the Top 10 Shareholders if Anyone is a Related Party, a Spouse or a Relative Within Second Degree of Kinship of Another | | Remarks |
|--|--------------------------------|-------------------------|---|-------------------------|--|-------------------------|--|--------------|---------|
| | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Name (or Surname) | Relationship | |
| National Development Fund, Executive Yuan | 3,033,125 | 4.03% | Not Applicable | Not Applicable | 0 | 0% | None | None | None |
| National Development Fund, Executive Yuan Representative: Gung Ming-Shin | 0 | 0% | 0 | 0% | 0 | 0% | None | None | None |
| Chen Yu-Liang | 2,176,090 | 2.89% | 1,948 | 0% | 0 | 0% | None | None | None |
| PRODIGY ASSET MANAGEMENT GROUP INC. from British Virgin Islands | 2,043,878 | 2.71% | Not Applicable | Not Applicable | 0 | 0% | None | None | None |
| Cheng Wann-Lai | 1,770,083 | 2.35% | 0 | 0% | 0 | 0% | None | None | None |
| Tsai Wen-Shiang | 1,070,000 | 1.42% | 0 | 0% | 0 | 0% | None | None | None |
| PRODISC TECHNOLOGY INC. | 1,025,600 | 1.36% | Not Applicable | Not Applicable | 0 | 0% | None | None | None |
| PRODISC TECHNOLOGY INC. Representative: Lin Ming-Fa | 0 | 0% | 0 | 0% | 0 | 0% | None | None | None |
| Barclays Capital Securities Limited--Barclays Capital Securities Limited SBL/PB(MTA) | 690,000 | 0.92% | Not Applicable | Not Applicable | 0 | 0% | None | None | None |
| Cheng Chuan-Fang | 582,000 | 0.77% | 0 | 0% | 0 | 0% | None | None | None |
| Jian Fu-Jian | 490,000 | 0.65% | 0 | 0% | 0 | 0% | None | None | None |
| J.P. MORGAN SECURITIES PLC | 466,420 | 0.62% | Not Applicable | Not Applicable | 0 | 0% | None | None | None |

10. The total number of shares and the consolidated shareholding percentage held in any single investee enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

December 31, 2022; Unit: In thousands of shares; NTD

| Investee (Note 1) | Investment of the Company | | Investment of the directors, supervisors, managers and business under direct or indirect control | | Total Investment | |
|---|------------------------------|----------------------------|--|----------------------------|---------------------|----------------------------|
| | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage |
| Browave Holding Inc. | 20,360 | 100% | 0 | 0% | 20,360 | 100% |
| Browave (ZhongShan) Corporation | None | 100% | 0 | 0% | None | 100% |
| Browave Japan Corporation (Note 2) | 0 | 100% | 0 | 0% | 0 | 100% |
| Browave (Philippines) Corpration | 100,000 | 100% | 0 | 0% | 100,000 | 100% |

Note 1: Investments Accounted for Using Equity Method

Note 2: Our company originally held 8,000 shares of Browave Japan Corporation and sold all of them in December 2022.

IV. Capital Raising

1. Capital and Shares

(1) Source of capital

April 21, 2023; Unit: In thousands of shares; NTD

| Month and Year | Issue Price | Authorized capital | | Paid-in capital | | Remarks | | |
|----------------|-------------|--------------------|---------|------------------|---------|--|---|--|
| | | Number of Shares | Amount | Number of Shares | Amount | Source of Capital | Using Property Other than Cash as Payment of Shares | Others |
| 1998.05 | 10 | 10,000 | 100,000 | 5,100 | 51,000 | Registered capital | - | - |
| 1998.09 | 10 | 18,000 | 180,000 | 12,000 | 120,000 | Capital increase by cash of 6,900,000 shares | - | 1999.01.15. Jing-Ba-Ba-Shang No. 101586. |
| 1999.08 | 30 | 18,000 | 180,000 | 18,000 | 180,000 | Capital increase by cash of 6,000,000 shares | - | 1999.09.20 Jing-Ba-Ba-Shang No. 134106 |
| 2000.05 | 60 | 38,000 | 380,000 | 28,000 | 280,000 | Capital increase by cash of 10,000,000 shares | - | 2000.05.19. (2000) Yuan-Shang-Zi No. 010276. |
| 2001.02 | 30 | 80,000 | 800,000 | 58,500 | 585,000 | Capital increase by cash of 2,500,000 shares and from capital surplus of 28,000,000 shares | - | 2001.03.05. (2001) Yuan-Shang-Zi No. 005290 |
| 2001.07 | 70 | 88,000 | 880,000 | 82,500 | 825,000 | Capital increase by cash of 24,000,000 shares | - | 2001.08.02. (2001) Yuan-Shang-Zi No. 019490 |
| 2007.10 | 10 | 88,000 | 880,000 | 54,681 | 546,810 | Capital reduction for loss make-up of 27,817,000 shares | - | 2007.11.05. (2007) Yuan-Shang-Zi No. 29754 |
| 2011.09 | 10 | 88,000 | 880,000 | 55,298 | 552,985 | Conversion of employee stock options into common stock of 617,500 shares | - | 2011.10.07. (2011) Yuan-Shang-Zi No. 29800 |
| 2012.04 | 10 | 88,000 | 880,000 | 56,484 | 564,846 | Conversion of employee stock options into common stock of 1,186,100 shares | - | 2012.04.17. (2012) Yuan-Shang-Zi No. 10960 |
| 2012.06 | 10 | 88,000 | 880,000 | 57,017 | 570,170 | Conversion of employee stock options into common stock of 532,500 shares | - | 2012.06.15. (2012) Yuan-Shang-Zi No. 17808 |
| 2012.08 | 10 | 88,000 | 880,000 | 57,217 | 572,175 | Conversion of employee stock options into common stock of 200,400 shares | - | 2012.08.13. (2012) Yuan-Shang-Zi No. 24893 |

| Month and Year | Issue Price | Authorized capital | | Paid-in capital | | Remarks | | |
|----------------|-------------|--------------------|-----------|------------------|---------|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Source of Capital | Using Property Other than Cash as Payment of Shares | Others |
| 2012.09 | 10 | 88,000 | 880,000 | 62,369 | 623,690 | Capital increase from earnings of 5,151,500 shares | - | 2012.09.13. (2012) Yuan-Shang-Zi No. 28779 |
| 2012.12 | 23 | 88,000 | 880,000 | 68,292 | 682,929 | Capital increase by cash of 5,924,000 shares | - | 2012.12.10. (2012) Yuan-Shang-Zi No. 38292 |
| 2013.12 | 10 | 88,000 | 880,000 | 70,637 | 706,372 | Conversion of corporate bonds of 2,344,000 shares | - | 2013.12.04. (2013) Yuan-Shang-Zi No. 37133 |
| 2014.04 | 10 | 88,000 | 880,000 | 71,016 | 710,159 | Conversion of corporate bonds of 379,000 shares | - | 2014.04.02. (2014) Yuan-Shang-Zi No. 09141 |
| 2014.09 | 10 | 88,000 | 880,000 | 71,618 | 716,177 | Conversion of corporate bonds of 602,000 shares | - | 2014.09.02. (2014) Yuan-Shang-Zi No. 26262 |
| 2014.11 | 10 | 88,000 | 880,000 | 71,713 | 717,128 | Conversion of employee stock options into common stock of 95,100 shares | - | 2014.01.27. (2014) Yuan-Shang-Zi No. 34995 |
| 2015.04 | 10 | 88,000 | 880,000 | 71,838 | 718,381 | Conversion of employee stock options into common stock of 117,000 shares and corporate bonds of 8,000 shares | - | 2015.04.28. (2015) Yuan-Shang-Zi No. 11804 |
| 2015.09 | 10 | 100,000 | 1,000,000 | 72,921 | 729,211 | Conversion of employee stock options into common stock of 48,000 shares and corporate bonds of 1,035,000 shares | - | 2015.09.10. (2015) Yuan-Shang-Zi No. 26331 |
| 2015.11 | 10 | 100,000 | 1,000,000 | 72,926 | 729,265 | Conversion of corporate bonds of 5,000 shares | - | 2015.11.26. (2015) Yuan-Shang-Zi No. 34245 |
| 2016.09 | 10 | 100,000 | 1,000,000 | 74,426 | 744,265 | Issuance of employee restricted stock of 1,500,000 shares | - | 2016.09.21. (2016) Zhu-Shang-Zi No. 26544 |
| 2017.11 | 10 | 100,000 | 1,000,000 | 74,376 | 743,765 | Capital reduction by purchase and cancellation of employee restricted stock of 50,000 shares | - | 2017.11.23. (2017) Zhu-Shang-Zi No. 32042 |

Continued on next page

| Month and Year | Issue Price | Authorized capital | | Paid-in capital | | Remarks | | |
|----------------|-------------|--------------------|-----------|------------------|---------|--|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Source of Capital | Using Property Other than Cash as Payment of Shares | Others |
| 2018.03 | 10 | 100,000 | 1,000,000 | 74,352 | 743,525 | Capital reduction by purchase and cancellation of employee restricted stock of 24,000 shares | - | 2018.03.30. (2018) Zhu-Shang-Zi No. 9886 |
| 2018.08 | 10 | 100,000 | 1,000,000 | 75,300 | 753,004 | Conversion of corporate bonds of 954,000 shares, capital reduction by purchase and cancellation of employee restricted stock of 6,000 shares | - | 2018.08.20. (2018) Zhu-Shang-Zi No. 24210 |
| 2018.11 | 10 | 100,000 | 1,000,000 | 75,293 | 752,929 | Capital reduction by purchase and cancellation of employee restricted stock of 7,500 shares | - | 2018.11.27. (2018) Zhu-Shang-Zi No. 34398 |
| 2019.03 | 10 | 100,000 | 1,000,000 | 75,287 | 752,869 | Capital reduction by purchase and cancellation of employee restricted stock of 6,000 shares | - | 2019.03.18. (2019) Yuan-Shang-Zi No. 7492 |

April 30, 2023; Unit: Shares

| Type of Shares | Authorized Capital | | | Remarks |
|----------------|--------------------|-----------------|-------------|---------|
| | Outstanding Shares | Unissued Shares | Total | |
| Common stock | 75,286,899 | 24,713,101 | 100,000,000 | None |

(2) Shareholder structure

April 21 2023; Unit: Shares

| Shareholder Structure Number | Government Agencies | Financial Institutions | Other Corporations | Individuals | Foreign Institutions or Foreigners | Total |
|---------------------------------|---------------------|------------------------|--------------------|-------------|------------------------------------|------------|
| Number of persons | 1 | 1 | 215 | 33,443 | 32 | 33,692 |
| Shareholding | 3,033,125 | 90,000 | 5,383,839 | 64,405,446 | 2,374,489 | 75,286,899 |
| Shareholding Percentage | 4.03% | 0.12% | 7.15% | 85.55% | 3.15% | 100% |

(3) Equity diversification

April 21 2023; Unit: Shares

| Shareholding Range | Number of Shareholders | Shareholding | Shareholding Percentage |
|-------------------------|------------------------|--------------|-------------------------|
| 1 to 999 | 20,804 | 169,836 | 0.23% |
| 1,000 to 5,000 | 10,911 | 20,661,589 | 27.44% |
| 5,001 to 10,000 | 1,080 | 8,776,531 | 11.66% |
| 10,001 to 15,000 | 277 | 3,623,217 | 4.81% |
| 15,001 to 20,000 | 208 | 3,904,068 | 5.19% |
| 20,001 to 30,000 | 141 | 3,618,496 | 4.81% |
| 30,001 to 40,000 | 78 | 2,817,248 | 3.74% |
| 40,001 to 50,000 | 44 | 2,037,000 | 2.71% |
| 50,001 to 100,000 | 81 | 5,859,783 | 7.78% |
| 100,001 to 200,000 | 42 | 5,656,982 | 7.51% |
| 200,001 to 400,000 | 13 | 3,561,935 | 4.73% |
| 400,001 to 600,000 | 6 | 2,791,438 | 3.70% |
| 600,001 to 800,000 | 1 | 690,000 | 0.92% |
| 800,001 to 1,000,000 | 0 | 0 | 0% |
| More than NTD 1,000,001 | 6 | 11,118,776 | 14.77% |
| Total | 33,692 | 75,286,899 | 100.00% |

(4) List of Major Shareholders

April 21 2023; Unit: Shares

| Name of Major Shareholders | Shares | Shareholding | Shareholding Percentage |
|--|--------|--------------|-------------------------|
| National Development Fund, Executive Yuan | | 3,033,125 | 4.03% |
| Chen Yu-Liang | | 2,176,090 | 2.89% |
| PRODIGY ASSET MANAGEMENT GROUP INC. from British Virgin Islands | | 2,043,878 | 2.71% |
| Cheng Wann-Lai | | 1,770,083 | 2.35% |
| Tsai Wen-Shiang | | 1,070,000 | 1.42% |
| PRODISC TECHNOLOGY INC. | | 1,025,600 | 1.36% |
| Barclays Capital Securities Limited--Barclays Capital Securities Limited SBL/PB(MTA) | | 690,000 | 0.92% |
| Cheng Chuan-Fang | | 582,000 | 0.77% |
| Jian Fu-Jian | | 490,000 | 0.65% |
| J.P. MORGAN SECURITIES PLC | | 466,420 | 0.62% |

- (5) Market price, net worth, earnings, dividends per share and related information for the last two years

Unit: In thousands of shares

| Item | | Year | 2021 | 2022 | The Current Year Up to April 30, 2023 |
|----------------------------|-----------------------------------|--------------------------------------|--------|--------|---------------------------------------|
| Market Price Per Share | Highest | | 62.50 | 68.90 | 58.80 |
| | Lowest | | 34.50 | 38.55 | 49.60 |
| | Average | | 50.66 | 56.02 | 55.77 |
| Net Worth Per Share | Before distribution | | 24.10 | 29.36 | Not Applicable |
| | After distribution | | 23.10 | 25.16 | |
| Earnings Per Share | Weighted average number of shares | | 75,069 | 75,287 | |
| | Earnings per share | | 1.09 | 6.00 | |
| Dividends Per Share | Cash dividends | | 1.00 | 4.20 | |
| | Stock Dividends | Stock dividends from earnings | - | - | |
| | | Stock dividends from capital surplus | - | - | |
| | Accumulated unpaid dividends | | - | - | |
| Investment Return Analysis | Price to earnings ratio | | 46.48 | 9.34 | |
| | Price to dividends ratio | | 50.66 | 13.34 | |
| | Cash dividend yield | | 0.02 | 0.07 | |

- (6) Dividend policy and implementation status

1. Dividend policy

The Company's dividend policy is based on the Company's current and future investment environment, capital requirements, domestic and foreign competition, and capital budget, considering the interests of shareholders and balancing dividends and the Company's long-term planning, etc. The Board of Directors shall prepare and submit the distribution plan to the shareholders' meeting annually in accordance with the law. The annual distribution of dividends to shareholders shall be no less than 50% of the net profit for the year. The Company may distribute dividends to shareholders in cash or in stock. However, the Company may not distribute dividends if the net profit for the year does not reach 10% of the paid-in capital. Cash dividends shall not be less than 10% of the total dividends paid, but the type and percentage for such earnings distribution may be adjusted by resolution of the shareholders' meeting depending on the actual profit and capital position of the year.

2. Dividend distribution

2022 earnings distribution proposal was approved by the Board of Directors on February 23, 2023, and the proposed distribution of cash dividends to shareholders is NTD 316,204,976 (approximately NTD 4.2 per share).

3. Description of expected change in dividend policy: None

- (7) The effect of the proposed stock dividends by the shareholders' meeting on the Company's business results and earnings per share: Not applicable

- (8) Remuneration for employees, and directors
1. The percentage or range of remuneration for employees, and directors as stated in the Articles of Incorporation:

The Company shall distribute employees' remuneration at 5% to 15% of the current year's profitability and directors' and supervisors' remuneration at no more than 3% of the current year's profitability. However, the Company shall make up for accumulated losses, if any. Remuneration to employees may take the form of stock or cash and may be made to employees of subordinate companies who meet certain criteria.
The current year's profitability is defined as profit before tax for the year before the distribution of remuneration to employees, and directors. The distribution of remuneration to employees, directors and supervisors shall be made by a resolution of the Board of Directors with the attendance of at least two-thirds of the directors and the approval of a majority of the directors present, and reported to the shareholders' meeting.
 2. The basis for estimating the amount of remuneration to employees, directors and supervisors, the basis for calculating the number of shares to be distributed as remuneration to employees, and accounting treatment for the difference between the actual distribution amount and the estimated amount: Not applicable.
 3. Distribution of remuneration approved by the Board of Directors
 - (1) The proposed remuneration to employees is NTD 41,000,000 and remuneration to directors is NTD 13,600,000, both in cash.
 - (2) The amount of employee remuneration distributed in stock and its proportion to the sum of net profit after tax and total employee remuneration in the individual or standalone financial statements for the period: Not applicable
 4. The actual distribution of the remuneration for employees, directors, and supervisors in the previous year:
The remuneration to employees was NTD 8,000,000 and remuneration to directors was NTD 1,800,000, both in cash.
- (9) Repurchase of the Company's shares: None

2. Issuance of Corporate Bonds:

(1) Issuance of corporate bonds

| | | |
|---|---|---|
| Type of Corporate Bonds | | Domestic 2nd unsecured convertible bonds |
| Issue (processing) Date | | October 8, 2020 |
| Par Value | | NTD 100,000 |
| Place of Issue and Trading | | None |
| Issue Price | | Issue in full at par value |
| Total Amount | | NTD 300,000,000 |
| Interest Rate | | The coupon rate is 0% per annum |
| Duration | | Three-year; maturity date: October 8, 2023 |
| Guarantee Institution | | Not Applicable |
| Trustee | | Mega International Commercial Bank |
| Underwriting Institution | | KGI Securities Co., Ltd. |
| Certifying Attorney | | Chiu Ya-Wen |
| Certifying CPA | | PwC Taiwan Cheng Ya-Hui, Lin Yu-Kuan |
| Repayment Method | | Except for conversion or early redemption in accordance with the conversion measures, the bonds are repayable in cash at par value at maturity. |
| Outstanding Principal | | NTD 300,000,000 |
| Terms of Redemption or Early Repayment | | Refer to issuance and conversion measures for details |
| Restriction Clauses | | Refer to issuance and conversion measures for details |
| Name of Credit Rating Agency, Rating Date, and Bond Rating Result | | None |
| Incidental Rights | Amount of common stock, overseas depository receipts or other marketable securities converted (exchanged or subscribed) as of the publication date of the Annual Report | None |
| | Issuance and conversion (exchange or subscription) measures | Refer to issuance and conversion measures for details |
| Possible dilution of ownership and impact on existing shareholders' equity for the issuance and conversion, exchange, or subscription | | Please refer to pages 52-53 of the prospectus of the Company's domestic 2nd unsecured convertible bonds |
| Name of the custodian institution entrusted with the subject of the exchange | | None |

(2) Information on convertible Bonds

| Type of Corporate Bonds | | Domestic 2nd Unsecured Convertible Bonds | | |
|---|---------|---|--------|---------------------------------------|
| Item | Year | 2021 | 2022 | The current year up to April 30, 2023 |
| | | | | |
| Market price Convertible Bonds | Highest | 109.90 | 119.00 | 105.50 |
| | Lowest | 109.70 | 102.00 | 102.10 |
| | Average | 109.80 | 109.44 | 104.08 |
| Conversion Price | | \$62.3 | \$61.0 | \$61.0 |
| Issue Date and Conversion Price at Issuance | | Issue date: October 8, 2020 Conversion price: NTD 66 | | |
| Method of Fulfilling Conversion Obligation | | Issuance of new shares in accordance with the issuance measures | | |

Note: Effective September 7, 2021, the conversion price was adjusted from NTD 66 to NTD 62.3.
Effective July 6, 2022, the conversion price was adjusted from NTD 62.3 to NTD 61.0.

3. Issuance of preferred stock: None
4. Issuance of overseas depository receipts: None
5. Employee stock option: None
6. Employee restricted stock: None
7. Issuance of new shares in connection with mergers or acquisitions of shares of other companies: None
8. Capital planning and implementation: None

V. Business Overview

1. Business Category

(1) Business Scope

1. Main Business

The Company is engaged in the design, production and sales services of optical communication passive components, modules and subsystems related to 5G, data center, CATV (DOCSIS 3.1 ↑), PON and FTTH/FTTR.

2. The Company's current products and services

The Company's main products can be classified according to their applications as follows:

- (1) WDM Product: Including TFF DWDM device/module, TFF CWDM device/module, Miniature WDM module, and optical transceiver The TFF CWDM device/module, Miniature WDM module, and Array Waveguide Grating (AWG) components used in optical transceivers.
- (2) Branch Product: Including PLC splitter/module, Coupler/module, and Fiber Array components used in optical transceivers.
- (3) AMP Product: Including Integrated module, Gain Flat Filter (GFF), Hybrid device and Inline isolator, etc.
- (4) OIN Product: Including Patchcord, MPO/MTP, and 200G/400G high-speed active optical cable (AOC) and accessories, etc.

These products are mainly used in 5G, data center, CATV, PON, and FTTH/FTTR triple play networks.

3. Sales percentage of the Company's main products and services

Unit: In thousands of NTD

| Year | 2021 | | 2022 | |
|----------------|-----------|------------|-----------|------------|
| | Amount | Percentage | Amount | Percentage |
| Main products | | | | |
| WDM Product | 798,719 | 34.78% | 1,534,589 | 47.80% |
| Branch Product | 949,079 | 41.33% | 978,212 | 30.47% |
| AMP Product | 202,650 | 8.82% | 267,606 | 8.34% |
| OIN Product | 329,289 | 14.34% | 425,846 | 13.26% |
| Others | 16,715 | 0.73% | 4,319 | 0.13% |
| Total | 2,296,452 | 100.00% | 3,210,572 | 100.00% |

4. New products planned to be developed

| |
|--|
| (1). Integrated wavelength mux/demux |
| (2). Mini isolator/circulator |
| (3). 2D fiber/collimator array |
| (4). Fiber Harness |
| (5). Automatic multi-channel alignment |
| (6). CPO Fiber Connection Module |

(2) Industry Overview

1. Current Status and Development of Industry

(1) Overview of Global Optical Communication Industry Development

Since the 1970s, when Dr. Charles K. Kao invented optical fiber, the industry has witnessed an important revolution in the field of communication due to the high speed of optical fiber transmission, which saves resources and brings people closer, triggering an important revolution in the field of communication. Since then, optical fiber has been used in long-haul communication backbones, such as submarine cables, to meet the bandwidth requirements for voice and data communications.

The technology of optical fiber communication continues to advance with the invention of the Erbium-Doped Fiber Amplifier (EDFA), which allows optical signals to be amplified for transmission without the need for optoelectronic conversion. Later, the invention of Dense Wavelength Division Multiplexer (DWDM) allowed different channels to be inserted into the same fiber, increasing the bandwidth of the same fiber. EDFA enhances the transmission distance of optical signals, and DWDM increases the transmission energy of optical fibers, thus increasing the capacity and efficiency of optical fiber networks. With the development of the Internet, the demand for bandwidth has increased greatly, and the deployment of optical fiber has taken off at a rapid pace.

With the spread of global communication network deployment, value-added services such as Internet Protocol Television (IPTV), high-definition digital TV, online games, and interactive video-on-demand (VOD) provided by telecommunications and multimedia operators are gradually diversified and complete. In addition, global technology leaders are promoting the formation of Cloud Computing operating framework. Besides, consumers are getting accustomed to downloading and watching videos using various terminal carriers, and online streaming video and audio sites, such as Netflix, Youtube, and Hulu, have started to replace the traditional way of renting videos with rapid growth of online streaming traffic. This leads to a significant increase in the demand for bandwidth on the application side and will prompt telecom and multimedia operators to upgrade and deploy network infrastructure.

With governments, telecom and multimedia operators actively promoting the deployment of optical fiber networks and the trend of increasing bandwidth demand, telecom infrastructure and network equipment such as Metropolitan Area Network (MAN), FTTB, FTTH, and Gigabit-capable PON (GPON), and next-generation passive optical fiber networks (XGS-PON) will continue to be built, bringing certain business opportunities to network equipment and system vendors. This will further drive the demand for active and passive components for optical fiber communication.

With the recent progress of 5G, more than 20 countries around the world officially took 5G into commercial operation in 2020, even including Nigeria and Egypt in Africa. In the 5G system architecture, besides focusing on components and module packaging technologies with SiP chips, Browave will further develop higher integration density optical input and output architectures and related technology products with customer's design in, including Fiber Array with more channels and WDM module with more

wavelengths. Compared with the original focus on the telecom industry, the current data center (Datacom) products are more likely to have short development time, single form factor, massive scale, and shorter product life cycle. Therefore, in addition to product technology development, Browave must also refine its process technology and incorporate ideas about process modularity and automation into the initial product design to strengthen its ability to respond to rapid market changes in the future.

(2) Optical Fiber Network Architecture and Equipment

Optical fiber network architecture is mainly divided into backbone network, access network, and local area network for general home use. A backbone network is a network formed by linking multiple access networks and local area networks, and the main transmission method is optical fiber cable. In terms of backbone technology, Next Generation SDH (Synchronous Digital Hierarchy), WDM (Wavelength Division Multiplexing) and GE (Gigabit Ethernet) are our core technologies for backbone networks.

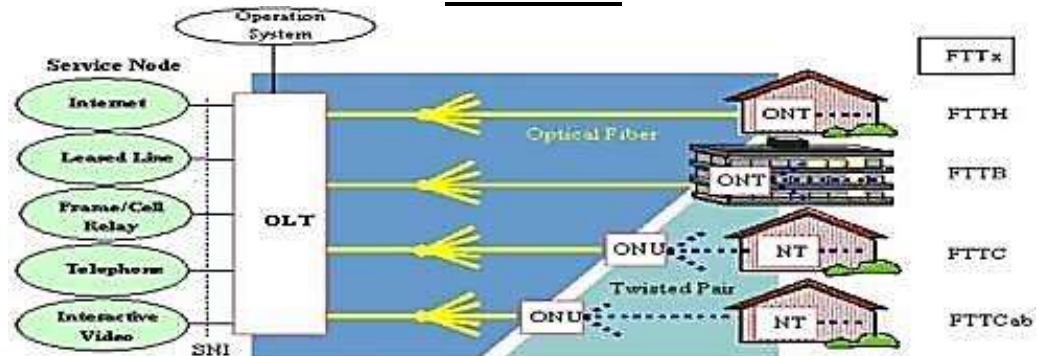
SDH transmission network, the earliest optical fiber backbone network, is composed of a number of SDH network units. The transmission and exchange of synchronous information can be performed between units through different transmission media such as optical fiber, microwave, or satellite, which can effectively manage the network and improve the utilization rate of network resources. However, because SDH uses time-division multiplexing (TDM) technology, it can only use a single optical fiber for transmission and cannot use multiple optical fibers for transmission at the same time, so its transmission rate is limited by the physical conditions of the cable itself.

In order to increase the bandwidth of the entire SDH network, the only way was to redeploy optical cables in the early days. However, the cost of redeploying optical cables and future maintenance is very high. In this context, the WDM technology was born, which can be combined with SDH technology. WDM (Wavelength Division Multiplexing) is a transmission technology in optical fiber communication. Optical fiber has the characteristics of transmitting different wavelengths of optical carriers at the same time, and the WDM technology sends out different wavelengths of optical carriers and then uses the same optical fiber to transmit them. In this way, even if there is only one optical fiber, it can transmit multiple signals at the same time, just like there are multiple optical fibers of the same speed at the same time. Depending on the technology, the transmission capacity will grow in different multiples, that is, if a single optical fiber is separated into N different bandwidths and transmits N different wavelengths of optical carriers using WDM technology, it is equivalent to N optical fibers, thus solving the problem of insufficient transmission capacity. In practice, currently the combination of SDH over WDM can increase the transmission rate of a single optical fiber by tens of times.

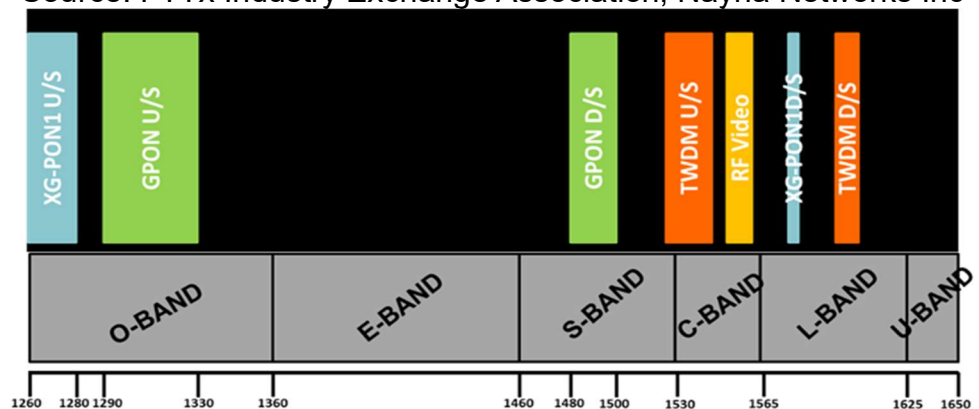
In the access network part, it is mainly the connection between users and the network service providers, and the main transmission methods are twisted pair, coaxial cable, and optical fiber. FTTx technology is mainly used to apply optical fiber to the access network, ranging from the center office equipment of the regional telecom server room to the user terminal equipment. Important local equipment includes Optical Line Terminal (OLT), and user terminal

equipment includes Optical Network Unit (ONU) or Optical Network Terminal (ONT). Based on the distance from the fiber to the user, it can be divided into four types of services, such as Fiber To The Cabinet (FTTCab) and Fiber To The Curb (FTTH). Verizon, a Nn U.S. operator, refers to FTTCab and FTTH together as Fiber To The Premise (FTTP). FTTCab, FTTC, FTTB, FTTH and other synthetic FTTx is the implementation strategy for building optical fiber access networks, rather than specific access technologies, and different FTTx networks will have different access technologies.

Optical fiber access network architecture / PON-like products bandwidth distribution



Source: FTTx Industry Exchange Association, Nayna Networks Inc



(3) Optical Communication Components Overview

Optical communication components can be divided into two major categories: active and passive components. Active components mainly include optical transmitters, optical receivers, optical transceiver modules and optical amplifiers. Optical transceiver modules (including optical transmitters and optical receivers) are essential components for data transmission and reception in optical fiber communication, mainly for optical signal conversion, and are commonly used in DWDM, SONET/SDH and PON network architectures. Optical amplifiers (such as EDFA-Erbium Doped Fiber Amplifier) are mainly used to increase the transmission distance and compensate for the additional optical loss caused during transmission. Optical passive components are mainly used for the connection components between optical line terminals (OLTs) and optical network units (ONUs) of cable TV (CATV), data networks (Datacom) and telecommunication networks (Telecom), the connection components between optical splitter equipment and chassis in between FTTx and the client, and the connection components between the main network equipment and optical cables of

telecommunication operators. The passive components of optical communication include optical fiber connector with optical signal connection function, patch cord, splitter, WDM, VOA which can adjust the size of the light signal, and optical isolator to make the optical signal travel in one direction and optical switch (Switch) and other components. The characteristics of optical passive components generally are required to be small size, low loss, resistance to environmental changes, and high reliability.

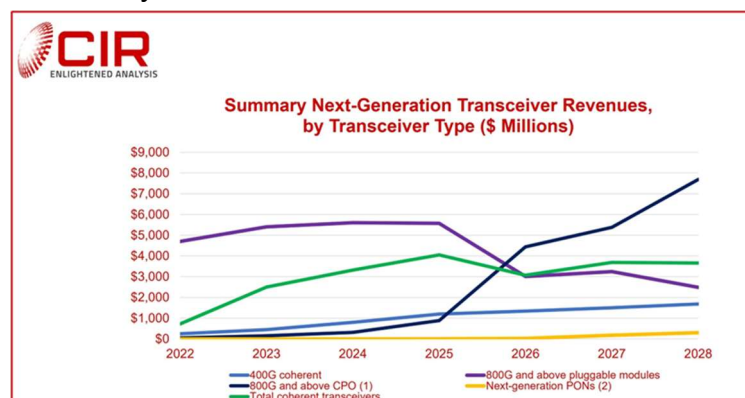
For the 5G networking architecture, Browave's product platform focuses more on the key optical components used in transceivers of SiP base, special optical connector, and ultra-low energy loss patchcord and WDM optical modules used in Fronthaul/Backhaul PON. The overall development trend of the platform continues to keep pace with the next-generation passive optical network progress.

The communication industry has become key to the national power of many countries. The development and application of 5G communications has even become a means of trade war, demonstrating the importance that governments place on the communications industry. Driven by advanced network services, such as cloud computing, self-driving car operation, telemedicine, etc., the construction of higher density and higher bandwidth hardware will be accelerated, which will further drive the demand for optical fiber communication related products. Browave will continue to focus on the response to the new trends and improve the quality of our products and manufacturing technologies to strengthen our competitiveness in the industry.

In the data center business, we will continue to focus on 100G/400G client design in, with platforms such as CWDM4, DR8, FR4 and 2xFR4. We will strengthen our core competency in the basic optical portfolio platform and focus on key components for silicon photonic products to increase the share of key components in optical transceivers. To meet the growing demand of the data center business, we provide vertical integration of optical module assembly with automatic assembly as the main axis of process technology.

(4) Coherent Network

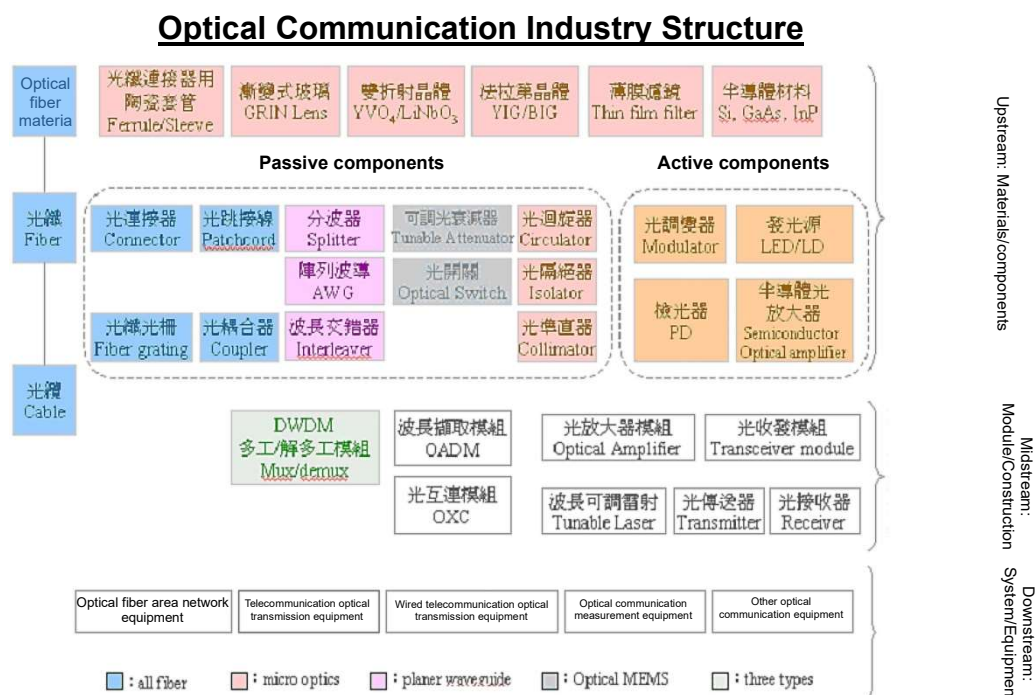
To cope with the requirements of 800G and above high-speed network transmission, communication systems and data centers use coherent optical modules for transmission, which results in higher optical losses in larger transmission systems. For systems with transmission distances over 10 km, some have started to consider using optical amplifiers to ensure the transmission of coherent optical network systems, which is also a trend for the next five years.



2. The correlation among the upstream, midstream, and downstream industries:

The optical communication industry can be divided into optical fiber materials, optical cables, optical communication components, and back-end transmission equipment, while optical communication components include optical passive components and optical active components. Optical active components involve the conversion of energy between light and electricity, while optical passive components do not involve the conversion of energy between light and electricity, and are mainly for transmission. Among the back-end access equipment technologies, broadband network operators can be divided into Broadband PON (BPON), Ethernet PON (EPON/GPON), Gigabit PON (GPON), and next generation PON (NG-PON) according to different transmission standards and specifications for the last mile of access technology.

We are a specialized R&D, manufacturing and sales vendor of optical communication components and modules, and expect to become a leading vendor of optical communication components and modules. The following diagram shows the upstream, midstream, and downstream industry structure of optical communications.



Source: Taiwan Optical Communication Industry Alliance (TOCIA)

3. Product Development Trends

With the rise of the Internet, the demand for network bandwidth is growing rapidly and the demand for network hardware upgrades is also rising, driven by applications such as digital video content, smart mobile devices, and online games. Especially when demand for DWDM/CWDM, EPON/GPON/ NG-PON, SONET/SDH network related equipment is increasing day by day, high bandwidth and integration has become the trend and direction of product development, and micro multi-functional optical components and micro optical modules have become the development trend. In recent years, telecommunications and

multimedia service operators have been promoting the rise of Triple Play applications that integrate data, audio, and video. Consumers' demand for audio and video download services has increased rapidly. Global industry leaders continue to promote cloud computing technology services. It is expected that fiber-to-the-home (FTTH), fiber-to-the-building (FTTB) and other related optical communication products will also become the main demand development direction.

Recently, 5G concept products continue to gain momentum. Investment in 5G and optical transmission-related fields continue to increase by various countries, and is expected to continue to increase. The ICT industry is facing a huge change, and the value of communication becomes more prominent. Currently, with the rise of emerging technologies such as cloud computing, Internet of Things, 5G, and AI, all industries are actively embracing the trend of digitalization, and the transformation of enterprises is still a matter of great urgency. In the face of strategic emerging industries, optical communication vendors are actively transforming and upgrading themselves, from specialized to broad, diversified, and all-round development, cultivating more new points, and building stronger comprehensive strength. The emergence of new technologies and applications such as 4K, 8K, autonomous driving, VR/AR and 5G will drive another wave of development in optical communications.

Starting from 2022, the high-speed transmission will use coherent technology to build 800G or above, which will also drive a new trend of miniaturized components for QSFP-DD and OSFP packaging.

4. Market Competition

In the face of competition from Southeast Asian vendors, the Company combines the overall competitive advantages of Taiwan head office management, market research and development capabilities, and the high-quality, low-cost manufacturing of its Mainland subsidiary to provide customers with products and services at a high cost-performance ratio. From basic component and module design to manufacturing engineering, production, and logistics services, we provide proprietary iCM services and OEM and ODM business models to the industry. In terms of iCM, we provide “best manufacturing services” by planning dedicated process services and production lines for customers' and protecting the intellectual property rights of customers' products with strict personnel access control and systematic document management. In terms of ODM, we provide customers with high-quality, low-cost products with strong engineering execution and achieve the goal of quick response and on-time delivery. Over the years, we have gained the trust of our customers and have gradually gained an edge in the optical communication OEM market.

In order to continuously strengthen our competitiveness in the market, we are now dedicated to the design of small optical components and the trial production for products of high-end specifications. With the continuous improvement of technology, we can produce high quality modules of various specifications in large batch quantities according to customer requirements. With the marketing experience in many customers, the Company's innovative R&D technology, and the strong and solid engineering execution and manufacturing service capability, the continuous growth of sales and profit in recent years has proved that Browave is a design manufacturer that can bring value to customers and is highly competitive in the market.

In the highly competitive optical communication market, Browave has been able to maintain good interactions and relationships with optical component manufacturers in Europe, U.S., and Japan. With the full collaboration of equipment and material suppliers, Browave has been able to meet the various needs of customers, know well component specifications through product production, and reduce operational risks in order to reposition the Company in the global market. In the future, we will increase the percentage of automation in our manufacturing processes to achieve higher product advantages. In addition to continuing to provide quality products at low prices, we will also continue to develop and refine our manufacturing and personnel costs and technologies to maintain a high level of competitiveness. In addition, we intend to change the current make-to-order model to the collaborative development for research direction with upstream customers and downstream suppliers, and to replace the competitive mode of order snatching by low price with technology and product design oriented competition.

As a world-class specialized process manufacturer, Browave is able to provide quality products and services to customers all over the world with favorable prices and fast speed as a supplier in the optical passive component market.

(3) Technology and R&D Overview

1. Combined technology development and market direction

The optical communication market will continue to develop towards higher speed, smaller size, and more functional products to meet customer needs. In the application development of optical transceiver modules, the transmission speed has reached 400Gbps (4x100G) and 800Gbps (8x100G or 4x200G). Due to the limitations of active components, it will become difficult to achieve a single-channel transmission speed beyond 200Gbps. Therefore, to achieve higher transmission speeds (such as 1.6Tbps), it can be realized through a combination of 16x100G or 8x200G. As the demand for data increases, new product technologies must continue to emerge.

In the future market trends, silicon photonics chips are the key technology direction for integrating optical and electrical signals. Related packaging technologies are also continuously developing, especially the optical input and output (OIO) technology, including on-board optics (OBO), near package optics (NPO), and co-package optics (CPO) technologies.

Browave Corporation is continuously following the market demand, particularly conducting in-depth research on new array-type products to achieve product miniaturization and multifunctionality. In response to customer demands for silicon photonics technology, the company has also been developing new technology products such as 2D Arrayed Thin Film Filter WDM and Polarization Maintaining Fiber Array. In addition, Browave Corporation is working closely with related suppliers to develop critical components, with the aim of mastering component technology and integration capabilities in developing miniaturized array products to meet market demand and challenges.

2. R&D expenses for the most recent year

Unit: In thousands of NTD

| Item \ Year | 2021 | 2022 |
|---|-----------|-----------|
| R&D expenses | 86,414 | 107,566 |
| Operating revenue | 2,296,452 | 3,210,572 |
| R&D expenses as a percentage of operating revenue | 3.76% | 3.35% |

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

1. Short-term development plan

| Item | Development Plans |
|---------------------|--|
| Product Strategy | <ol style="list-style-type: none"> 1. Continuously improve existing products and strictly strengthen quality control. 2. Continuously develop products that meet market needs to ensure that the Company's market share continues to grow. |
| Production Strategy | <ol style="list-style-type: none"> 1. Strengthen the control of cost and employee stability, implement quality policy to continuously improve the product production efficiency, and develop multi-functional skills of production staff to maximize the flexible adjustment of production capacity. 2. Select strategic suppliers to establish a good interaction model, in the spirit of mutual benefit, to obtain sufficient production capacity and bargaining space, and maintain a competitive cost advantage. 3. Integrate the management of outsourced vendors to promote the stability of quality and competitive advantage in the market. 4. Establish independent production efficiency and yield improvement technology, and move towards Lean Manufacturing. |
| Marketing Strategy | <ol style="list-style-type: none"> 1. Strengthen local distribution systems, build up market economies of scale, and expand global markets for mass-produced optical communication components. 2. Refine the design service function and implement just-in-time supply policy to meet customers' product development and mass production needs. 3. Maintain good interaction with customers and take the initiative to understand their needs in depth to achieve the goal of customer satisfaction. Based on existing business, actively explore new customers and expand market share by utilizing existing product lines. 4. Focus on the OMI (Optical Manufacturing Integration) OEM model for optically dependent components, strive for an One Piece Flow production structure and continue to improve processes, expanding from optical component assembly to electromechanical integration to provide customers with the most complete OEM services. |
| Financial Strategy | <ol style="list-style-type: none"> 1. Adopt prudent management principles. 2. Use our own capital and operating earnings as the main operating capital, supplemented by bank financing. |

2. Long-term development plan

| Item | Development Plans |
|---------------------|---|
| Product Strategy | <ol style="list-style-type: none"> 1. Continue to develop products related to the optical communication industry, and gradually expand product applications from telecom and network operators to the consumer product market. 2. Improve ODM/OEM/ICM collaboration with global industry leaders to develop mainstream products and become a major supplier or strategic alliance partner of global industry leaders to increase production scale, improve product quality, reduce costs, and enhance the Company's overall competitiveness. 3. Closely integrate new product development with the Company's core technologies and patented technologies to enhance the competitive edge of product technologies and increase the gap in technological capabilities between the Company and competitors. 4. Closely collaborate with strategic customers in product and application development, keep abreast of new technology development and application, and jointly develop products that meet market trends. |
| Production Strategy | <ol style="list-style-type: none"> 1. Improve manufacturing process to meet the trend of environmental protection and green product development to promote pollution-free manufacturing process. Establish a flexible production mechanism to respond to rapid changes in the market, improve production efficiency, and reduce the chance of errors, so as to meet the dual requirements of fast production and high quality. 2. Strengthen the division of work between the two sides of the Taiwan Strait, support customers' needs for economies of scale, and develop production aids and automated equipment to increase production efficiency, improve quality, and achieve cost reduction at the same time. 3. Implement total quality management to maintain the best internal operation process at all times and reduce the use of human resources through the introduction of intelligent information systems. 4. In addition to the original headquarters in Hsinchu, Taiwan and the factory in Zhongshan, Guangdong, a new factory has been established in the Philippines to provide flexible scheduling and meet the diverse needs of end customers through production in the three locations. |
| Marketing Strategy | <ol style="list-style-type: none"> 1. Provide the best service to our customers in all aspects throughout the process. 2. Leverage the Company's existing core technology capabilities and the Company's determination and action to continuously improve technology. 3. Continue to collaborate with international communication leaders, invest in research and development of new products/niche markets, and establish partnerships with each other so that the Company can become one of the mainstream |

| Item | Development Plans |
|--------------------|--|
| | <p>product suppliers in the industry.</p> <p>4. Strive for OEM opportunities with major international leaders through the introduction of Telcordia GR series certification and the TL-9000 quality system.</p> |
| Financial Strategy | <p>1. Strengthen foreign exchange management, appropriately use financial hedging instruments, and determine costs and profit to reduce foreign exchange risk and minimize foreign exchange losses.</p> <p>2. Pursue maximum profitability, accumulate operating capital, and provide cash for the Company's development.</p> <p>3. Expand capital raising channels in the capital market and obtain operating capital at the best cost to facilitate the development of various projects.</p> |
| R&D Strategy | <p>1. Continue to develop technology for future high-speed broadband products to build up core technologies and establish competitive advantages.</p> <p>2. Pursue product quality design and R&D to address the demand for quality products and develop related products for the future market.</p> <p>3. Strengthen R&D process, efficacy, and patent layout to support market growth.</p> |

2. Market and Production & Sales Overview

(1) Market Analysis

1. Major Product Sales Regions

Unit: In thousands of NTD

| Year Region | | 2021 | | 2022 | |
|----------------|----------|-----------|------------|-----------|------------|
| | | Amount | Percentage | Amount | Percentage |
| Domestic sales | | 8,097 | 0.35% | 6,942 | 0.22% |
| Export Sales | Americas | 1,171,781 | 51.03% | 1,820,641 | 56.71% |
| | Europe | 334,836 | 14.58% | 460,066 | 14.33% |
| | Asia | 774,230 | 33.71% | 915,656 | 28.52% |
| | Others | 7,508 | 0.33% | 7,267 | 0.22% |
| | Subtotal | 2,288,355 | 99.65% | 3,203,630 | 99.78% |
| Total | | 2,296,452 | 100.00% | 3,210,572 | 100.00% |

2. Market Share

We are engaged in OEM/ODM/ICM production, sales and R&D of optical communication components and modules. The variety of optical communication components is vast, and the specifications are difficult to standardize due to different demands and applications. Most of the products produced by Browave Corporation are customized to meet specific technical requirements, making it challenging to estimate objective market share statistics.

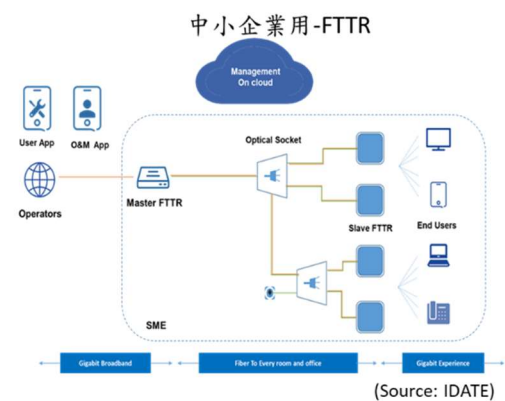
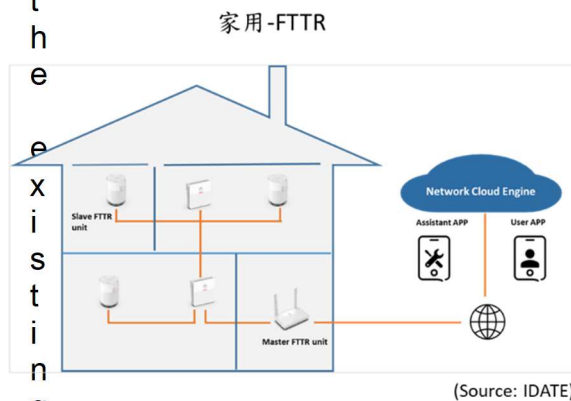
3. Future Market Supply and Demand and Growth

Optical communication equipment relies on the investment and drive of governments' telecommunications infrastructure and telecom companies' customer demand. This is a more stable market with less significant fluctuations compared to the consumer electronics market. Therefore, optical communication is a part of the necessary communication infrastructure, closely related to government policies and telecommunications service company strategies. As various countries expand their investment and deployment in infrastructure, the continuous drive for digital video and audio content, smartphones, cloud applications, and online gaming leads to a significant increase in bandwidth demand. Recently, the five major federal funding sources in the United States have continued to inject funds into broadband construction, and broadband investment continues to maintain its investment intensity, including related organizations such as CAA, ARPA, RDOF, and BEAD. Cable TV operators in North America are also working on the CableLabs broadband standard DOCSIS 3.1 or even DOCSIS 4.0 to standardize downlink and uplink to 10Gbps. In terms of PON development, major operators are currently focusing on 10G PON as the mainstream development, with XGS PON being the most prosperous market in Europe and the US.

(1) Optical Communication Industry Trend

FTTR(Fiber-To-The-Room):

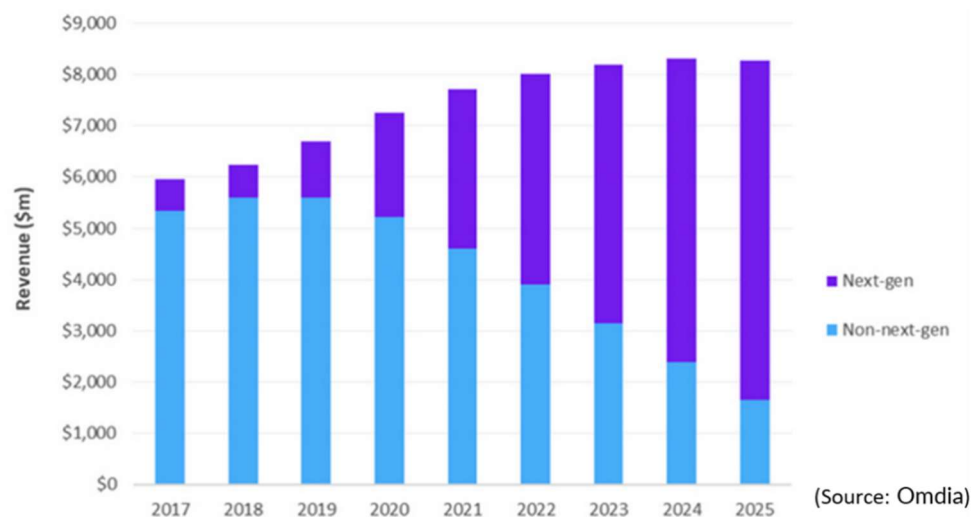
Simply put, it refers to achieving FTTH, "from the last mile to the last meter." Its access speed will reach the level of 1Gbps, which is ten times faster than

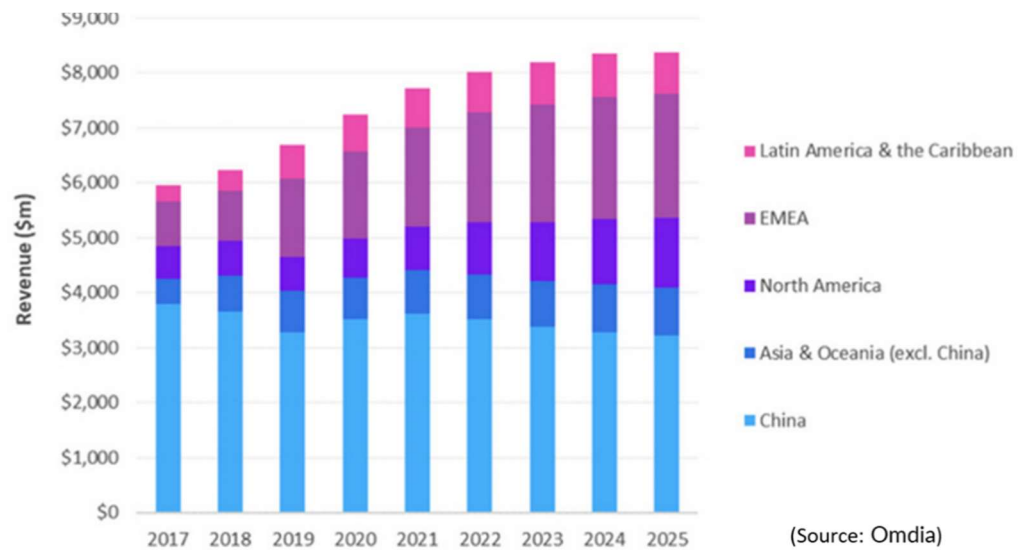


FTTH access speed (100Mbps). Additionally, in terms of energy consumption, fiber optic can reduce energy loss by about 30%, making it a more environmentally friendly and green option.

Global PON Equipment Market Trend:

The PON equipment market is currently undergoing the transition from old to new generation and demand remains strong. The next generation PON includes 10G, 25G PON, 50G PON, etc. The main force is led by 10G PON. In addition to the original Japanese and Korean markets, European and North American regional Cable operators are also starting to increase their efforts towards 10G PON.





(2) CATV Market

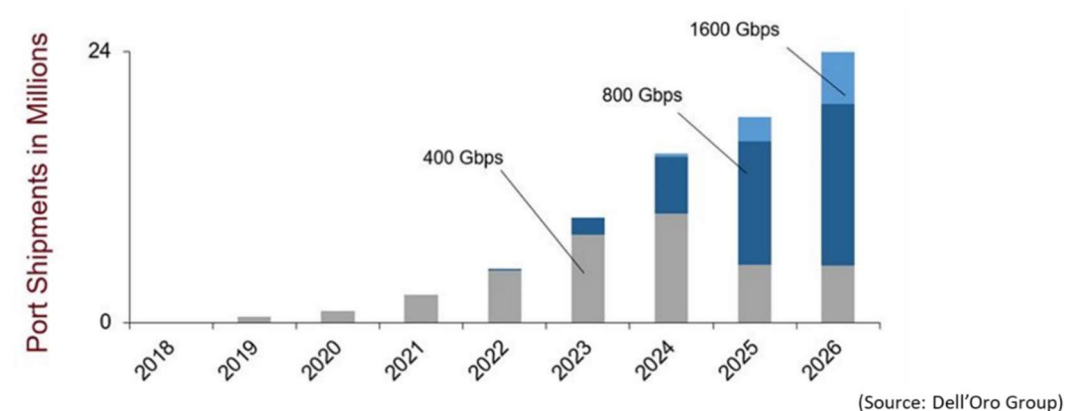
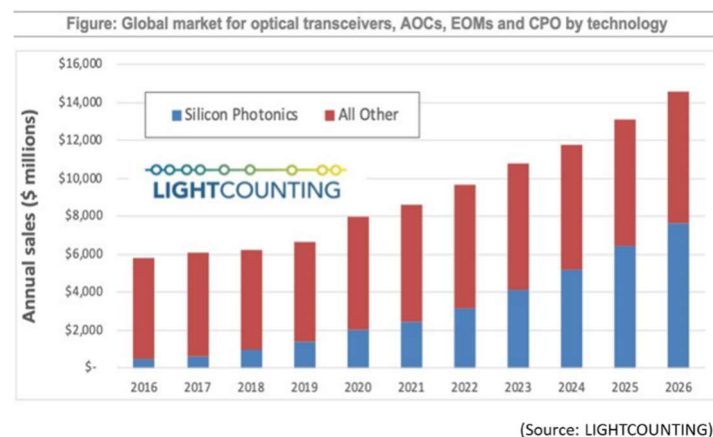
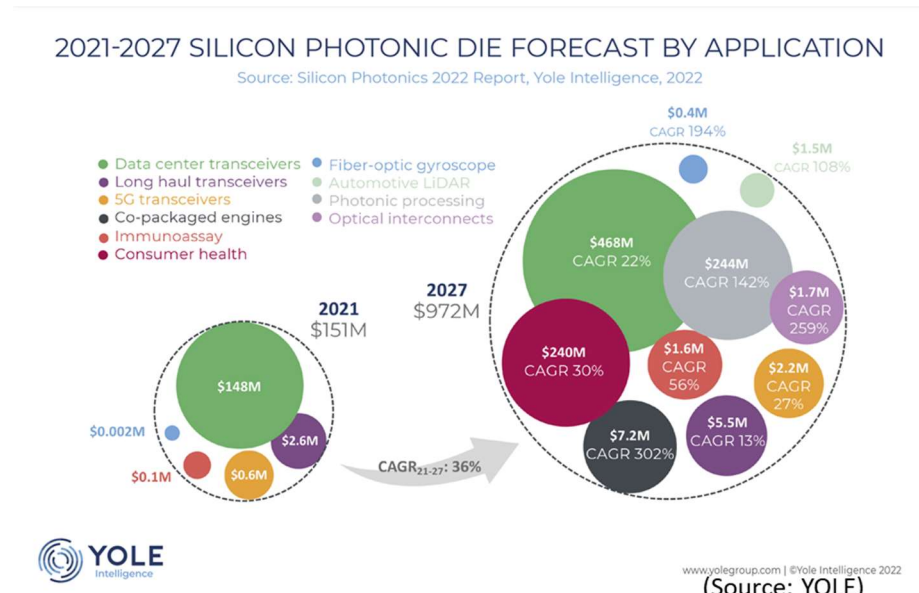
The Data Over Cable Service Interface Specification (DOCSIS) is the main axis of development for different stages of transmission interface specifications. DOCSIS is an international standard developed by CableLabs, the cable standards organization. DOCSIS defines the interface for communication and operating support required to provide data services over cable, and it was developed to enable high-speed data communications over existing cable systems. It is used by many cable operators to provide Internet access over existing HFC infrastructures. The earliest version 1.0 of DOCSIS standard (shown below) was announced in 1997 and supported 40Mbps/10Mbps (Down-stream/Up-stream speed). In October 2013, DOCSIS 3.1 was announced, which greatly enhanced the uplink and downlink speeds to support 10 Gbit/s downlink and 1 Gbit/s uplink, and reconstructed the channel specification. The latest DOCSIS 3.1 Full Duplex, released in October 2017, introduced uplink and downlink peering rates, supporting up to 10 Gbit/s. This specification will be transformed into DOCSIS 4.0, which will be adopted this year. All of these DOCSIS versions maintain cross-backward compatibility between the Cable Modem and Cable Model Termination System.

| | DOCSIS 1.0 | DOCSIS 1.1 | DOCSIS 2.0 | DOCSIS 3.0 | DOCSIS 3.1 | FULL DUPLEX DOCSIS 3.1 |
|---------------------|------------------------------------|-----------------------------|-----------------------|---------------------------|-------------------------------------|---|
| Highlights | Initial cable broadband technology | Added voice over IP service | Higher upstream speed | Greatly enhances capacity | Capacity and efficiency progression | Symmetrical streaming and increased upload speeds |
| Downstream Capacity | 40 Mbps | 40 Mbps | 40 Mbps | 1 Gbps | 10 Gbps | 10 Gbps |
| Upstream Capacity | 10 Mbps | 10 Mbps | 30 Mbps | 100 Mbps | 1-2 Gbps | 10 Gbps |
| Production Date | 1997 | 2001 | 2002 | 2006 | 2013 | 2017 |

(3) Silicon Photonics Optical Transceiver Market

The silicon photonics chip market is expected to grow at a compound annual

growth rate of 36% from 2021 to 2027, with data centers, 5G, photonic computing, long-range optical transceivers, active optical cables, and automotive LiDAR being the major growth sources. In particular, the data center transceiver segment is expected to have the highest growth rate, reaching 22% by 2027, accounting for nearly half of the silicon photonics applications.



4. Competitive Edge

(1) Customized products with market competitiveness

We have strong engineering execution capabilities, including manufacturing engineering, basic component and module design, and production, which enable us to achieve the goals of rapid response and on-time delivery to provide customers with high-quality, low-cost products.

(2) Focus on increasing the proportion of process automation to be cost competitive

Focus on key core processes, introducing active or passive optical coupling algorithm mode, visual image judgment, packaging and curing processes. Increase process automation proportion to reduce manual adjustments to meet mass production volume requirements and cost competitiveness.

(3) Quality policy

The most important thing for us is customer-oriented quality improvement engineering, which is divided into resource management, production quality management and customer feedback management. The Company attaches great importance to the stability and compatibility of our products in terms of quality. We strictly implement the quality management system required by ISO 9001+ and TL9000 to ensure good communication, control and financial records of the work performed. Our products passed various verification such as the IECQ (International Electrotechnical Commission Quality Assessment System) reliability test and the internal certification of Telcordia (Bellcore) for miniaturized plug filters, and the certification of Telcordia GR-1221 and GR-326 for PLC optical splitters and fiber connectors, and the certification of CATV-EDFA by the National Radio and Television Administration of PRC, and the certification of Telcordia GR-1312 for module products, all ensure the quality reliability of the Company.

(4) With expertise in optical communication module components

The core of Browave's technology development includes optical component technology and module technology. They cover fiber fusion tapping, micro-optics, and planar waveguide technologies. In addition, with the trend of high bandwidth and integration, our micro and small component integration technology with multi-function is beginning to show strong competitiveness. We are currently working on the design of low-cost small optical components and the trial of high-end specification products. We have developed a high channel fiber splitter module (PLC-Splitter 1X64), a miniaturized multi-wavelength division multiplexer module (CCWDM/CDWDM), and a customized integrated miniaturized passive optical component for active optical transceiver modules. With this continuous improvement of technology, Browave is now able to produce high quality modules of various specifications in high volume according to customer requirements, and will engage in the manufacturing of high value-added multifunctional modules and subsystems.

(5) OMI (Optical Manufacture Integration) OEM model

Command key optical devices for SSI (Sub System Integration) module integration, thus simplifying the overall supply chain, realizing the concept of

total matching, and enhancing the competitiveness of module products.

5. Favorable Factors and Unfavorable Factors of Development and Countermeasures

(1) Favorable factors

A. Large production base and sufficient production lines for emergent large shipments

The subsidiary's production base in Zhongshan Torch Development Zone, Guangdong, meets ISO 9000/ISO 14000 requirements for quality and environmental protection, and has become a stable and specialized OEM partner for important optical communication customers in Europe, the U.S. and Asia, providing them with perfect intellectual property protection. In order to achieve a favorable competitive position, Browave has developed complete product lines and a flexible production process to meet the needs of customers in a single purchase, and to reduce the risk of the product lines in the market through product diversification.

B. Complete products

We actively develop, manufacture and sell optical communication components and modules, such as optical fiber collimators, optical fiber isolators, optical fiber couplers, dense wavelength division multiplexers, coarse wavelength division multiplexers, doped optical fiber amplifiers, planar optical waveguide splitters, micro optical detectors, micro multifunctional components, etc. Use the most advanced all-fiber and micro-optical technology to provide a series of products and other special specification products to meet customer's needs. Customers' perception of the Company is that we are a specialized vendor in the R&D and production of optical fiber communication component modules.

C. Have abundant quality policies and product reliability certifications

We are committed to providing quality products and services to our customers in order to meet the contract and requirements specified by our customers. We have been doing our best to meet the various reasonable requirements of our customers in terms of specifications, quality, etc. In order to maintain the high quality and stability of all our work, we strictly implement a quality management system that meets the requirements of ISO 9001, ensuring that we have good communication and control records of our work.

(2) Unfavorable factors and countermeasures

A. Customized products are difficult to produce in large quantities in a standardized manner, which affects production efficiency

Since optical communication components and modules are highly customized products, there is a wide variety of products and it is difficult to standardize the specifications, so customers' product demands are for small quantity and diverse. In order to quickly meet the diverse needs of customers, we must also consider short lead times and the large variation in product specifications, which makes the performance of the production lines more difficult to control.

Countermeasures:

- a. We are working on a standardization system for some products, and hold regular meetings to review and strengthen the standardization of

products.

- b. Conduct regular and occasional production and sales meetings to discuss how to proceed for products that can be standardized and how to adjust production capacity for products that cannot be standardized to improve efficiency.
- c. Select customers and product applications, build automation capabilities year by year, and focus on mass production of specific products.

B. Optical fiber market is highly volatile

The optical fiber industry is greatly affected by market fluctuations, and optical communication has not yet been fully implemented in the consumer side, and was even affected by the downturn in 2009. The demand for optical fiber did not increase with the rise in bandwidth demand until 2010, when the economy recovered.

Countermeasures:

- a. The Company's production lines are flexible and can be adjusted in response to changes in the optical fiber market. Regular production meetings are held to adjust production line configurations in a timely manner to meet current industry conditions.
- b. We require compound production skills for our production line personnel to respond to changes in market demand in order to reduce waste of talent, and our employees can be adjusted as production lines are deployed.

C. Production backup base

Respond to the concerns about higher costs as the U.S. trade war with China on commerce tariffs.

Countermeasures:

- a. Short-term: In addition to negotiating prices with customers, we have initiated a plan to establish a new production facility in Southeast Asia in 2022.
- b. Medium-term: The mentioned production facility is scheduled to commence full-scale production from 2023. It serves as an additional production base to meet the diverse demands of end customers and align with the geographic diversity of the supply chain. The scope of the facility includes:
 - I. Managing tariff risks under trade wars.
 - II. Diversifying risks from natural disasters and force majeure events.
 - III. Flexible scheduling of production across the three locations.

(2) Important applications and production process of major products

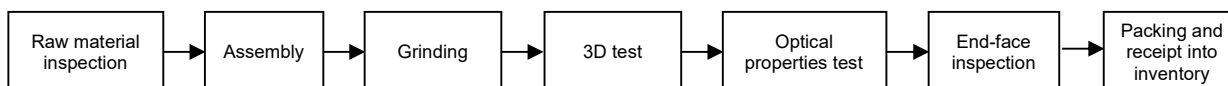
1. Important applications of major products

| Product | Application |
|----------------|---|
| WDM Product | Wavelength division and multiplexing in optical fiber communication systems |
| Branch Product | Distribution of optical energy in optical fiber communication systems |
| AMP Product | Amplification of optical energy in optical fiber communication systems |
| OIN Product | Connection function of optical fiber communication systems |

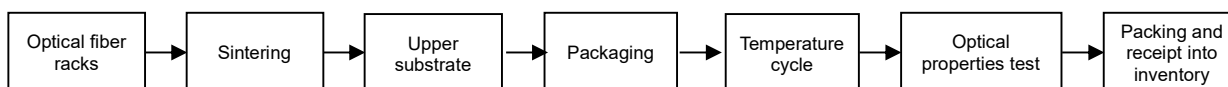
2. Production process of major products

Major products are divided into four categories according to different manufacturing processes.

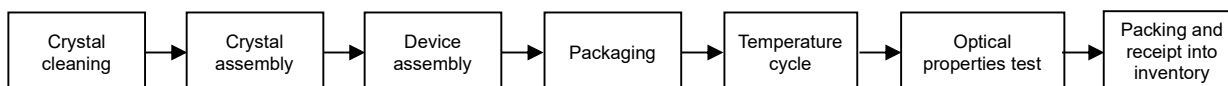
Optical Fiber Connection Components



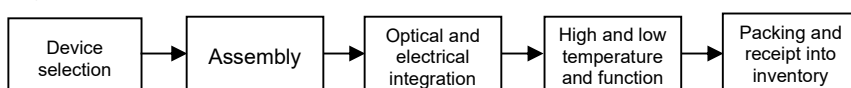
Full Optical Fiber Components



Micro-optical Components



Integrated Module



(3) Supply of main raw materials

The main raw materials of our products are optical parts and connector parts, which are supplied by well-known domestic and foreign vendors with stable supply and excellent quality.

(4) The names of suppliers and customers who accounted for more than 10% of the total purchases (sales) in any of the most recent two years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease.

1. Information on Major Suppliers

Unit: In thousands of NTD

| Item | 2021 | | | | 2022 | | | |
|------|--------------|-----------|---|------------------------------|--------------|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of the Annual Net Purchase Percentage (%) | Relationship with the Issuer | Name | Amount | As a Percentage of the Annual Net Purchase Percentage (%) | Relationship with the Issuer |
| 1 | Vendor D | 114,908 | 9.77 | Non-related party | Vendor A | 138,285 | 9.35 | Non-related party |
| 2 | Vendor A | 81,196 | 6.90 | Non-related party | Vendor D | 95,864 | 6.48 | Non-related party |
| 3 | Vendor C | 79,670 | 6.77 | Non-related party | Vendor B | 79,989 | 5.41 | Non-related party |
| 4 | Vendor F | 49,475 | 4.21 | Non-related party | Vendor C | 35,302 | 2.39 | Non-related party |
| 5 | Others | 851,103 | 72.35 | - | Others | 1,129,569 | 76.37 | - |
| | Net purchase | 1,176,352 | 100.00 | - | Net purchase | 1,479,009 | 100.00 | - |

The reasons for the increase or decrease: Change in demand for materials purchase is affected by change in orders from major customers.

2. Information on Major Customers

Unit: In thousands of NTD

| Item | 2021 | | | | 2022 | | | |
|------|------------|-----------|---|------------------------------|------------|-----------|---|------------------------------|
| | Name | Amount | As a Percentage of the Annual Net Sales (%) | Relationship with the Issuer | Name | Amount | As a Percentage of the Annual Net Sales (%) | Relationship with the Issuer |
| 1 | Customer C | 746,319 | 32.50 | Non-related party | Customer C | 1,227,248 | 38.22 | Non-related party |
| 2 | Customer F | 517,445 | 22.53 | Non-related party | Customer F | 508,463 | 15.84 | Non-related party |
| 3 | Customer T | 151,188 | 6.58 | Non-related party | Customer T | 165,218 | 5.15 | Non-related party |
| 5 | Others | 881,500 | 38.39 | - | Others | 1,309,643 | 40.79 | - |
| | Net sales | 2,296,452 | 100.00 | - | Net sales | 3,210,572 | 100.00 | - |

The reasons for the increase or decrease: Due to change in customer demand.

(5) Production volume and value for the most recent two years

Unit: Pieces; In thousands of NTD

| Annual Production Volume and Value Major Products | 2021 | | | 2022 | | |
|---|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| WDM Product | 2,735,379 | 638,589 | 551,122 | 4,247,370 | 967,280 | 1,013,533 |
| Branch Product | 3,107,360 | 2,511,862 | 827,616 | 3,064,294 | 1,891,106 | 757,156 |
| AMP Product | 1,202,718 | 667,375 | 191,552 | 455,866 | 219,894 | 195,940 |
| OIN Product | 6,764,000 | 1,171,287 | 248,549 | 8,209,845 | 1,443,632 | 302,353 |
| Others | - | 161,262 | 5,574 | - | 30 | 332 |
| Total | 13,809,457 | 5,150,375 | 1,824,413 | 15,977,375 | 4,521,942 | 2,269,314 |

(6) Sales volume and value for the most recent two years

Unit: Pieces; In thousands of NTD

| Annual Sales Volume and Value Major Products | 2021 | | | | 2022 | | | |
|--|----------------|-------|--------------|-----------|----------------|-------|--------------|-----------|
| | Domestic Sales | | Export Sales | | Domestic Sales | | Export Sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| WDM Product | 50 | 464 | 470,656 | 798,254 | 961 | 1,367 | 711,193 | 1,533,223 |
| Branch Product | 1,931 | 1,100 | 2,543,949 | 947,979 | 266 | 167 | 1,985,781 | 978,045 |
| AMP Product | 1,482 | 579 | 156,637 | 202,071 | 1,680 | 540 | 216,323 | 267,066 |
| OIN Product | 24,031 | 4,301 | 3,000,940 | 324,988 | 23,319 | 4,136 | 3,790,992 | 421,709 |
| Others | 515,829 | 1,653 | 11,947,328 | 15,063 | 6,007,726 | 732 | 13,322,233 | 3,587 |
| Total | 543,323 | 8,097 | 18,119,510 | 2,288,355 | 6,033,952 | 6,942 | 20,026,522 | 3,203,630 |

3. Information on Employees

| Year | | 2021 | 2022 | April 30, 2023 |
|----------------------------|--|-------|-------|----------------|
| Number of Employees | Number of employees at the beginning of the period | 1,657 | 1,427 | 1,442 |
| | New employees during the period | 543 | 705 | 35 |
| | Separated employees during the period | 773 | 690 | 277 |
| | Number of employees at the end of the period | 1,427 | 1,442 | 1,221 |
| | Total | 1,427 | 1,442 | 1,221 |
| Average Age | | 30.95 | 31.87 | 32.7 |
| Average Years of Service | | 4.36 | 5.07 | 5.4 |
| Education Distribution (%) | Doctoral degree | 0.2 | 0.1 | 0.2 |
| | Master degree | 2.9 | 2.8 | 3.3 |
| | University or college | 16.3 | 16.1 | 16.7 |
| | Senior high school | 36.5 | 36.6 | 30.4 |
| | Below senior high school | 44.1 | 44.4 | 49.4 |

4. Information on Environmental Protection Expenditures

- (1) The total amount of losses and penalties for environmental pollution in the last two years and as of December 31, 2022: None
- (2) Future countermeasures and possible expenditures: None

5. Labor Relations

- (1) List the Company's employee welfare measures, training, education and retirement systems and their implementation, as well as the agreements between management and employees and measures to protect the rights and interests of employees:

1. Employee Welfare Measures and Implementation

In addition to the implementation of Labor Standards Act and related laws and regulations, the Employee Welfare Committee coordinates employee benefits, including wedding, funeral, childbirth, travel subsidies, and festival gifts and coupons, etc. The Company also provides group insurance and regular health checks for employees. With a view to caring for the health of employees, maintaining the working environment, and attaching importance to environmental protection, the Company implements the "Safety and Health Management Plan" and has an access control monitoring system in the plant, connected with security companies at night and on holidays to jointly maintain safety; all machinery, equipment and appliances are regularly maintained and inspected, and contracted vendors are managed for safety maintenance. Disaster prevention and response measures are implemented in accordance with the "Disaster Recovery and Reconstruction Measures", and a protection team is established and safety protection drills are conducted regularly.

2. Continuing Education and Training

To enhance the specialized ability of employees, the Company holds internal training courses from time to time, and sends employees to attend training courses held by external organizations as needed.

Information on employee continuing education and training in 2022

| Item | Total Number of Attendees | Total Hours | Total Spending (NTD) |
|---------------------------------|---------------------------|-------------|----------------------|
| On-the-job specialized training | 24 | 169 | 59,800 |
| New employee training | 65 | 97 | 0 |
| Fire drill | 19 | 76 | 7,850 |
| On-the-job training | 402 | 671 | 0 |

3. Retirement System and Implementation

In order to enhance retirement protection and strengthen labor-management relationship, the Company contributes 6% of monthly salary to the retirement reserve in accordance with the Labor Pension Act and deposits it in the special account managed by the Bureau of Labor Insurance.

4. Labor-Management Agreements and Various Measures to Protect Employees' Rights and Interests

Since the establishment of the Company, there has been no dispute requiring a labor-management agreement. The Company holds quarterly labor-management meetings to facilitate adequate communication between employees and management and to create a harmonious labor-management relationship.

- (2) The losses suffered by the Company due to labor disputes in the most recent two years and the current year up to the date of publication of the Annual Report, and the estimated amount of current and potential future losses and countermeasures and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None

6. Cyber Security Management

- (1) Describe the risk management framework for cyber security, cyber security policies, specific management plans, and resources devoted to cyber security management:

1. Risk Management Framework for Cyber Security

The Company has established an information security team, responsible for supervising the implementation of information security prevention, crisis notification, emergency response handling and other related work in each unit. The head of the Management Information Department is the convener of the team, and the members include personnel of the Management Information Department, and there are three groups: security prevention group, crisis handling group, and audit group.

2. Cyber Security Policies

- (1) The information security team plans and builds the overall protection

environment for information system and network security, formulates information security management policies and systems, and implements security audits, network monitoring, and personnel security management mechanisms on a regular and irregular basis to strengthen the overall information security protection capabilities and reduce security threats and disaster losses.

- (2) The information security team performs real-time detection and prevention, monitoring and early warning. The team uses continuous monitoring tools to get the latest early warning information, and timely releases warning messages and controls the development trend within the unit to reduce the degree of damage.
- (3) Establish emergency response plans and related operating procedures to deal with information security incidents quickly and effectively.
- (4) Establish information system backup measures, regularly perform necessary data and system backup operations, and regularly conduct backup recovery exercises to verify the availability of backup data to ensure that the risk of information system operation interruption or loss of important data is reduced.

3. Specific Management Plans

- (1) Network security: Separate office and production network segments, configure independent wireless network controller and domain authentication mechanism.
Install firewalls between internal network segments to effectively manage cross-segment access security based on policies.
Upgrade the external gateway firewall to enhance advanced continuous threat prevention capabilities.
- (2) Endpoint security: Configure endpoint antivirus and security control software according to the types of information hosts to maintain endpoint security protection capabilities.
- (3) Application security: Configure mail gateway security system to maintain overall mail system operation security.
- (4) Backup recovery exercise: Perform backup operations according to backup plan and execute backup recovery exercise regularly to verify backup data availability.

4. Resources Invested for Cyber Security Management

- (1) Regarding the implementation and execution of backup measures for important information systems in the fiscal year 2022, the main measures are as follows:
 - i. Three copies of the data are backed up.
 - ii. Backups are made using two or more types of media.
 - iii. One of the backup copies is stored in a remote location in the cloud.
- (2) Implementing remote work cybersecurity monitoring and management mechanisms.
- (3) Renew the contract with the maintenance vendor for the mail gateway security system and endpoint antivirus and security control software to ensure the system is continuously updated and the information security capability is

maintained.

- (4) The Management Information Department performs ERP, HRP, and Workflow information system backup recovery exercises and availability verification.
- (2) For the most recent year and the current year up to the publication date of the Annual Report: The possible impact and the countermeasures taken for losses suffered due to a major cyber security incident, and if the amount cannot be reasonably estimated, that fact shall be stated: None

7. Important Contracts

| Nature of Contracts | The Party | Contract Starting and Ending Date | Main Contents | Restriction Clauses |
|---------------------|----------------------|-----------------------------------|---------------|----------------------|
| Land leases | Hsinchu Science Park | 2021/1/01~2040/12/31 | Land leases | Agreed upon contract |

VI. Financial Position

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Last Five Years

(1) Condensed Balance Sheets and Statements of Comprehensive Income - IFRS

Condensed Balance Sheets - IFRS (Consolidated)

Unit: In thousands of NTD

| Year Item | | Financial Information for the Last 5 Years | | | | |
|---|---------------------|--|-----------|-----------|-----------|-----------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current Assets | | 1,626,320 | 1,917,339 | 2,318,050 | 2,260,523 | 2,869,960 |
| Property, Plant, and Equipment | | 618,915 | 586,628 | 550,509 | 477,510 | 349,481 |
| Intangible Assets | | 4,334 | 5,495 | 4,659 | 6,868 | 4,144 |
| Other Assets | | 157,498 | 181,408 | 168,217 | 136,298 | 144,667 |
| Total Assets | | 2,407,067 | 2,690,870 | 3,041,435 | 2,881,199 | 3,368,252 |
| Current Liabilities | Before Distribution | 941,973 | 988,386 | 778,247 | 685,088 | 1,099,151 |
| | After Distribution | 983,076 | 1,074,192 | 966,464 | 760,375 | 1,415,356 |
| Non-Current Liabilities | | 58,991 | 121,673 | 387,493 | 381,868 | 58,786 |
| Total Liabilities | Before Distribution | 1,000,964 | 1,110,059 | 1,165,740 | 1,066,956 | 1,157,937 |
| | After Distribution | 1,042,067 | 1,195,865 | 1,353,957 | 1,142,243 | 1,474,142 |
| Equity Attributable to Owners of the Parent Company | | 1,406,103 | 1,580,811 | 1,875,695 | 1,814,243 | 2,210,315 |
| Stock Capital | | 752,869 | 752,869 | 752,869 | 752,869 | 752,869 |
| Capital Surplus | | 294,409 | 322,381 | 358,685 | 354,950 | 354,950 |
| Retained Earnings | Before Distribution | 632,135 | 731,799 | 875,280 | 788,012 | 1,164,308 |
| | After Distribution | 591,032 | 645,993 | 687,063 | 712,725 | 848,103 |
| Other Equity | | (23,620) | (82,657) | (62,458) | (81,588) | (61,812) |
| Treasury Stock | | (249,690) | (143,581) | (48,681) | - | - |
| Non-Controlling Interests | | - | - | - | - | - |
| Total Equity | Before Distribution | 1,406,103 | 1,580,811 | 1,875,695 | 1,814,243 | 2,210,315 |
| | After Distribution | 1,365,000 | 1,495,005 | 1,687,478 | 1,738,956 | 1,894,110 |

Note: The consolidated financial information for 2018 to 2022 were audited and attested by CPAs.

Condensed Balance Sheets - IFRS (Standalone)

Unit: In thousands of NTD

| Year Item | | Financial Information for the Last 5 Years | | | | |
|--------------------------------|---------------------|--|-----------|-----------|-----------|-----------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Current Assets | | 1,174,984 | 1,220,709 | 1,648,179 | 1,586,884 | 2,095,944 |
| Property, Plant, and Equipment | | 287,625 | 256,328 | 183,582 | 143,172 | 114,594 |
| Intangible Assets | | 4,334 | 5,495 | 4,659 | 6,868 | 4,144 |
| Other Assets | | 1,022,550 | 1,035,082 | 1,050,921 | 1,034,326 | 1,062,057 |
| Total Assets | | 2,489,493 | 2,517,614 | 2,887,341 | 2,771,250 | 3,276,739 |
| Current Liabilities | Before Distribution | 1,081,441 | 891,719 | 686,096 | 624,091 | 1,018,420 |
| | After Distribution | 1,122,544 | 977,525 | 874,313 | 699,378 | 1,334,625 |
| Non-Current Liabilities | | 1,949 | 45,084 | 325,550 | 332,916 | 48,004 |
| Total Liabilities | Before Distribution | 1,083,390 | 936,803 | 1,011,646 | 957,007 | 1,066,424 |
| | After Distribution | 1,124,493 | 1,022,609 | 1,199,863 | 1,032,294 | 1,382,629 |
| Stock Capital | | 752,869 | 752,869 | 752,869 | 752,869 | 752,869 |
| Capital Surplus | | 294,409 | 322,381 | 358,685 | 354,950 | 354,950 |
| Retained Earnings | Before Distribution | 632,135 | 731,799 | 875,280 | 788,012 | 1,164,308 |
| | After Distribution | 591,032 | 645,993 | 687,063 | 712,725 | 848,103 |
| Other Equity | | (23,620) | (82,657) | (62,458) | (81,588) | (61,812) |
| Treasury Stock | | (249,690) | (143,581) | (48,681) | - | - |
| Total Equity | Before Distribution | 1,406,103 | 1,580,811 | 1,875,695 | 1,814,243 | 2,210,315 |
| | After Distribution | 1,365,000 | 1,495,005 | 1,687,478 | 1,738,956 | 1,894,110 |

Note: The standalone financial information for 2018 to 2022 were audited and attested by CPAs.

Condensed Statements of Comprehensive Income - IFRS (Consolidated)

Unit: In thousands of NTD

| Item \ Year | Financial Information for the Last 5 Years | | | | |
|---|--|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating Revenue | 2,433,494 | 2,424,505 | 3,083,841 | 2,296,452 | 3,210,572 |
| Operating Gross Profit | 360,584 | 437,522 | 755,336 | 365,812 | 794,961 |
| Operating Profit | 53,756 | 130,226 | 443,186 | 107,775 | 473,812 |
| Non-Operating Income and Expenses | 37,701 | 55,751 | (146,849) | (4,102) | 112,829 |
| Net Profit (Loss) Before Tax | 91,457 | 185,977 | 296,337 | 103,673 | 586,641 |
| Net Profit for the Period from Continuing Operations | 72,209 | 140,767 | 229,091 | 81,644 | 451,583 |
| Loss from Discontinued Operations | - | - | - | - | - |
| Net Profit (Loss) for the Period | 72,209 | 140,767 | 229,091 | 81,644 | 451,583 |
| Other Comprehensive Income for the Period (Net After Tax) | 17,926 | (69,355) | 20,395 | 175 | 5,393 |
| Total Comprehensive Income for the Period | 90,135 | 71,412 | 249,486 | 81,819 | 456,976 |
| Net Profit Attributable to Owners of the Parent Company | 72,209 | 140,767 | 229,091 | 81,644 | 451,583 |
| Net Profit Attributable to Non-Controlling Interests | - | - | - | - | - |
| Total Comprehensive Income Attributable to Owners of the Parent Company | 90,135 | 71,412 | 249,486 | 81,819 | 456,976 |
| Total Comprehensive Income Attributable to Non-Controlling Interests | - | - | - | - | - |
| Earnings Per Share | 1.01 | 2.06 | 3.14 | 1.09 | 6.00 |

Note: The consolidated financial information for 2018 to 2022 were audited and attested by CPAs.

Condensed Statements of Comprehensive Income - IFRS (Standalone)

Unit: In thousands of NTD

| Item \ Year | Financial Information for the Last 5 Years | | | | |
|---|--|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating Revenue | 2,382,347 | 2,381,190 | 3,060,814 | 2,269,121 | 3,192,619 |
| Operating Gross Profit | 210,076 | 306,335 | 644,876 | 294,834 | 708,939 |
| Operating Profit | (30,345) | 66,293 | 392,128 | 92,619 | 444,602 |
| Non-Operating Income and Expenses | 110,794 | 105,041 | (103,953) | 5,165 | 116,973 |
| Net Profit (Loss) Before Tax | 80,449 | 171,334 | 288,175 | 97,784 | 561,575 |
| Income Tax Benefit (Expense) | (8,240) | (30,567) | (59,084) | (16,140) | (109,992) |
| Net Profit (Loss) for the Period | 72,209 | 140,767 | 229,091 | 81,644 | 451,583 |
| Other Comprehensive Income for the Period (Net After Tax) | 17,926 | (69,355) | 20,395 | 175 | 5,393 |
| Total Comprehensive Income for the Period | 90,135 | 71,412 | 249,486 | 81,819 | 456,976 |
| Earnings Per Share | 1.01 | 2.06 | 3.14 | 1.09 | 6.00 |

Note: The standalone financial information for 2018 to 2022 were audited and attested by CPAs.

(2) The name and the audit opinions of the attesting CPAs for the last five years

| Year | CPA Firm | Certifying CPA | Audit Opinions |
|------|------------|---------------------------|---------------------|
| 2018 | PwC Taiwan | Cheng Ya-Hui, Li Dian-Yi | Unqualified opinion |
| 2019 | PwC Taiwan | Cheng Ya-Hui, Li Dian-Yi | Unqualified opinion |
| 2020 | PwC Taiwan | Cheng Ya-Hui, Lin Yu-Kuan | Unqualified opinion |
| 2021 | PwC Taiwan | Li Dian-Yi, Lin Yu-Kuan | Unqualified opinion |
| 2022 | PwC Taiwan | Liu Chien-Yu, Lin Yu-Kuan | Unqualified opinion |

2. Financial Analysis for the Last Five Years

Financial Analysis - IFRS (Consolidated)

| <div> <div>Year</div> <div>Analysis item (Note 2)</div> </div> | | Financial Analysis for the Last Five Years (Note 1) | | | | |
|--|--|---|--------|--------|--------|--------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Capital Structure | Debt to assets ratio (%) | 41.58 | 41.25 | 38.33 | 37.03 | 34.38 |
| | Long-term capital to property, plant and equipment ratio (%) | 236.72 | 290.22 | 411.11 | 459.91 | 649.28 |
| Solvency | Current ratio (%) | 172.65 | 193.99 | 297.86 | 329.96 | 261.11 |
| | Quick ratio (%) | 128.71 | 161.53 | 262.00 | 283.89 | 232.65 |
| | Interests coverage multiplier | 24.20 | 27.25 | 50.72 | 14.09 | 81.79 |
| Operating Capacity | Accounts receivable turnover rate (times) | 5.32 | 4.66 | 5.77 | 4.15 | 4.77 |
| | Average collection days | 68.60 | 78.32 | 63.25 | 87.95 | 76.51 |
| | Inventory turnover rate (times) | 3.76 | 4.33 | 6.42 | 5.24 | 6.50 |
| | Accounts payable turnover rate (times) | 4.77 | 4.19 | 4.97 | 4.21 | 5.51 |
| | Average sales days | 97.07 | 84.29 | 56.85 | 69.65 | 56.15 |
| | Property, plant and equipment turnover rate (times) | 4.05 | 4.02 | 5.42 | 4.47 | 7.76 |
| | Total assets turnover rate (times) | 1.04 | 0.95 | 1.08 | 0.78 | 1.03 |
| Profitability | Return on assets (%) | 3.23 | 5.74 | 8.16 | 2.97 | 14.64 |
| | Return on equity (%) | 4.98 | 9.43 | 13.26 | 4.43 | 22.44 |
| | Net profit before tax to paid-in capital (%) | 12.15 | 24.70 | 39.36 | 13.77 | 77.92 |
| | Net profit margin (%) | 2.97 | 5.81 | 7.43 | 3.56 | 14.07 |
| | Earnings per share (NTD) | 1.01 | 2.06 | 3.14 | 1.09 | 6.00 |
| Cash Flow | Cash flow ratio (%) | 19.90 | 36.71 | 71.70 | - | 56.16 |
| | Cash flow adequacy ratio (%) | 90.76 | 175.17 | 239.22 | 129.42 | 197.72 |
| | Cash reinvestment ratio (%) | 8.23 | 13.32 | 15.52 | (6.24) | 17.33 |
| Leverage | Operating leverage | 5.23 | 2.86 | 1.57 | 2.81 | 1.53 |
| | Financial leverage | 1.08 | 1.06 | 1.01 | 1.08 | 1.02 |

Please explain the reasons for the changes in various financial ratios over the past two years. (Analysis can be exempted if the changes do not exceed 20%)

1. In 2022, the decrease in fixed assets due to the sale of a subsidiary in Japan and the increase in net profit resulted in a higher ratio of long-term capital to property, plant and equipment.
2. In 2022, there was an increase in current liabilities due to an increase in long-term liabilities due within one year, leading to a decrease in the current ratio.
3. The increase in net profit in 2022 resulted in higher interest coverage multiplier ratio, return on assets, return on equity, ratio of pre-tax net income to paid-in capital, net profit margin, and earnings per share.
4. The increase in sales revenue and cost of goods sold in 2022 led to higher inventory turnover ratio, accounts payable turnover ratio, property, plant, and equipment turnover ratio, and total asset turnover ratio.
5. The increase in net cash inflow from operating activities in 2022 resulted in higher cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.
6. The increase in operating profit in 2022 led to a decrease in operating leverage.

Note 1: The consolidated financial information for 2018 to 2022 were audited and attested by CPAs.

Financial Analysis - IFRS (Standalone)

| Analysis Item \ Year | | Financial Analysis for the Last Five Years | | | | |
|----------------------|---|--|--------|----------|----------|----------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Capital Structure | Debt to assets ratio (%) | 43.52 | 37.21 | 35.04 | 34.53 | 32.55 |
| | Long-term capital to property, plant, and equipment ratio (%) | 489.54 | 634.30 | 1,199.05 | 1,499.71 | 1,970.71 |
| Solvency | Current ratio (%) | 108.65 | 136.89 | 240.23 | 254.27 | 205.80 |
| | Quick ratio (%) | 88.89 | 120.09 | 222.55 | 233.11 | 191.69 |
| | Interests coverage multiplier | 36.55 | 45.28 | 83.15 | 17.74 | 95.76 |
| Operating Capacity | Accounts receivable turnover rate (times) | 5.43 | 4.70 | 5.84 | 4.18 | 4.76 |
| | Average collection days | 67.21 | 77.65 | 62.50 | 87.32 | 76.68 |
| | Inventory turnover rate (times) | 6.96 | 8.83 | 14.94 | 13.24 | 16.55 |
| | Accounts payable turnover rate (times) | 8.65 | 10.89 | 15.51 | 13.10 | 18.77 |
| | Average sales days | 52.44 | 41.33 | 24.43 | 27.56 | 22.05 |
| | Property, plant, and equipment turnover rate (times) | 8.78 | 8.76 | 13.92 | 13.89 | 24.77 |
| | Total assets turnover rate (times) | 0.96 | 0.95 | 1.13 | 0.80 | 1.06 |
| Profitability | Return on assets (%) | 2.99 | 5.75 | 8.58 | 3.05 | 15.09 |
| | Return on equity (%) | 4.98 | 9.43 | 13.26 | 4.43 | 22.44 |
| | Net profit before tax to paid-in capital (%) (Note 6) | 10.69 | 22.76 | 38.28 | 12.99 | 74.59 |
| | Net profit margin (%) | 3.03 | 5.91 | 7.48 | 3.60 | 14.14 |
| | Earnings per share (NTD) | 1.01 | 2.06 | 3.14 | 1.09 | 6.00 |
| Cash Flow | Cash flow ratio (%) | 2.15 | 13.39 | 77.36 | - | 43.45 |
| | Cash flow adequacy ratio (%) | 84.98 | 104.75 | 216.71 | 108.92 | 162.28 |
| | Cash reinvestment ratio (%) | 1.37 | 4.17 | 17.87 | (7.67) | 14.27 |
| Leverage | Operating leverage | (Note 3) | 4.06 | 1.55 | 2.77 | 1.50 |
| | Financial leverage | (Note 3) | 1.06 | 1.01 | 1.07 | 1.01 |

Please explain the reasons for the changes in various financial ratios over the past two years. (Analysis can be exempted if the changes do not exceed 20%)

1. In 2022, there was an increase in net profit, leading to an increase in the ratio of long-term funds to property, plant, and equipment. Additionally, the interest coverage ratio, return on assets, return on equity, ratio of pre-tax income to paid-in capital, net profit margin, and earnings per share all increased.
2. The year 2022 saw an increase in sales revenue and cost of goods sold, resulting in an increase in inventory turnover ratio, accounts payable turnover ratio, property, plant, and equipment turnover ratio, and total asset turnover ratio.
3. The net cash inflow from operating activities increased in 2022, leading to an increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.
4. The operating profit increased in 2022, which caused a decrease in the operating leverage.

Note 1: Note: The standalone financial information for 2018 to 2022 were audited and attested by CPAs.

Note 2: The formula for calculating the financial analysis is as follows:

1. Capital structure
 - (1) Debt to assets ratio = total liabilities / total assets
 - (2) Long term capital to fixed assets ratio = (net shareholders' equity + long term liabilities) / net fixed assets.
2. Solvency
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets — inventories — prepaid expense) / current liabilities
 - (3) Interests coverage multiplier = net profit before tax and interest expense / interest expense for the period
3. Operating capacity
 - (1) Receivables (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
 - (2) Average collection days = 365 / accounts receivable turnover rate
 - (3) Inventory turnover rate = costs of goods sold / average inventory
 - (4) Payables (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
 - (5) Average sales days = 365 / inventory turnover rate
 - (6) Property, plant, and equipment turnover rate = net sales / average property, plant, and equipment
 - (7) Total assets turnover rate = net sales / average total assets
4. Profitability
 - (1) Return on assets = [net profit after tax + interest expense x (1 - tax rate)] / average total assets
 - (2) Return on equity = net profit after tax / average total equity
 - (3) Net profit before tax to paid-in capital = Net profit before tax / paid-in capital.
 - (4) Net profit margin = net profit after tax / net sales
 - (5) Earnings per share = (net profit attributable to shareholders of the parent - preferred stock dividend) / weighted average number of shares outstanding.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent five years / sum of capital expenditures, inventory additions, and cash dividend for the most recent five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).
6. Leverage
 - (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit - interest expense).

Note 3: Operating profit or loss is negative and is excluded from the calculation.

3. Audit Committee's Report on the Financial Statements for the Most Recent Year

Browave Corporation Audit Committee's Report

The Board of Directors has prepared the Company's 2022 financial statements (including standalone and consolidated financial statements), which has been audited by PricewaterhouseCoopers Taiwan. The above-mentioned financial statements, together with the Business Report and the earnings distribution proposal have been audited by us and determined to be in conformity with the provisions of the Company Act. We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

To
The 2023 Regular Shareholders' Meeting of Browave Corporation

Audit Committee of Browave Corporation

Independent director: Lin Chien-Chih
Independent director: Fang Pei-Hua
Independent director: Meng Ching-Li

February 23, 2023

4. Financial statements for the most recent year: Please refer to Attachment 1
5. The Company's standalone financial statements for the most recent years audited and attested by CPAs: Please refer to Attachment 2
6. The Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the Annual Report and their effects on the Company's financial position: Not applicable

VII. Review and Analysis of Financial Position and Financial Performance and Risk

1. Financial Position

(1) Financial Position Analysis

Unit: In thousands of NTD

| Item \ Year | 2021 | 2022 | Increase (Decrease) Amount | Change Percentage (%) |
|---|-----------|-----------|----------------------------------|-----------------------------|
| Current Assets | 2,260,523 | 2,869,960 | 609,437 | 26.96 |
| Property, Plant, and Equipment | 477,510 | 349,481 | (128,029) | (26.81) |
| Intangible Assets | 6,868 | 4,144 | (2,724) | (39.66) |
| Other Assets | 136,298 | 144,667 | 8,369 | 6.14 |
| Total Assets | 2,881,199 | 3,368,252 | 487,053 | 16.90 |
| Current Liabilities | 685,088 | 1,099,151 | 414,063 | 60.44 |
| Non-Current Liabilities | 381,868 | 58,786 | (323,082) | (84.61) |
| Total Liabilities | 1,066,956 | 1,157,937 | 90,981 | 8.53 |
| Stock Capital | 752,869 | 752,869 | - | - |
| Capital Surplus | 354,950 | 354,950 | - | - |
| Retained Earnings | 788,012 | 1,164,308 | 376,296 | 47.75 |
| Other Equity | (81,588) | (61,812) | 19,776 | (24.24) |
| Non-Controlling Interests | - | - | - | - |
| Total Shareholders' Equity | 1,814,243 | 2,210,315 | 396,072 | 21.83 |
| <p>Explanation of significant changes in assets, liabilities, and shareholders' equity over the past two years:</p> <ol style="list-style-type: none"> 1. There was an increase in current assets due to an increase in fixed-term deposits. 2. The decrease in property, plant, and equipment was a result of the sale of a subsidiary in Japan. 3. The reduction in intangible assets was due to the amortization of expenses. 4. The increase in current liabilities was caused by an increase in short-term borrowings and income taxes payable. 5. Non-current liabilities decreased as long-term debts were reclassified as current liabilities and long-term borrowings were repaid. 6. Retained earnings and total shareholders' equity increased due to the increase in net profit for the period. 7. The increase in other equity was a result of gains from the disposal of equity method investees and foreign currency translation adjustments of financial statements of foreign operations. | | | | |

2. Financial Performance

- (1) The main reasons for the significant changes in operating revenue, net operating profit and net profit before tax for the last two years

Unit: In thousands of NTD

| Item \ Year | 2021 | 2022 | Increase (Decrease) Amount | Change Percentage (%) |
|--------------------------------------|-------------|-------------|----------------------------------|-----------------------------|
| Net operating Revenue | 2,296,452 | 3,210,572 | 914,120 | 39.81 |
| Operating Costs | (1,930,720) | (2,415,611) | (484,891) | 25.11 |
| Unrealized Profit on Sales | 91 | - | (91) | (100.00) |
| Realized Profit on Sales | (11) | - | 11 | (100.00) |
| Operating gross profit | 365,812 | 794,961 | 429,149 | 117.31 |
| Operating Expenses | (258,037) | (321,149) | (63,112) | 24.46 |
| Operating profit | 107,775 | 473,812 | 366,037 | 339.63 |
| Non-Operating Income and Expenses | (4,102) | 112,829 | 116,931 | (2850.59) |
| Net Profit (Net Loss) Before Tax | 103,673 | 586,641 | 482,968 | 465.86 |
| Income Tax Expenses | (22,029) | (135,058) | (113,029) | 513.09 |
| Net Profit (Net Loss) for the Period | 81,644 | 451,583 | 369,939 | 453.11 |

Explanation for the significant changes in operating revenue, net operating profit and net profit before tax for the last two years:

1. The increases in operating revenue, operating gross profit, and operating profit were due to the increase in customer demand and the effect of product mix.
2. The increases in operating expenses was due to an increase in operating costs.
3. The increase in non-operating income and expenses is due to the impact of exchange rate fluctuations.
4. The increases in net profit before tax, income tax expense and net profit for the period were due to the above combined reasons.

- (2) The expected sales volume and its basis, the possible impact on the Company's future finance and business, and the corresponding plans:

1. The sales volume is based on the development of market demand, the estimated order quantity of customers and the Company's production capacity. The sales volume is expected to grow in the coming year.
2. The possible impact on the Company's future finance and business, and the corresponding plans: None

3. Cash Flow

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

Unit: %

| Item \ Year | 2021 | 2022 | Increase (Decrease) Percentage |
|--|--------|--------|--------------------------------|
| Cash Flow Ratio | - | 56.16 | 100.00 |
| Cash Flow Adequacy Ratio | 129.42 | 197.72 | 52.77 |
| Cash Reinvestment Ratio | (6.24) | 17.33 | 377.72 |
| Analysis of changes in increase or decrease percentage: The increase in net cash inflows from operating activities in 2022 resulted in a increase in the cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio. | | | |

(2) Improvement plan for liquidity deficiency: None

(3) Cash flow analysis for the coming year

Unit: In thousands of NTD

| Cash Balance at the Beginning of Period | Estimated Annual Net Cash Flows from Operating Activities | Estimated Annual Net Cash Flows from Investing and Financing Activities | Estimated Cash Surplus (shortage) | Remedy for Estimated Cash Shortage | |
|--|---|---|-----------------------------------|------------------------------------|----------------|
| | | | | Investing Plan | Financing Plan |
| 1,158,753 | 449,499 | (697,025) | 911,227 | None | None |
| 1. Analysis of changes in cash flows for the coming year (1) The net cash flows from operating activities are mainly generated by the excess of operating cash receipts over cash expenditures. (2) Investing activities consist mainly is the repayment of corporate bonds. (3) Financing activities consist mainly of cash dividends. 2. Remedy for estimated cash shortage and liquidity analysis: None | | | | | |

4. Impact of significant capital expenditures in the most recent year on finance and business:

In 2022, the consolidated company's capital expenditure amounted to approximately NTD 77,465 thousand. The main utilization of these funds was for expanding the factory, purchasing machinery and equipment, and increasing production capacity. The sources of funding primarily included internal funds and financing from financial institutions, which were sufficient to meet the capital expenditure requirements for that year. The significant capital expenditure mentioned above was aimed at expanding production capacity to meet the needs of revenue growth.

5. Investment policy in the most recent year, main reasons for profit or loss, improvement plans and investment plan for the coming year

(1) The Company's investment policy:

The Company makes investments based on factors such as operational needs or considerations of the Company's future growth. After the unit provides specialized information and makes a recommendation to the responsible officer, the investment proposal is evaluated with respect to the investee's past and future outlook, market conditions and business quality, and is used as the basis for the decision-making authority to make investment decisions.

(2) Main reasons for gain or loss of the investment, improvement plans

Unit: In thousands of NTD

| Investee Company | Investment Gain or Loss for the Most Recent Year | Gain or Loss and the Main Reasons | Improvement Plans | Other Future Investment Plans |
|-----------------------------------|--|---|-------------------|-------------------------------|
| Browave Holding Inc. | 18,005 | Recognition of the profit of Browave (ZhongShan) Corporation | - | None |
| Browave (ZhongShan) Corporation | 40,772 | Stable and consistently profitable operations. | - | None |
| Browave Japan Corporation (Note) | (6,204) | The business development in Japan did not meet expectations, and it was sold in 2022. | - | None |
| Browave (Philippines) Corporation | (3,591) | The establishment was completed in August 2022, and operations have not yet begun. | - | None |

Note: The company originally held 8,000 shares of Browave Japan Corporation and sold all of them in December 2022.

(3) Investment plan for the coming year: In line with the Company's long-term development plan, the Company intends to build additional production bases.

6. Risks

(1) Impact of interest and exchange rate changes and inflation on the profit and loss of the Company, and the future countermeasures:

1. Impact of interest rate change:

The Company's interest expense was NTD 7,922 thousand and NTD 7,261 thousand in 2021 and 2022, respectively, accounting for 0.34% and 0.23% of the Company's operating revenue in those years. Therefore, the change in interest rate had no significant impact on the Company. The Company will adjust the use of funds in accordance with the changes in financial interest rates in order to reduce the impact of changes in interest rates on the Company's profit or loss.

2. Impact of exchange rate change:

The Company's responses to exchange rate changes are based on the principle of hedging foreign exchange risk without affecting the stable operation of the Company's business, rather than earning foreign exchange gains. The Company collects quotations and information on international financial, exchange rate and interest rate products from banks at any time to keep abreast of the changes in exchange rates, and takes the following foreign exchange hedging measures in a timely manner:

- (1) We continue to strengthen the concept of foreign exchange hedging among our financial personnel, and through the online exchange rate real-time system and enhanced interaction with financial institutions, the Company is able to evaluate the trend of exchange rate movements in order to cope with the negative effects of exchange rate fluctuations.
- (2) Before providing quotations to customers, we will consider and evaluate future exchange rate trends and factors affecting exchange rates in order to determine appropriate and reasonable quotations and minimize the impact of exchange rate fluctuations.
- (3) We achieve a certain degree of natural hedge by controlling the offsetting of recurring foreign currency receivables and payables.
- (4) The Company evaluates the purchase of various derivative financial instruments that can effectively reduce the exchange rate risk in accordance with the Company's operating procedures and controls the hedging positions by the responsible officers in order to reduce the exchange rate loss arising from the exchange rate risk.

3. Impact of inflation:

The Company has no significant impact on profit or loss as a result of inflation up to now. In addition to closely monitoring market price fluctuations, the Company also maintains good interaction with suppliers and customers to adjust product prices and raw material inventories appropriately, so the Company should be able to effectively reduce the impact of inflation on the Company.

(2) Policies on high-risk, high-leverage investments, lending funds others, endorsement and guarantee, and derivatives transactions, main reasons for gain or loss, and future countermeasures:

1. Since its establishment, the Company has been dedicated to the operation of its

core business and has not engaged in high-risk and high-leverage investment activities.

2. As of the printing date of the annual report, the amount of loaning of funds by the Company to its subsidiary, Browave (Philippines) Corporation was NTD 61,480 thousand and was in accordance with the Company's endorsement and guarantee operating procedures.
 3. As of the printing date of the annual report, the company has not engaged in any endorsement guarantees or derivative trading activities. All related operational procedures are conducted in accordance with legal requirements and the company's prescribed operating procedures.
- (3) Future research and development plans and estimated investment in research and development expenses

1. Future R&D plans:

The Company will continue to refine the development and manufacturing of micro-optical cables and basic passive components in high-speed optical transceiver modules, and will also develop OIO-related products in response to the trend of silicon photonic chip technology and customer designs. In addition to the various duplex arrays of micro-optical products which are already in progress, we will also invest in the development of polarization maintaining fiber arrays of hybrid products, and extend the results of the automation of existing micro-optical products to the process and testing of optical arrays. In addition, we will invest in the development of mini TFF arrays and glass microvia arrays to meet the demand for key components.

The Company will continue to devote efforts to the development and manufacturing of high-speed optical transceiver modules, micro-optical fiber cables, and basic passive components. It will also develop related products in line with the trend of silicon photonics chip technology and customer demands. Additionally, resources will be invested in the development of composite products for polarization-maintaining fiber arrays, and the automation technology for existing micro-optical products will be extended to fiber array processes and testing. To meet the demand for critical components, the company will invest in equipment for developing micro-film filter arrays and glass micro-hole arrays to enhance product competitiveness.

Future R&D plans include:

- (1) Mini TFF array Mux/Demux
 - (2) Mini TFF block
 - (3) 2D glass hole array
 - (4) Hybrid polarization maintaining fiber array
 - (5) Polarization Maintaining Fiber Array and Automatic PMFA process
2. Estimated investment in research and development expenses:
- Technological innovation and research and development are fundamental to the company's continuous growth and sustainable operation. Therefore, the company allocates research and development expenses every year. The projected amount of investment in research and development expenses is based on the progress of new product and technology development. In the future, as the business expands, the research and development expenses will gradually increase. It is estimated that in 2023, the company will invest approximately NTD113,000 thousand in research and development expenses to

support future research and development plans and enhance the company's market competitiveness.

- (4) The impact of important domestic and foreign policy and legal changes on the Company's finance and business and countermeasures:
The Company's operations are conducted in accordance with the domestic and foreign laws and regulations, and the Company pays attention to the development trend of domestic and foreign policies, and changes in laws and regulations at all times, and consults experts to fully understand and respond to changes in the market environment. Therefore, important domestic and foreign policy and legal changes should not have a material impact on the Company's finance and business.
- (5) The impact of important changes in technology (including cyber security risk) or industry on the Company's finance and business and countermeasures:
The demand for network bandwidth has increased further due to the continuous growth of digital content, smartphones, 5G cloud computing, broadband Internet access, Remote PHY, and online games. Coupled with the development of interactive audio and video technologies, governments and private organizations worldwide are more active than ever in promoting broadband construction projects, bringing opportunities for the growth of the optical communications industry. The Company continues to capture the growth momentum of the fiber-to-the-home market and continues to invest in the development of new technologies to maintain its competitiveness, while maintaining sound and flexible financial management to meet the challenges of changes in technology and the industry.
- (6) The impact of change in corporate image on corporate crisis management and countermeasures:
Since its establishment, the Company has adhered to the principle of operating with integrity and pragmatism, attaching importance to the image of the Company, while complying with laws and regulations, and maintaining harmonious labor and local relations. Therefore, there has been no corporate crisis or need for crisis management due to the change of corporate image.
- (7) Expected benefits and possible risks of mergers and acquisitions and countermeasures:
The Company has no plans to acquire other companies in the most recent year and the current year up to the publication date of the Annual Report. However, in the event of future mergers and acquisitions, the Company will assess the benefits and control the risks in a prudent manner to protect the interests of the Company and the shareholders in accordance with various operating regulations.
- (8) Expected benefits and possible risks of plant expansion and countermeasures:
The Company adopts a prudent operating strategy to adjust the expansion of existing plant capacity to meet customer demand.
- (9) Risks of concentrations of purchases or sales and countermeasures:
1. Risks of concentrations of purchases and countermeasures:
The Company always maintains two or more suppliers for its major raw materials to diversify the risk. In addition to maintaining good relationships with major suppliers, we are also actively developing new applications and new customer segments to ensure a stable source of supply.
 2. Risks of concentrations of sales and countermeasures:
Except for the investees, there is no excessive concentration of the Company's

purchases and sales. With strong R&D and manufacturing capabilities, we maintain long-term relationships with our existing customers. We also strive to develop new customers to expand and diversify our business sources, so that the risk of concentration of sales will not affect the stable growth of the Company.

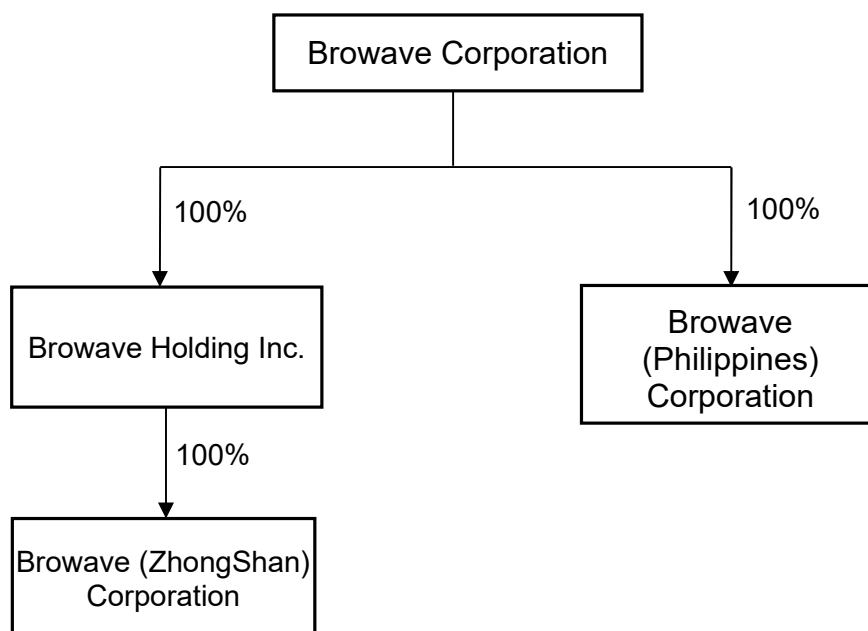
- (10) The impact on the Company and risks of the massive transfer or change of shares of the Company by directors, supervisors, or major shareholders with 10% stake or more and countermeasures: As of the date of publication of the Annual Report, there has been no massive transfer or change of ownership of the Company by directors, supervisors or major shareholders holding more than 10% of the shares.
- (11) The impact on the Company and risks of change in management rights and countermeasures:
There was no change in management rights during the most recent year or during the current year up to the date of publication of the Annual Report
- (12) For litigation or non-litigation events, if the Company, its directors, supervisors, general managers, de facto persons in charge, major shareholders with more than 10% stakeholder, or subordinate companies have been convicted by final and binding judgments or are still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices, then the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved and the handling of the case as of the date of publication of the annual report shall be disclosed: None
- (13) Other major risks and countermeasures

7. Other important matters: None

VIII. Special Matters

1. Information on Affiliates

(1) Organizational chart of affiliates



(2) Basic information on affiliates

| December 31, 2022 | | | | |
|-----------------------------------|-----------------------|---|-----------------|---|
| Enterprise Name | Date of Establishment | Address | Paid-in Capital | Main Business or Production Items |
| Browave Holding Inc. | April 25, 2000 | Citco Building, P.O. Box 662, Raod Town. Tortola, British, Virgin Islands | NT\$677,760 | Investment business |
| Browave (ZhongShan) Corporation | July 6, 2000 | No. 1 and No. 2, No. 39, Keji East Road, Torch Development Zone, Zhongshan City, Guangdong Province | US\$20,000 | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. |
| Browave (Philippines) Corporation | August 16, 2022 | No. 4 Rizal Highway cor. Aim High St., Subic Gateway Park, Subic Bay Freeport Zone, Zambales | PHP100,000 | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. |

(3) Information on the common shareholders of those presumed to be in a controlling and subordinate relationship: None

(4) The industries covered by the businesses of all affiliates:

The businesses of the Company and its affiliates include: Investment holding and optical communication business. The businesses of the Company's affiliates are mainly in the research, development, manufacturing, sales, and service of optical fiber

components. The Company is principally engaged in the overall operation direction, order processing, marketing, key product development, and administrative and financial operations. The Company's Mainland subsidiary is engaged in manufacturing, processing, and marketing in Mainland China.

(5) Information on the directors, supervisors, and presidents of the affiliates:

December 31, 2022; Unit: Thousand's dollars

| Enterprise Name | Title | Name or Representative | Shareholding | |
|-----------------------------------|--|--|---------------|-------------------------|
| | | | Stock Capital | Shareholding Percentage |
| Browave Holding Inc. | Chairperson | Cheng Wann-Lai | NT\$677,760 | 100% |
| Browave (ZhongShan) Corporation | Chairperson Director Director Supervisor President | Wu Jin-Hong Lin Jin-Xiong Hwang Yu-Wen Chang Wen-Chiao Liu Bang-Zhen | US\$20,000 | 100% |
| Browave (Philippines) Corporation | Chairperson Director President | Lin Jin-Xiong Hwang Yu-Wen Liu Bang-Zhen | PHP100,000 | 100% |

(6) Affiliate Operations Overview:

December 31, 2022; Unit: In thousands of NTD

| Enterprise Name | Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Net Profit (Net Loss) for the Period | Net Profit (Net Loss) for the Period | Earnings (Losses) Per Share (NTD) |
|-----------------------------------|---------|--------------|-------------------|-----------|-------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| Browave Holding Inc. | 677,760 | 930,431 | - | 930,431 | - | (137) | 18,005 | - |
| Browave (ZhongShan) Corporation | 795,439 | 1,177,078 | 461,118 | 715,960 | 2,465,472 | 36,058 | 40,772 | - |
| Browave Japan Corporation | - | - | - | - | - | (1,692) | (6,204) | - |
| Browave (Philippines) Corporation | 54,509 | 90,421 | 39,287 | 51,134 | - | (2,819) | (3,591) | - |

(7) Consolidated financial statements of affiliates: Please refer to Attachment 1 for consolidated financial statements.

- Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: None
- Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: None
- Other matters that require additional explanation:

Tracking Schedule of Commitments for TPEX Listing

| Commitments for TPEX Listing | Status of Commitments |
|--|--|
| <p>Under the “Procedures for Acquisition or Disposal of Assets”, the Company is committed to add that “the Company shall not forgo the capital increase to Browave Holding Inc. in each future year; Browave Holding Inc. shall not forgo the capital increase to Browave (ZhongShan) Corporation in each future year; Chuang Tong Investment Co., Ltd. shall not forgo the capital increase to Innovate Investment (BVI) Inc. in each future year. In the future, if the Company is required to forgo a capital increase or dispose of the above-mentioned companies due to strategic alliance consideration or others as approved by TPEX, a special resolution of the Company's Board of Directors is required.” If there is any subsequent amendment to the regulations, the Company shall disclose it as significant information on the Market Observation Post System and report it to TPEX by a letter for recordation.</p> | <p>In accordance with the instructions of TPEX</p> |

IX. For the most recent year and the current year up to the publication date of the Annual Report, any of the events specified in Article 36 (3) (2) of the Act occurred with a material effect on shareholders' equity or the price of securities: None

Attachment 1

**Browave Corporation and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
2022 and 2021**

Browave Corporation and Subsidiaries

Representation Letter

The companies to be included in the Consolidated Financial Statements of affiliated enterprises for 2022 (from January 1, 2022 to December 31, 2022) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included in the Consolidated Financial Statements of the parent company and subsidiaries pursuant to the IAS No. 10. Further, the related information to be disclosed in the Consolidated Financial Statement of affiliated enterprises has been disclosed in said Consolidated Financial Statements of the parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the Consolidated Financial Statements of affiliated enterprises separately.

Declared By

Company Name: Browave Corporation

Person in Charge: Cheng Wann-Lai

February 23, 2023

Independent Auditors' Report

(2023) Cai-Shen-Bao-Zi No22003742

To the Board of Directors and Shareholders of Browave Corporation and Subsidiaries:

Audit Opinions

We have audited the accompanying Consolidated Balance Sheets of Browave Corporation and its subsidiaries (hereinafter referred to as the "Browave Group") as of December 31, 2022 and 2021, and the related Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and notes to the Consolidated Financial Statements (including significant accounting policies) for the years then ended.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Browave Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis of Audit Opinions

We concluded our audits in accordance with the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards of the R.O.C. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the Consolidated Financial Statements. We are independent of the Browave Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the 2022 Consolidated Financial Statements of the Browave Group. These matters were addressed in the content of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

The following are the key audit matters in the Consolidated Financial Statements of the Browave Group for 2022.

Inventory Valuation

Description of the Matter

Please refer to Note 4 (13) to the Consolidated Financial Statements for the accounting policy on inventory valuation, Note 5 (2) to the Consolidated Financial Statements for the accounting estimates and uncertainties in assumptions on inventory valuation, and Note 6 (6) to the Consolidated Financial Statements for the description of inventory items.

Due to the rapid changes in technology and the fierce competition in the market, the risk of loss on decline in value or obsolescence of Browave's inventory is high.

Because the net realizable value used by the Browave Group in valuing its inventory is often subjective and therefore subject to uncertainty in estimation, we consider the valuation of the Browave Group's inventory to be one of the most important matters for this year's audits, considering the significant effect of the Browave Group's inventory valuation on the financial statements.

Corresponding Audit Procedures

The corresponding procedures we performed for inventory valuation are set forth as below:

- We evaluated the reasonableness of the policies and procedures used to recognize the allowance for losses on inventory based on our understanding of the nature of the Group's operations and industries, including the historical information used to determine the net realizable value.

- Tested the correctness of the calculations related to the net realizable value of inventory as evaluated by the management.

Other Matters - Standalone Financial Statements

Browave Corporation has prepared Standalone Financial Statements for 2022 and 2021, for which we have issued an Independent Auditors' Report with unqualified opinion on record for reference.

Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented Consolidated Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards interpretations, and announcements of interpretations recognized by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements to ensure material misstatement caused by fraud or error does not exist in the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the management is also responsible for assessing the ability of the Browave Group as a going concern, disclosing as applicable matters related to a going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Browave Group or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the Audit Committee) are responsible for overseeing the reporting process of the financial statements of the Browave Group.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent Auditors' Report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted accounting principles will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material, individually or in aggregate, when they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following tasks:

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

4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Browave Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Browave Group to cease as a going concern.
5. Evaluate the overall presentation, structure, and content of the Consolidated Financial Statements (including related notes), whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information or the entities or business activities of the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

We also provide those in charge of governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with all relationships and other matters that may reasonably be thought to affect our independence, and other matters (including related protective measures).

From the matters communicated with those in charge of governance, we determine those matters that were most significance in the audit of the 2022 Consolidated Financial Statements of the Browave Group and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Liu Chien Yu

CPA

Lin Yu-Kuan

Financial Supervisory Commission

Approval Document: Jin-Guan-Zheng-Shen-Zi

No.1090350620

Former Securities Regulatory Commission, Ministry of
Finance

Approval Document:(1992) Tai-Cai-Zheng (VI) No.81020

February 23,2023

Browave Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: In thousands of NTD

| Assets | | | December 31, 2022 | | December 31, 2021 | | | |
|--------------------|---|-------------|-------------------|-----------|-------------------|----|-----------|-----|
| | | | Amount | % | Amount | % | | |
| Current Assets | | | | | | | | |
| 1100 | Cash and Cash Equivalents | 6(1) | \$ | 1,158,753 | 34 | \$ | 1,157,682 | 40 |
| 1110 | Financial Assets at Fair Value Through Profit or Loss - Current | 6(2) | | 91,284 | 3 | | 134,268 | 5 |
| 1136 | Financial Assets at Amortized Cost - Current | 6(4) | | 537,712 | 16 | | 53,680 | 2 |
| 1150 | Notes Receivable, Net | 6(5) | | - | - | | 174 | - |
| 1170 | Accounts Receivable, Net | 6(5) | | 760,229 | 22 | | 587,036 | 20 |
| 1200 | Other Receivables | | | 2,129 | - | | 12,039 | - |
| 1220 | Current Income Tax Assets | | | 7,040 | - | | - | - |
| 130X | Inventories | 6(6) | | 289,321 | 9 | | 300,546 | 10 |
| 1410 | Prepayments | | | 23,492 | 1 | | 15,098 | 1 |
| 11XX | Total Current Assets | | | 2,869,960 | 85 | | 2,260,523 | 78 |
| Non-current Assets | | | | | | | | |
| 1517 | Financial Assets at Fair Value Through Other Comprehensive Income - Non-current | 6(3) | | 30,253 | 1 | | 38,700 | 1 |
| 1600 | Property, Plants, and Equipment | 6(8) and 8 | | 349,481 | 10 | | 477,510 | 17 |
| 1755 | Right-of-Use Assets | 6(9) | | 63,750 | 2 | | 61,253 | 2 |
| 1780 | Intangible Assets | | | 4,144 | - | | 6,868 | - |
| 1840 | Deferred Income Tax Assets | 6(27) | | 21,517 | 1 | | 19,036 | 1 |
| 1900 | Other Non-current Assets | 6(10) and 8 | | 29,147 | 1 | | 17,309 | 1 |
| 15XX | Total Non-current Assets | | | 498,292 | 15 | | 620,676 | 22 |
| 1XXX | Total Assets | | \$ | 3,368,252 | 100 | \$ | 2,881,199 | 100 |

(Continued on next page)

Browave Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: In thousands of NTD

| Liabilities and Equity | | Note | December 31, 2022 | | December 31, 2021 | |
|-------------------------|--|-----------|-------------------|------|-------------------|------|
| | | | Amount | % | Amount | % |
| Current Liabilities | | | | | | |
| 2120 | Financial Liabilities at Fair Value Through Profit or Loss - Current | 6(11) | \$ - | - | \$ 1,440 | - |
| 2130 | Contract Liabilities - Current | 6(20) | 4,522 | - | 8,429 | - |
| 2170 | Accounts Payable | | 416,864 | 12 | 459,928 | 16 |
| 2200 | Other Payables | 6(13) | 239,719 | 7 | 169,962 | 6 |
| 2230 | Current Income Tax Liabilities | | 107,542 | 3 | 17,651 | 1 |
| 2280 | Lease Liabilities - Current | 6(9) | 25,496 | 1 | 16,068 | 1 |
| 2320 | Long term liabilities due within one year | 6(12)(14) | 295,674 | 9 | 5,628 | - |
| 2399 | Other Current Liabilities-Other | | 9,334 | - | 5,982 | - |
| 21XX | Total Current Liabilities | | 1,099,151 | 32 | 685,088 | 24 |
| Non-current Liabilities | | | | | | |
| 2530 | Bonds Payable | 6(12) | - | - | 290,159 | 10 |
| 2540 | Long-term Loans | 6(14) | - | - | 33,525 | 1 |
| 2570 | Deferred Income Tax Liabilities | 6(27) | 19,368 | 1 | 11,392 | - |
| 2580 | Lease Liabilities - Non-current | 6(9) | 39,242 | 1 | 46,053 | 2 |
| 2600 | Other Non-current Liabilities | | 176 | - | 739 | - |
| 25XX | Total Non-current Liabilities | | 58,786 | 2 | 381,868 | 13 |
| 2XXX | Total Liabilities | | 1,157,937 | 34 | 1,066,956 | 37 |
| Equity | | | | | | |
| | Stock Capital | 6(16) | | | | |
| 3110 | Common Stock Capital | | 752,869 | 23 | 752,869 | 26 |
| | Capital Surplus | 6(17) | | | | |
| 3200 | Capital Surplus | | 354,950 | 10 | 354,950 | 12 |
| | Retained Earnings | 6(18) | | | | |
| 3310 | Legal Reserve | | 172,321 | 5 | 162,226 | 6 |
| 3320 | Special Reserve | | 81,589 | 3 | 62,458 | 2 |
| 3350 | Unappropriated Earnings | | 910,398 | 27 | 563,328 | 20 |
| | Other Equity | 6(19) | | | | |
| 3400 | Other Equity | | (61,812) | (2) | (81,588) | (3) |
| 3XXX | Total Equity | | 2,210,315 | 66 | 1,814,243 | 63 |
| 3X2X | Total Liabilities and Equity | | \$ 3,368,252 | 100 | \$ 2,881,199 | 100 |

The accompanying notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements and should be read in conjunction with these Consolidated Financial Statements.

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD
(Except for earnings per share, which are in NTD.)

| | Item | Note | 2022 | | 2021 | |
|------|--|--------------|-------------------|-----------|------------------|----------|
| | | | Amount | % | Amount | % |
| 4000 | Operating Revenue | 6(20) and 7 | \$ 3,210,572 | 100 | \$ 2,296,452 | 100 |
| 5000 | Operating Costs | 6(6)(25)(26) | (2,415,611) | (75) | (1,930,720) | (84) |
| 5900 | Operating Gross Profits | | 794,961 | 25 | 365,732 | 16 |
| 5910 | Unrealized Loss on Sales | | - | - | 91 | - |
| 5920 | Realized Loss on Sales | | - | - | (11) | - |
| 5950 | Operating Gross Profits, Net | | 794,961 | 25 | 365,812 | 16 |
| | Operating Expenses | 6(25)(26) | | | | |
| 6100 | Selling Expenses | | (74,802) | (2) | (64,494) | (3) |
| 6200 | Administrative Expenses | | (138,781) | (4) | (107,129) | (4) |
| 6300 | R&D Expenses | | (107,566) | (4) | (86,414) | (4) |
| 6000 | Total Operating Expenses | | (321,149) | (10) | (258,037) | (11) |
| 6900 | Operating Income | | 473,812 | 15 | 107,775 | 5 |
| | Non-operating Income and Expenses | | | | | |
| 7100 | Interest Income | 6(21) | 17,034 | - | 9,217 | - |
| 7010 | Other Income | 6(22) and 7 | 16,272 | - | 19,666 | 1 |
| 7020 | Other Gains and Losses | 6(23) and 7 | 86,784 | 3 | (23,466) | (1) |
| 7050 | Financial Costs | 6(24) | (7,261) | - | (7,922) | - |
| 7060 | Share of Profits and Losses of Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method | | - | - | (1,597) | - |
| 7000 | Total Non-operating Income and Expenses | | 112,829 | 3 | (4,102) | - |
| 7900 | Income Before Income Tax | | 586,641 | 18 | 103,673 | 5 |
| 7950 | Income Tax Expenses | 6(27) | (135,058) | (4) | (22,029) | (1) |
| 8200 | Net Profit for the Net Income | | <u>\$ 451,583</u> | <u>14</u> | <u>\$ 81,644</u> | <u>4</u> |
| | Items That Are Not Reclassified to Profit or Loss | | | | | |
| 8316 | Unrealized Valuation Gains or Losses on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income | 6(3) | (\$ 7,988) | - | \$ 11,801 | 1 |
| | Items That May be Reclassified Subsequently to Profit or Loss | | | | | |
| 8361 | Exchange Differences on Translation of Financial Statements of Foreign Operations | 6(19) | 13,381 | - | (11,626) | (1) |
| 8300 | Other Comprehensive Income (Net) | | <u>\$ 5,393</u> | <u>-</u> | <u>\$ 175</u> | <u>-</u> |
| 8500 | Total Other Comprehensive Income for the Year | | <u>\$ 456,976</u> | <u>14</u> | <u>\$ 81,819</u> | <u>4</u> |
| 9750 | Basic Earnings Per Share | 6(28) | \$ | 6.00 | \$ | 1.09 |
| 9850 | Diluted Earnings Per Share | 6(28) | \$ | 5.61 | \$ | 1.08 |

The accompanying notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements and should be read in conjunction with these Consolidated Financial Statements.

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| Note | Equity Attributable to Owners of the Parent Company | | | | | | | | |
|---|---|-----------------|-------------------|-----------------|-------------------------|---|--|----------------|--------------|
| | Common Stock Capital | Capital Surplus | Retained Earnings | | | Other Equity | | Treasury Stock | Total Equity |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Financial Statements of Foreign Operations | Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income | | |
| <u>2021</u> | | | | | | | | | |
| Balance as of January 1, 2021 | \$ 752,869 | \$ 358,685 | \$ 139,297 | \$ 82,657 | \$ 653,326 | (\$ 82,173) | \$ 19,715 | (\$ 48,681) | \$ 1,875,695 |
| Net Income in 2021 | - | - | - | - | 81,644 | - | - | - | 81,644 |
| Other Comprehensive Income in 2021 | 6(3)(19) | - | - | - | - | (11,626) | 11,801 | - | 175 |
| Total Other Comprehensive Income for the Year | - | - | - | - | 81,644 | (11,626) | 11,801 | - | 81,819 |
| Appropriation and Distribution of 2020 Earnings | 6(18) | - | - | - | - | - | - | - | - |
| Provision of Legal Reserve | - | - | 22,929 | - | (22,929) | - | - | - | - |
| Provision of Special Reserve | - | - | - | (20,199) | 20,199 | - | - | - | - |
| Cash Dividends | - | - | - | - | (188,217) | - | - | - | (188,217) |
| Transfer of Treasury Stock to Employees | 6(16)(17) | - | (162) | - | - | - | - | 48,681 | 48,519 |
| Changes in Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method | 6(17) | - | (3,573) | - | - | - | - | - | (3,573) |
| Disposal of Equity Instruments at Fair Value Through Other Comprehensive Income by Subsidiaries | 6(3)(19) | - | - | - | 19,305 | - | (19,305) | - | - |
| Balance as of December 31, 2021 | \$ 752,869 | \$ 354,950 | \$ 162,226 | \$ 62,458 | \$ 563,328 | (\$ 93,799) | \$ 12,211 | \$ - | \$ 1,814,243 |
| <u>2022</u> | | | | | | | | | |
| Balance as of January 1, 2022 | \$ 752,869 | \$ 354,950 | \$ 162,226 | \$ 62,458 | \$ 563,328 | (\$ 93,799) | \$ 12,211 | \$ - | \$ 1,814,243 |
| Net Income in 2022 | - | - | - | - | 451,583 | - | - | - | 451,583 |
| Other Comprehensive Income in 2022 | 6(3)(19) | - | - | - | - | 13,381 | (7,988) | - | 5,393 |
| Total Other Comprehensive Income Year | - | - | - | - | 451,583 | 13,381 | (7,988) | - | 5,393 |
| Appropriation and Distribution of 2022 Earnings | 6(18) | - | - | - | - | - | - | - | - |
| Provision of Legal Reserve | - | - | 10,095 | - | (10,095) | - | - | - | - |
| Provision of Special Reserve | - | - | - | 19,131 | (19,131) | - | - | - | - |
| Cash Dividends | - | - | - | - | (75,287) | - | - | - | (75,287) |
| Disposal of disposal groups as held for sale (Subsidiaries) | 6(19)(20) | - | - | - | - | 14,383 | - | - | 14,383 |
| Balance as of December 31, 2022 | \$ 752,869 | \$ 354,950 | \$ 172,321 | \$ 81,589 | \$ 910,398 | (\$ 66,035) | \$ 4,223 | \$ - | \$ 2,210,315 |

The accompanying notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements and should be read in conjunction with these Consolidated Financial Statements.

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|--------------|--------------------------------------|--------------------------------------|
| <u>Cash Flows from Operating Activities</u> | | | |
| Income Before Income Tax | | \$ 586,641 | \$ 103,673 |
| Adjustments | | | |
| Income and Expense Items | | | |
| Depreciation Expenses | 6(8)(9)(25) | 93,539 | 99,478 |
| Amortization Expenses | | 3,653 | 3,332 |
| Loss (Gain) on Valuation of Financial Assets and Liabilities at Fair Value Through Profit or Loss | 6(2)(11)(23) | | |
| Gain on Disposal of non-current groups as held for sale | 6(23) | 41,544 | (18,999) |
| Loss on Disposal of Investments | 6(23) | (7,394) | - |
| Accounted for Using Equity Method | | - | 9,937 |
| Interest Income | 6(21) | (17,034) | (9,217) |
| Interest Expenses | 6(24) | 7,261 | 7,922 |
| Dividend Income | 6(22) | (8,861) | (9,881) |
| Unrealized Loss on Sales | | - | (91) |
| Realized Loss on Sales | | - | 11 |
| Loss on Disposal of Property, Plants, and Equipment | 6(23) | 2,097 | 2,113 |
| Lease Modification Gain | | - | (3) |
| Share of Losses of Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method | | - | 1,597 |
| Changes in Assets/Liabilities Related to Operating Activities | | | |
| Net Changes in Assets Related to Operating Activities | | | |
| Notes Receivable | | 176 | (174) |
| Accounts Receivable | | (173,134) | (68,626) |
| Other Receivables | | 10,056 | (5,329) |
| Inventories | | 14,971 | (49,963) |
| Prepayments | | (8,277) | 13,634 |
| Other Current Assets | | (1,085) | - |
| Net Changes in Liabilities Related to Operating Activities | | | |
| Contract Liabilities | | (3,907) | (2,232) |
| Accounts Payable | | (47,465) | 3,497 |
| Other Payables | | 143,388 | (34,761) |
| Other Current Liabilities | | 3,308 | 563 |
| Cash Inflows From Operations | | 639,477 | 46,481 |
| Interest Received | | 17,034 | 9,217 |
| Dividends Received | | 8,861 | 9,881 |
| Interest Paid | | (1,822) | (2,510) |
| Income Tax Paid | | (46,279) | (64,155) |
| Net Cash Inflows (Outflows) From Operating Activities | | 617,271 | (1,086) |

(Continued on next page)

Browave Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|-----------|--------------------------------------|--------------------------------------|
| <u>Cash Flows From Investing Activities</u> | | | |
| Disposal of Financial Assets at Fair Value Through Other Comprehensive Income | | \$ - | \$ 36,359 |
| Capital Reduction by Refunding of Stock Payment | | 459 | 1,770 |
| Acquisition of Financial Assets at Amortized Cost | 6(4) | (537,712) | (52,007) |
| Disposal of Financial Assets at Amortized Cost | 6(4) | 53,680 | 389,317 |
| Disposal of disposal groups as held for sale | 6(29) | 64,229 | - |
| Disposal of Investments Accounted for Using Equity Method | | - | 7,000 |
| Acquisition of Property, Plants, and Equipment | 6(29) | (77,465) | (51,006) |
| Proceeds From Disposal of Property, Plants, and Equipment | | 1,837 | 3,896 |
| Acquisition of Intangible Assets | | (929) | (5,541) |
| Decrease (Increase) in Refundable Deposits | | (2,791) | 199 |
| Net Cash Inflows (Outflows) From Investing Activities | | (498,692) | 329,987 |
| <u>Cash Flows From Financing Activities</u> | | | |
| Repayment of Short-term Loans | | - | (19,503) |
| Repayment of Long-term Loans | 6(30) | (37,043) | (5,705) |
| Principal Repayment of Lease Liabilities | 6(30) | (17,920) | (12,701) |
| Increase (Decrease) in Deposits Received | | (571) | 115 |
| Cash Dividends | 6(18)(30) | (75,287) | (188,217) |
| Employee Purchases of Treasury Stocks | | - | 48,519 |
| Net Cash Outflows From Financing Activities | | (130,821) | (177,492) |
| Effect of Exchange Rate | | 13,313 | (2,673) |
| Net Increase in Cash and Cash Equivalents | | 1,071 | 148,736 |
| Cash and Cash Equivalents at the Beginning of the Year | 6(1) | 1,157,682 | 1,008,946 |
| Cash and Cash Equivalents at the End of the Year | 6(1) | \$ 1,158,753 | \$ 1,157,682 |

The accompanying notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements and should be read in conjunction with these Consolidated Financial Statements.

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation and Subsidiaries
Notes to Consolidated Financial Statements
2022 and 2021

Unit: In thousands of NTD
(Except as otherwise indicated)

1. Company History and Business Scope

Browave Corporation (hereinafter referred to as “the Company”) was established on May 18, 1998 and started its business on November 1, 1998. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the design, production, and sales of optical fiber communication components. The Group's shares have been listed and traded on the Taipei Exchange since December 2012.

2. Date and Procedures for Approval of Financial Statements

The Consolidated Financial Statements were approved and issued by the Board of Directors on February 23, 2023.

3. Application of New and Revised International Financial Reporting Standards

(1) Effect of the adoption of newly issued and revised IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as the “FSC”).

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs endorsed by the FSC for application in 2022.

| Newly Issued/Amended/Revised Standards or Interpretations | International Accounting Standards Board (IASB) Effective Date |
|---|---|
| Amendment to IFRS 3 “References to the Conceptual Framework”. | January 1, 2022 |
| Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”. | January 1, 2022 |
| Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”. | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018–2020 | January 1, 2022 |

The Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

(2) Effect of not adopting the newly issued and revised IFRSs endorsed by the FSC.

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs endorsed by the FSC for application in 2023.

| Newly Issued/Amended/Revised Standards or Interpretations | <u>International Accounting Standards Board (IASB)</u> <u>Effective Date</u> |
|--|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies”. | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates”. | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. | January 1, 2023 |

The Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

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

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs issued by the IASB that have not been endorsed by the FSC.

| <u>Newly Issued/Amended/Revised Standards or Interpretations</u> | <u>International Accounting Standards Board (IASB) Effective Date</u> |
|---|---|
| Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets Between an Investor and its Affiliate or Joint Venture". | To be decided by the IASB. |
| Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback". | January 1, 2024 |
| IFRS 17 "Insurance Contracts". | January 1, 2023 |
| Amendment to IFRS 17 "Insurance Contracts". | January 1, 2023 |
| Amendment to IFRS 17 "First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information". | January 1, 2023 |
| Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current. | January 1, 2024 |
| Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenant. | January 1, 2024 |

The Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are described below: Unless otherwise stated, these policies have been applied consistently throughout the reporting period.

(1) Compliance Statement

The Consolidated Financial Statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations, and announcements (hereinafter referred to as IFRSs) as endorsed by the FSC.

(2) Basis of Preparation

1. The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following significant items:
 - (1) Financial assets and liabilities at fair value through profit or loss (including derivative instruments).
 - (2) Financial assets at fair value through other comprehensive income.

2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and management's judgment in the process of applying the Group's accounting policies. Items involving a higher degree of judgment or complexity, or items involving significant assumptions and estimates in the Consolidated Financial Statements are described in Note 5.

(3) Basis of Consolidation

1. Principles of Preparation of Consolidated Financial Statements

- (1) The Group includes all subsidiaries in the preparation of Consolidated Financial Statements as an entity. A subsidiary is an entity (including a structured entity) that is controlled by the Group. The Group controls an entity when it is exposed to variable remuneration from participation in that entity or has rights to such variable remuneration and has the ability to influence such remuneration through its power over that entity. Subsidiaries are included in the Consolidated Financial Statements from the date the Group obtains control and are excluded from the date control is lost.
- (2) Intra-group transactions, balances, and unrealized profits and losses have been eliminated. The accounting policies of subsidiaries have been adjusted as necessary to conform to the policies adopted by the Group.
- (3) The components of profit or loss and other comprehensive income are attributed to owners of the parent company and non-controlling interests; total comprehensive income is also attributed to owners of the parent company and non-controlling interests, even if this results in a loss balance for non-controlling interests.
- (4) Changes in shareholdings in subsidiaries that do not result in a loss of control (transactions with non-controlling interests) are treated as equity transactions, i.e., as transactions with owners. The difference between the amount of the adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.
- (5) When the Group loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and recognized as the fair value of the initially recognized financial asset or the cost of the initially recognized investment in an affiliate or joint venture, and the difference between the fair value and the carrying amount is recognized in profit or loss for the period. All amounts previously recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as if the Group had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss upon disposal of the related assets or liabilities, and the gain or loss is reclassified from equity to profit or loss when control over the subsidiary is lost.

2. Subsidiaries Included in the Consolidated Financial Statements:

| <u>Investor</u> | <u>Subsidiary</u> | <u>Business Nature</u> | <u>Shareholding Percentage</u> | | <u>Explanation</u> |
|----------------------|-----------------------------------|---|--------------------------------|--------------------------|--------------------|
| | | | <u>December 31, 2022</u> | <u>December 31, 2021</u> | |
| Browave Corporation | Browave Holding Inc. | Investment | 100 | 100 | |
| Browave Holding Inc. | Browave (ZhongShan) Corporation | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | 100 | 100 | |
| Browave Corporation | Browave Japan Corporation | Research, development, production, and sale of electronic machine parts and optical communication machines; management and utilization of real estate trading, resale, leasing, brokerage, and negotiation. | - | 100 | Note 1 |
| Browave Corporation | Browave (Philippines) Corporation | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | 100 | - | Note 2 |

Note 1: The company sold 8,000 shares of Browave Japan Corp., with disposal proceeds and disposal gains of \$67,086 and \$7,394 on December of the year 2022, respectively, recorded under other gains and losses. Please refer to Note 6 (22) for related explanations.

Note 2: On August of the year 2022, our company established Browave (Philippines) Corporation in the Philippines with a registered capital of \$54,509.

3. Subsidiaries Not Included in the Consolidated Financial Statements: None.
4. Adjustments For Differences in Accounting Periods and Treatment Methods: None.
5. Significant Restrictions: None.

6. Subsidiaries With Non-Controlling Interests That Are Significant to the Group:
None.

(4) Foreign Currency Translation

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates (i.e., functional currency). The Consolidated Financial Statements are presented in “NTD”, which is the Group's functional currency.

1. Foreign Currency Transactions and Balances

- (1) Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction, and the resulting translation differences are recognized in profit or loss.
- (2) Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period.
- (3) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period. For those measured at fair value through other comprehensive income, the adjustments are made at the spot exchange rates on the balance sheet date, and the resulting exchange differences are recognized in other comprehensive income. For those not measured at fair value, they are measured at the historical exchange rate on the date of initial transaction.
- (4) All other exchange gains and losses are reported in “Other Gains and Losses” in the income statement.

2. Translation of Foreign Operations

- (1) The results of operations and financial position of all Group entities, affiliates, and joint ventures with a functional currency different from the presentation currency are translated into the presentation currency in the following manner:
 - A. Assets and liabilities expressed in each balance sheet are translated at the closing rate on the balance sheet date;
 - B. The income and expenses expressed in each statement of comprehensive income are translated at the average exchange rate for the period; and
 - C. All exchange differences arising from translation are recognized in other comprehensive income.
- (2) When a foreign operation partially disposed of or sold is an affiliate or a joint venture, the exchange differences under other comprehensive income are reclassified proportionately to profit or loss for the period as part of the gain or loss on disposal. However, when the Group loses significant influence over a foreign operation that is an affiliate or loses joint control over a foreign operation that is a joint venture even though the Group retains a portion of the interest in the former affiliate or joint venture, the disposal is treated as a disposal of the entire interest in the foreign operation.

- (3) When a foreign operation partially disposed of or sold is a subsidiary, the cumulative translation differences recognized in other comprehensive income are re-attributed to the non-controlling interests in the foreign operation on a pro rata basis. However, when the Group loses control over a foreign operation that is a subsidiary even though the Group retains a portion of the interest in the former subsidiary, the disposal is treated as a disposal of the entire interest in the foreign operation.

(5) Classification Criteria of Assets and Liabilities into Current and Non-current

1. An asset is classified as current if it meets one of the following criteria:
 - (1) The asset is expected to be realized in the normal operating cycle or is intended to be sold or consumed.
 - (2) The asset is held primarily for trading purposes.
 - (3) The asset is expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or cash equivalents, except for those restricted for exchange or settlement of liabilities at least twelve months after the balance sheet date.

The Group classifies all assets that do not meet the above criteria as non-current.

2. A liability is classified as current if it meets one of the following criteria:
 - (1) The liability is expected to be settled in the normal operating cycle.
 - (2) The asset is held primarily for trading purposes.
 - (3) The liability is expected to be due and settled within 12 months after the balance sheet date.
 - (4) The liability whose settlement due date cannot be unconditionally extended to at least 12 months after the balance sheet date. The fact that the terms of the liabilities may allow settlement by issuing equity instruments at the option of the trading partners does not affect the classification.

The Group classifies all liabilities that do not meet the above criteria as non-current.

(6) Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments for operating purposes are classified as cash equivalents.

(7) Financial Assets at Fair Value Through Profit or Loss

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Group uses trade date accounting for financial assets at fair value through profit or loss that qualify as customary transactions.
3. The Group measures financial assets at fair value on initial recognition, with the related transaction costs recognized in profit or loss, and subsequently at fair value, with the gain or loss recognized in profit or loss.
4. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of dividends can be measured reliably.

(8) Financial Assets at Fair Value Through Other Comprehensive Income

1. Investments in equity instruments that are not held for trading and for which an irrevocable election is made at the time of initial recognition to report the change in fair value in other comprehensive income; or investments in debt instruments that also meet the following criteria:
 - (1) The financial asset is held under a business model whose objective is to collect the contractual cash flows and sell it.
 - (2) The contractual terms of the financial asset generate cash flows at a specific date, solely for the purpose of paying the principal and interest on the outstanding principal amount.
2. The Group uses trade date accounting for financial assets at fair value through other comprehensive income in accordance with trading practices.
3. The Group measures the financial asset at fair value plus transaction costs on initial recognition and subsequently at fair value.

Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss and is reclassified to retained earnings. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of dividends can be measured reliably.

(9) Financial Assets at Amortized Cost

1. Those meet the following criteria at the same time:
 - (1) The financial asset is held under a business model whose objective is to collect the contractual cash flows.
 - (2) The contractual terms of the financial asset generate cash flows at a specific date, solely for the purpose of paying the principal and interest on the outstanding principal amount.
2. The Group uses trade date accounting for financial assets at amortized cost in accordance with trading practices.
3. The Group recognizes the financial asset at fair value plus transaction costs on initial recognition, and subsequently recognizes interest income and impairment loss over the circulation period using the effective interest method under the amortization procedure, and recognizes its gain or loss in profit or loss upon derecognition.
4. The Group holds time deposits that do not qualify as cash equivalents. Because of the short holding period, the effect of discounting is not significant and they are measured at the amount invested.

(10) Accounts and Notes Receivable

1. Accounts and notes receivable represent the unconditional right to receive the consideration for the transfer of goods or services in accordance with the contract.
2. Short-term accounts and notes receivable without interest are measured at the original invoice amount because the effect of discounting is not significant.

(11) Impairment of Financial Assets

On each balance sheet date, for investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost, the Group measures the allowance for losses at the expected credit loss over 12 months, taking all reasonable and corroborable information into account, including forward-looking information and for those whose credit risk has not increased significantly since initial recognition, the allowance for losses is measured at the expected credit loss amount over 12 months. For those with significant increases in credit risk since initial recognition, an allowance for losses is measured at the amount of expected credit losses over the period. For accounts receivable or contract assets that do not contain significant financial components, the allowance for losses is measured at the amount of the expected credit loss over the period.

(12) Derecognition of Financial Assets

Financial assets are derecognized when the Group's contractual rights to receive cash flows from the financial assets lapse.

(13) Inventories

Inventories are measured at the lower of cost or net realizable value and are calculated at standard cost. The lower of cost or net realizable value is compared on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and related variable selling expenses.

(14) Investments Accounted for Using Equity Method - Affiliates

1. An affiliate is an entity over which the Group has significant influence but not control, generally holding directly or indirectly 20% or more of the voting shares. The Group's investments in affiliates are accounted for under the equity method and are recognized at cost upon acquisition.
2. The Group recognizes its share of profit and loss of affiliates as profit or loss for the period and its share of other comprehensive income or loss as other comprehensive income or loss after acquisition. If the Group's share of losses of any affiliate equals or exceeds its interest in that affiliate (including any other unsecured receivables), the Group does not recognize further losses unless the Group has a legal or constructive obligation to, or has made payments on behalf of, that affiliate.
3. When there is a change in equity in an affiliate that is not profit or loss and other comprehensive income and does not affect the shareholding percentage in the affiliate, the Group recognizes all changes in equity in proportion to the shareholding percentage as "capital surplus".
4. Unrealized profits or losses resulting from transactions between the Group and its affiliates are eliminated in proportion to the Group's interest in the affiliates; unrealized losses are also eliminated unless there is evidence that the assets transferred in the transaction are impaired. The accounting policies of affiliates have been adjusted as necessary to conform to the policies adopted by the Group.

5. If the Group does not subscribe for or acquire new shares of an affiliate on a pro rata basis, resulting in a change in the percentage of investment but the Group still has significant influence over the affiliate, the increase or decrease in the net equity is adjusted to "capital surplus" and "investments accounted for using equity method". If, as a result, the percentage of investment decreases, in addition to the above adjustments, any gain or loss previously recognized in other comprehensive income related to the decrease in the ownership interest, which is required to be reclassified to profit or loss upon disposal of the related assets or liabilities, is reclassified to profit or loss in proportion to the decrease.
6. When the Group disposes of an affiliate, if it loses significant influence over that affiliate, all amounts previously recognized in other comprehensive income related to the affiliate are accounted for on the same basis as if the Group had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss upon disposal of the related assets or liabilities, and the gain or loss is reclassified from equity to profit or loss when significant influence over the affiliate is lost. If the Group still has significant influence over the affiliate, only the proportionate share of the amount previously recognized in other comprehensive income is transferred out in the manner described above.

(15) Property, Plants, and Equipment

1. Property, plants, and equipment are recorded at acquisition cost and the related interest is capitalized during the period of acquisition or construction.
2. Subsequent costs are included in the carrying amount of an asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced portion should be derecognized. All other maintenance costs are recognized in profit or loss as incurred.
3. Property, plants, and equipment are subsequently measured at cost and depreciated on a straight-line basis over their estimated useful lives. If the components of property, plants, and equipment are significant, they are depreciated separately.
4. The Group reviews the residual value, useful life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value and useful life differs from previous estimates, or if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the change is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates, and Errors" from the date of the change. The useful lives of each asset are as follows:

| | |
|---|---------------------|
| Buildings and Structures (including ancillary equipment) | 3 years to 50 years |
| Machinery and Equipment | 3 years to 8 years |
| Molding Equipment | 2 years |
| Office Equipment | 3 years |
| Other Equipment | 2 years to 3 years |

(16) Lease Transactions as the Lessee - Right-of-Use Assets/Lease Liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the Group. When a lease contract is a short-term lease or a lease of a low-value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease period.
2. Lease liabilities are recognized at the present value of the lease payments outstanding at the starting date of the lease, discounted at the Group's incremental borrowing rate, and the lease payments consist of:
 - (1) Fixed payments, net of any lease incentives that may be received; and
 - (2) Variable lease payments depending on an index or rate.Interest expense is subsequently provided for under the amortized cost method over the lease using the interest method. Lease liabilities are reassessed and right-of-use assets are remeasured when there is a change in the lease period or lease payments that is not a contractual modification.
3. Right-of-use assets are recognized at cost at the starting date of the lease and the cost consists of:
 - (1) The original measurement amount of the lease liability; and
 - (2) Any lease payments made on or before the starting date.Depreciation expense is provided based on the expiration of the useful life of the right-of-use asset or the expiration of the lease period, whichever is earlier, measured subsequently using the cost model. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurement of the lease liability

(17) Intangible Assets

This includes computer software, which is recorded at acquisition cost and amortized by the average method over the estimated economic benefit period.

(18) Impairment of Non-financial Assets

The Group estimates the recoverable amount of an asset with an indication of impairment on the balance sheet date and recognizes an impairment loss when the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. An impairment loss is reversed when the impairment loss that was recognized in prior years no longer exists or decreases, provided that the carrying amount of the asset increased by the reversed impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

(19) Loans

Loans are short- and long-term borrowings from banks. The Group measures the amount at fair value less transaction costs on initial recognition and subsequently recognizes interest expense in profit or loss over the circulation period, using the effective interest method and the amortization procedure for any difference between the price less transaction costs and the redemption value.

(20) Accounts and Notes Payable

1. They refer to debts arising from the purchase of raw materials, merchandise or services on credit, and notes payable arising from operating and non-operating activities.
2. Short-term accounts and notes payable without interest are measured at the original invoice amount because the effect of discounting is not significant.

(21) Financial Liabilities at Fair Value Through Profit or Loss

1. They refer to financial liabilities that are held primarily for the purpose of repurchasing in the near future and for trading in derivatives other than those designated as hedging instruments under hedge accounting. Or financial liabilities designated as at fair value through profit or loss on initial recognition. The Group designates a financial liability at fair value through profit or loss on initial recognition when one of the following criteria is met:
 - (1) It is a hybrid (combined) contract; or
 - (2) It can eliminate or materially reduce measurement or recognition inconsistencies; or
 - (3) It is an instrument that is managed and evaluated on a fair value basis in accordance with written risk management policies.
2. The Group measures financial assets at fair value on initial recognition, with the related transaction costs recognized in profit or loss, and subsequently at fair value, with the gain or loss recognized in profit or loss.

(22) Convertible Bonds Payable

The convertible bonds payable issued by the Group are embedded with conversion rights (i.e., the holder's right to choose to convert to the Group's common stock for a fixed number of shares with a fixed amount of money), resale rights, and repurchase rights. At initial issuance, the issue price is classified as financial assets, financial liabilities, or equity depending on the issuance conditions, which are treated as follows:

1. Embedded Resale Rights and Repurchase Rights: Recorded as "financial assets or liabilities at fair value through profit or loss" at their net fair value on initial recognition; subsequently, the difference based on the fair value at that time is recognized as "gain or loss on financial assets (liabilities) at fair value through profit or loss" on the balance sheet date.
2. Master Contract of Corporate Bonds: The difference between the fair value of corporate bonds and the redemption value is recognized as a premium or discount on bonds payable at the time of initial recognition; subsequently, it is recognized in profit or loss as an adjustment to "financial costs" using the effective interest method under the amortization procedure over the circulation period.
3. Embedded Conversion Rights (which meet the definition of equity): On initial recognition, the remaining value of the issue amount, net of the above "financial assets or liabilities at fair value through profit or loss" and "bonds payable", is recorded as "capital surplus - stock options" and is not subsequently remeasured.

4. Any transaction costs directly attributable to the issuance are allocated to each component of liabilities and equity in proportion to the original carrying amount of each component mentioned above.
5. Upon conversion, the components of liabilities (including “bonds payable” and “financial assets or liabilities at fair value through profit or loss”) are subsequently measured according to their respective classifications, and the book value of the aforementioned components of liabilities is added to the book value of “capital surplus - stock options” as the issuance cost of the common stock exchanged.

(23) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pensions

Defined Contribution Plans

For defined contribution plans, the amount to be contributed to the pension fund is recognized as current pension cost on an accrual basis. Prepaid contributions are recognized as assets to the extent that they are refundable in cash or reduce future benefits.

3. Remuneration to Employees and Directors and Supervisors

Remuneration to employees and directors and supervisors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in accounting estimate. Where the remuneration to employees is paid in stock, the number of shares is calculated based on the closing price on the day before the Board of Directors' resolution.

(24) Employee Share-based Payment

For equity-settled share-based payment agreements, employee services acquired at the date of grant are measured at the fair value of the equity instruments granted and remuneration costs are recognized over the vesting period, with a corresponding adjustment to equity. The fair value of equity instruments should reflect the effect of vesting conditions and non-vesting conditions of market price. The recognized remuneration costs are adjusted based on the expected amount of reward when the service conditions are going to be met and non-vesting conditions of market price until the final amount is recognized as the vested number on the vesting date.

(25) Income Taxes

1. Income tax expense includes current and deferred income taxes. Income taxes are recognized in profit or loss, except for those related to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.

2. The Group bases current income taxes on the tax rates enacted or substantively enacted on the balance sheet date in the countries in which the Group operates and generates taxable income. Management periodically assesses the status of income tax returns with respect to applicable income tax regulations and, where appropriate, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Income taxes on unappropriated earnings are levied in accordance with the Income Tax Act. Income tax expenses on unappropriated earnings are recognized based on the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed at the shareholders' meeting.
3. Deferred income tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. Deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that, at the time of the transaction, does not affect the accounting profit or taxable income (taxable loss). Temporary differences arising from investments in subsidiaries and affiliates are not recognized if the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) that are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled, based on legislation or substantively enacted on the balance sheet date.
4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. Current income tax assets and current income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities, and there is an intention to settle or realize the assets and settle the liabilities on a net basis. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities, and when the deferred income tax assets and liabilities are incurred by the same taxable entity or by different taxable entities that intend to settle or realize the assets and liabilities simultaneously on a net basis.

(26) Stock Capital

1. Common stock is classified as equity and the incremental costs directly attributable to the issuance of new shares or stock options are recorded as a deduction from price in equity, net of income taxes.
2. When the Group repurchases issued shares, the consideration paid includes any incremental costs directly attributable to the issuance of new shares recognized as a deduction from shareholders' equity, net of income tax. Upon subsequent reissuance of repurchased shares, the difference between the consideration received and the carrying amount, net of any directly attributable incremental costs and income tax effects, is recognized as a deduction from stockholders' equity.

(27) Dividend Distribution

Dividends distributed to the Group's shareholders are recognized in the financial statements when the Group's shareholders resolve to distribute the dividends. Cash dividends distributed are recognized as a liability and stock dividends distributed are recognized as stock dividends to be distributed and transferred to common stock on the base date of issuance of new shares.

(28) Revenue Recognition

1. The Group manufactures and sells optical fiber communication component products. Sales revenue is recognized when control of the product is transferred to the customer, i.e., when the product is delivered to the customer and the Company has no outstanding performance obligations that could affect the customer's acceptance of the product. Delivery of product occurs when the product is delivered to the customer at a designated location where the risk of obsolescence and loss has been transferred to the customer and the customer accepts the product in accordance with the sales contract or when there is objective evidence that all acceptance criteria have been met.
2. Sales revenue is recognized at the contract price. Accounts receivable are recognized when the merchandise is delivered to the customer because the Company has an unconditional right to the contract price from that point onward, and it only takes some time before the Company receives the consideration from the customer.

(29) Operating Segments

Information on the Group's operating segments is reported in a manner consistent with the internal management reports provided to the chief operating decision makers. The chief operating decision makers are responsible for allocating resources to the operating segments and evaluating their performance.

5. Significant Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In preparing for these Consolidated Financial Statements, the Group's management has applied its judgment in determining the accounting policies to be used and has made accounting estimates and assumptions that are based on reasonable expectations of future events under the circumstances prevailing on the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results and will be continually evaluated and adjusted, with historical experience and other factors taken into account. These estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year. Please refer to the following descriptions for the uncertainty of significant accounting judgments, estimates, and assumptions:

(1) Significant Judgments in the Adoption of Accounting Policies

None

(2) Significant Accounting Estimates and Assumptions

Inventory Valuation

As inventories are stated at the lower of cost or net realizable value, the Group must use judgment and estimates to determine the net realizable value of inventories on the balance sheet date. Due to the rapid changes in technology, the Group evaluates the amount of inventories on the balance sheet date that are normally worn out, obsolete, or have no marketable value, and reduces the cost of inventories to the net realizable value. This inventory valuation is primarily based on estimates of product demand in specific future periods and is subject to significant change.

As of December 31, 2022, the carrying amount of the Group's inventories was \$289,321.

6. Description of Significant Accounting Items

(1) Cash and Cash Equivalents

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on Hand and Revolving Funds | \$ 414 | \$ 216 |
| Checking Deposits | 358 | 481 |
| Demand Deposits | 500,346 | 617,215 |
| Time Deposits | 571,647 | 484,410 |
| Bonds With Repurchase Agreement | <u>85,988</u> | <u>55,360</u> |
| Total | <u>\$ 1,158,753</u> | <u>\$ 1,157,682</u> |

1. The credit quality of the Group's correspondent financial institutions is good and the Group has dealings with various financial institutions to diversify credit risk, and the possibility of default is expected to be low.
2. The Group's cash and cash equivalents restricted for use were \$1,673 as of December 31, 2022 and 2021, and were classified as other financial assets (listed as "other non-current assets").

(2) Financial Assets at Fair Value Through Profit or Loss

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current Items: | | |
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Stock of Listed Companies on the TWSE and TPEX | \$ 139,960 | \$ 139,960 |
| Valuation Adjustments | <u>(48,676)</u> | <u>(5,692)</u> |
| Total | <u>\$ 91,284</u> | <u>\$ 134,268</u> |

1. The breakdown of financial assets at fair value through profit or loss recognized in profit (loss) is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|------------------|
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Equity Instruments | (\$ 43,014) | \$ 19,899 |
| Redemption/Sale Rights of Convertible Bonds | <u>30</u> | <u>-</u> |
| Total | <u>(\$ 42,984)</u> | <u>\$ 19,899</u> |

2. The Group has not pledged financial assets at fair value through profit or loss as security.
3. For information on the fair value of financial assets at fair value through profit or loss, please refer to Note 12 (3).

(3) Financial Assets at Fair Value Through Other Comprehensive Income

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Non-current Items: | | |
| Equity Instruments | | |
| Stock of Non-listed Companies | \$ 26,030 | \$ 26,489 |
| Valuation Adjustments | <u>4,223</u> | <u>12,211</u> |
| Total | <u>\$ 30,253</u> | <u>\$ 38,700</u> |

1. The Group has elected to classify equity instruments of strategic investments as financial assets at fair value through other comprehensive income, and the fair values of these investments were \$30,253 and \$38,700 as of December 31, 2022 and 2021, respectively.
2. The breakdown of financial assets at fair value through other comprehensive income recognized in other comprehensive income is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|------------------|
| <u>Equity Instruments at Fair Value Through Other Comprehensive Income</u> | | |
| Recognized in Other Comprehensive Profit or Loss by Change in Fair Value | (\$ 7,988) | \$ 11,801 |
| Accumulated Gain or Loss Due to Derecognition Transfer to Retained Earnings | <u>\$ -</u> | <u>\$ 19,305</u> |
| Dividend Income Recognized in Profit or Loss | | |
| Held at the End of the Period | \$ 2,429 | \$ 5,816 |
| Derecognized in the Period | <u>-</u> | <u>45</u> |
| | <u>\$ 2,429</u> | <u>\$ 5,861</u> |

3. The financial asset held by the Company at fair value through other comprehensive income that best represents without considering the collateral or other credit enhancements, had a maximum exposure to credit risk of \$30,253 and \$38,700 as of December 31, 2022 and 2021, respectively.
4. The Group has not pledged financial assets at fair value through other comprehensive income as security.
5. For information on the fair value of financial assets at fair value through other comprehensive income, please refer to Note 12 (3).

(4) Financial Assets at Amortized Cost

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Current Items: | | |
| Time Deposits | <u>\$ 537,712</u> | <u>\$ 53,680</u> |
| 1. The amount that best represents the Group's exposure to credit risk for financial assets at amortized cost, without taking into account collateral held or other credit enhancements, was \$537,712 and \$53,680 as of December 31, 2022 and 2021, respectively. | | |
| 2. Please refer to Note 12 (2) for information on the credit risk of financial assets at amortized cost. The credit quality of the Group's correspondent financial institutions is good, and the possibility of default is expected to be low. | | |

(5) Notes and Accounts Receivable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------|--------------------------|--------------------------|
| Notes Receivable | \$ - | \$ 174 |
| Less: Allowance for Losses | <u>-</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ 174</u> |
| Accounts Receivable | \$ 760,229 | \$ 587,036 |
| Less: Allowance for Losses | <u>-</u> | <u>-</u> |
| | <u>\$ 760,229</u> | <u>\$ 587,036</u> |

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

| | <u>December 31, 2022</u> | | <u>December 31, 2021</u> | |
|----------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | <u>Accounts Receivable</u> | <u>Notes Receivable</u> | <u>Accounts Receivable</u> | <u>Notes Receivable</u> |
| Not Overdue | \$ 603,597 | \$ - | \$ 478,539 | \$ 174 |
| Within 30 Days | 147,216 | - | 96,672 | - |
| 31-90 Days | 5,371 | - | 11,825 | - |
| 91-180 Days | <u>4,045</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 760,229</u> | <u>\$ -</u> | <u>\$ 587,036</u> | <u>\$ 174</u> |

The aging analysis of accounts receivable and notes receivable are based on the number of days over due and the maturity date of the notes, respectively.

2. As of December 31, 2022 and 2021, the accounts receivable balances were generated from customer contracts, and the receivable balances from customer contracts were \$518,452 as of January 1, 2021.
3. The Group has not pledged any accounts receivable as security.
4. Without considering the collaterals held or other credit enhancements, the amount that best represents the Group's maximum exposure to credit risk for the accounts receivable (including notes receivable) as of December 31, 2022 and 2021 was \$760,229 and \$587,210, respectively.
5. Please refer to Note 12 (2) for information on the related credit risk of accounts receivable and notes receivable.

(6) Inventories

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------|--------------------------|--------------------------|
| Raw Materials | \$ 94,465 | \$ 103,263 |
| Work in Process | 92,828 | 100,786 |
| Finished Goods | <u>102,028</u> | <u>96,497</u> |
| Total | <u>\$ 289,321</u> | <u>\$ 300,546</u> |

The cost of inventories the Group recognized as expenses in the period:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cost of Inventories Sold | \$ 2,444,689 | \$ 1,933,073 |
| Gain on Slow Moving Inventory and Decline in Value | <u>(29,078)</u> | <u>(2,353)</u> |
| | <u>\$ 2,415,611</u> | <u>\$ 1,930,720</u> |

The Group recognized a decrease in cost of goods sold in 2022 and 2021 due to the disposal of certain inventories that had declined in value or become slow moving, resulting in a recovery in the net realizable value of inventories.

(7) Non-current Assets Held for Sale

On May 5th, 2022, this group was approved by the board of directors to sell Browave Japan Corporation. The related assets and liabilities were transferred to the disposal group held for sale. The equity transfer agreement was signed on May 10, 2022. The disposal group held for sale sold 8,000 shares on December 2022, and the disposal price and disposal gain were \$67,086 and \$7,394, respectively, accounted for under other comprehensive income (loss). For further details, please refer to Note 6 (23) and (29).

(8) Property, Plants, and Equipment

| | <u>Land</u> | <u>Buildings and Structures</u> | <u>Machinery and Equipment</u> | <u>Molding Equipment</u> | <u>Office Equipment</u> | <u>Others</u> | <u>Construction in Progress and Equipment to be Tested</u> | <u>Total</u> |
|----------------------------------|-------------|---------------------------------|--------------------------------|--------------------------|-------------------------|-----------------|--|--------------------|
| <u>Cost</u> | | | | | | | | |
| January 1, 2022 | \$ 101,439 | \$ 301,535 | \$ 918,986 | \$ 12,543 | \$ 43,860 | \$ 3,339 | \$ 802 | \$1,382,504 |
| Addition | - | 1,284 | 58,579 | 1,013 | 1,250 | - | 4,077 | 66,203 |
| Disposal | - | (3,716) | (28,390) | (5,218) | - | (75) | - | (37,399) |
| Non-current Groups Held for Sale | (98,023) | (23,021) | - | - | (345) | - | - | (121,389) |
| Reclassification | - | - | 749 | (249) | - | - | (500) | - |
| Net Exchange Difference | (3,416) | (400) | 10,618 | 27 | 352 | 24 | 19 | 7,224 |
| December 31, 2022 | <u>\$ -</u> | <u>\$ 275,682</u> | <u>\$ 960,542</u> | <u>\$ 8,116</u> | <u>\$ 45,117</u> | <u>\$ 3,288</u> | <u>\$ 4,398</u> | <u>\$1,297,143</u> |

Accumulated Depreciation and Impairment

| | | | | | | | | |
|----------------------------------|-------------|-------------------|-------------------|-----------------|------------------|-----------------|-------------|-------------------|
| January 1, 2022 | \$ - | \$ 179,313 | \$ 673,670 | \$ 11,302 | \$ 37,817 | \$ 2,892 | \$ - | \$ 904,994 |
| Depreciation Expenses | - | 8,293 | 63,511 | 1,298 | 2,136 | 184 | - | 75,422 |
| Disposal | - | (3,715) | (24,466) | (5,217) | - | (67) | - | (33,465) |
| Non-current Groups Held for Sale | - | (7,010) | - | - | (331) | - | - | (7,341) |
| Net Exchange Difference | - | 123 | 7,593 | 25 | 288 | 23 | - | 8,052 |
| December 31, 2022 | <u>\$ -</u> | <u>\$ 177,004</u> | <u>\$ 720,308</u> | <u>\$ 7,408</u> | <u>\$ 39,910</u> | <u>\$ 3,032</u> | <u>\$ -</u> | <u>\$ 947,662</u> |

Book Value

| | | | | | | | | |
|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|---------------|-----------------|-------------------|
| January 1, 2022 | <u>\$ 101,439</u> | <u>\$ 122,222</u> | <u>\$ 245,316</u> | <u>\$ 1,241</u> | <u>\$ 6,043</u> | <u>\$ 447</u> | <u>\$ 802</u> | <u>\$ 477,510</u> |
| December 31, 2022 | <u>\$ -</u> | <u>\$ 98,678</u> | <u>\$ 240,234</u> | <u>\$ 708</u> | <u>\$ 5,207</u> | <u>\$ 256</u> | <u>\$ 4,398</u> | <u>\$ 349,481</u> |

| | <u>Land</u> | <u>Buildings and Structures</u> | <u>Machinery and Equipment</u> | <u>Molding Equipment</u> | <u>Office Equipment</u> | <u>Others</u> | <u>Construction in Progress and Equipment to be Tested</u> | <u>Total</u> |
|-------------------------|-------------------|---------------------------------|--------------------------------|--------------------------|-------------------------|-----------------|--|--------------------|
| <u>Cost</u> | | | | | | | | |
| January 1, 2021 | \$ 116,540 | \$ 309,080 | \$ 908,044 | \$ 14,876 | \$ 48,784 | \$ 9,456 | \$ 3,470 | \$1,410,250 |
| Addition | - | 1,495 | 31,137 | 162 | 1,827 | - | 6,088 | 40,709 |
| Disposal | - | (5,369) | (23,463) | (2,487) | (6,583) | (6,110) | - | (44,012) |
| Reclassification | - | - | 6,175 | - | - | - | (8,751) | (2,576) |
| Net Exchange Difference | (15,101) | (3,671) | (2,907) | (8) | (168) | (7) | (5) | (21,867) |
| December 31, 2021 | <u>\$ 101,439</u> | <u>\$301,535</u> | <u>\$ 918,986</u> | <u>\$ 12,543</u> | <u>\$ 43,860</u> | <u>\$ 3,339</u> | <u>\$ 802</u> | <u>\$1,382,504</u> |

Accumulated Depreciation and Impairment

| | | | | | | | | |
|-------------------------|-------------|-------------------|-------------------|------------------|------------------|-----------------|-------------|-------------------|
| January 1, 2021 | \$ - | \$ 175,678 | \$ 623,853 | \$ 11,585 | \$ 41,991 | \$ 6,634 | \$ - | \$ 859,741 |
| Depreciation Expenses | - | 9,621 | 72,210 | 2,136 | 1,937 | 560 | - | 86,464 |
| Disposal | - | (4,982) | (20,345) | (2,412) | (5,970) | (4,294) | - | (38,003) |
| Net Exchange Difference | - | (1,004) | (2,048) | (7) | (141) | (8) | - | (3,208) |
| December 31, 2021 | <u>\$ -</u> | <u>\$ 179,313</u> | <u>\$ 673,670</u> | <u>\$ 11,302</u> | <u>\$ 37,817</u> | <u>\$ 2,892</u> | <u>\$ -</u> | <u>\$ 904,994</u> |

Book Value

| | | | | | | | | |
|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| January 1, 2021 | <u>\$ 116,540</u> | <u>\$ 133,402</u> | <u>\$ 284,191</u> | <u>\$ 3,291</u> | <u>\$ 6,793</u> | <u>\$ 2,822</u> | <u>\$ 3,470</u> | <u>\$ 550,509</u> |
| December 31, 2021 | <u>\$ 101,439</u> | <u>\$ 122,222</u> | <u>\$ 245,316</u> | <u>\$ 1,241</u> | <u>\$ 6,043</u> | <u>\$ 447</u> | <u>\$ 802</u> | <u>\$ 477,510</u> |

For information on property, plants, and equipment pledged as security, please refer to Note 8.

(9) Lease Transactions - Lessee

1. The underlying assets of the Group's leases include land, buildings and structures, and transportation equipment. The period of the lease contracts normally ranges from 3 to 20 years. Lease agreements are individually negotiated and contain various terms and conditions, with no restrictions other than that the leased assets cannot be used as security for borrowings.
2. The book values of the right-of-use assets and the depreciation expense recognized were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| | <u>Carrying Amount</u> | <u>Carrying Amount</u> |
| Land | \$ 27,939 | \$ 28,773 |
| Buildings and Structures | 32,818 | 27,491 |
| Transportation Equipment | <u>2,993</u> | <u>4,989</u> |
| | <u>\$ 63,750</u> | <u>\$ 61,253</u> |

| | <u>2022</u> | <u>2021</u> |
|--------------------------|------------------------------|------------------------------|
| | <u>Depreciation Expenses</u> | <u>Depreciation Expenses</u> |
| Land | \$ 963 | \$ 959 |
| Buildings and Structures | 15,158 | 11,057 |
| Transportation Equipment | <u>1,996</u> | <u>998</u> |
| | <u>\$ 18,117</u> | <u>\$ 13,014</u> |

3. The additions to the Group's right-of-use assets amounted to \$20,307 and \$21,158 for 2022 and 2021, respectively.
4. Information on gains and losses related to lease contracts is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| <u>Items Affecting Profit or Loss for the Period</u> | | |
| Interest Expense on Lease Liabilities | \$ 1,217 | \$ 1,256 |
| Expenses Under Short-term Lease Contracts | 1,742 | 4,928 |

5. The Group's total lease cash outflows for 2022 and 2021 were \$20,879 and \$18,885, respectively.

(10) Other Non-current Assets

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------|--------------------------|--------------------------|
| Refundable Deposits | \$ 7,570 | \$ 4,752 |
| Prepayments For Equipment | 20,486 | 12,557 |
| Other | <u>1,091</u> | <u>-</u> |
| | <u>\$ 29,147</u> | <u>\$ 17,309</u> |

(11) Financial Liabilities at Fair Value Through Profit or Loss

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Current Items: | | |
| Financial Liabilities Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Redemption/Sale Rights of Convertible Bonds | (\$ 59) | (\$ 59) |
| Valuation Adjustments | <u>59</u> | <u>1,499</u> |
| Total | <u>\$ -</u> | <u>\$ 1,440</u> |

The breakdown of financial liabilities at fair value through profit or loss recognized in profit or loss is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| Net Gain (Loss) Recognized in Profit or Loss: | | |
| Financial Liabilities Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Redemption/Sale Rights of Convertible Bonds | <u>\$ 1,440</u> | <u>(\$ 900)</u> |

(12) Bonds Payable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Bonds Payable | \$ 300,000 | \$ 300,000 |
| Less: Discount on Bonds Payable | <u>(4,326)</u> | <u>(9,841)</u> |
| | \$ 295,674 | \$ 290,159 |
| Less: Convertible Bonds due within one year | <u>(295,674)</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ 290,159</u> |

1. Domestic Convertible Bonds Issued by the Company
 - (1) The terms of the second domestic unsecured convertible bonds are as follows:
 - A. The Company's second domestic unsecured convertible bonds were approved by the competent authorities and issued with a total amount of \$300,000 and a coupon rate of 0% for a three-year issuance period from October 8, 2020 to October 8, 2023. The convertible bonds are repayable in cash at par value on maturity.
 - B. The holders of the convertible bonds may request the Group to convert the bonds into common stock at any time from the day after the third month from the date of issuance to the maturity date, except for the period when the transfer of the bonds is suspended under the regulations or laws. The rights and obligations of the converted common stock are the same as those of the earlier issued common stock.
 - C. The conversion price of the convertible bonds of NT\$61 per share is determined in accordance with the pricing model stipulated in the conversion measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the conversion measures under circumstances of anti-dilution clauses.
 - D. The bondholders may request the Company to repurchase the convertible bonds held by themselves two years after the date of issuance.
 - E. If the closing price of the Company's common stock exceeds 30% of the conversion price for 30 consecutive business days from the day after the third month of issuance to the 40th day before the expiration of the issuance period, the Company may redeem all of the bonds at their face value in cash within 30 business days thereafter.
 - F. If the outstanding balance of the convertible bonds is less than 10% of the original issue amount from the day after the third month of issuance to the 40th day before the expiration of the issuance period, the Company may redeem all of the bonds at their face value in cash at any time thereafter.
 - G. In accordance with the conversion measures, all bonds redeemed (including those bought back by the TPEX), repaid, or converted by the Company will be cancelled and all rights and obligations attached to the bonds will be extinguished and no reissuance will be made.
 2. Upon the issuance of convertible bonds, the Group separated the conversion rights of equity from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation", and recorded \$11,535 as "capital surplus - stock options". In accordance with IFRS 9, "Financial Instruments", the embedded repurchase and resale rights are separated from the economic characteristics and risks of the debt instruments of the master contract and are recorded as "financial liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the debt of the master contract after the separation was 1.88%.

(13) Other Payables

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------|--------------------------|--------------------------|
| Employment Expenses Payable | \$ 207,312 | \$ 128,703 |
| Service Expenses Payable | 5,121 | 2,259 |
| Payables On Equipment | 1,886 | 5,219 |
| Others | <u>25,400</u> | <u>33,781</u> |
| | <u>\$ 239,719</u> | <u>\$ 169,962</u> |

(14) Long-term Loans

| <u>Lending Bank and Nature</u> | <u>Borrowing Period</u> | <u>Repayment Period</u> | <u>Interest Rate Range</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|-----------------------------|---|--------------------------------|------------------------------|------------------------------|
| Mega International Commercial Bank Secured Loan (Note) Less: Portion Due Within One Year | 1/10/2014- 12/29/2028 | Interest is payable monthly, with principal repayment of JPY 1,950,000 per installment starting from January 10, 2014. | 2.2% | \$ - | \$ 39,153 |
| | | | | - | (5,628) |
| | | | | <u>\$ -</u> | <u>\$ 33,525</u> |

Note: The long-term loans from Mega International Commercial Bank to Browave Japan Corporation amounted to JPY 0 thousand and were endorsed and guaranteed by Browave Corporation.

(15) Pensions

1. Effective July 1, 2005, the Group and its domestic subsidiaries have established a defined contribution pension plan in accordance with the "Labor Pension Act", which is applicable to domestic employees. The Group and its domestic subsidiaries make monthly contributions of 6% of salaries and wages to employees' personal accounts at the Bureau of Labor Insurance for employees who choose to apply the labor pension system under the "Labor Pension Act". The employees' pension payments are made in the form of monthly pensions or lump-sum pensions depending on the amount of the employees' individual pension accounts and accumulated earnings.
2. The Group's Mainland subsidiary contributes a certain percentage monthly as pension benefits as specified by the local governments in accordance with the pension insurance system of the People's Republic of China. Each employee's pension is managed and coordinated to by the government, and the subsidiary has no further obligation other than making monthly contributions.
3. For 2022 and 2021, the Group recognized pension costs of \$5,695 and \$6,104, respectively, based on the above pension plans.

(16) Stock Capital

As of December 31, 2022, the Company's authorized capital was \$880,000, divided into 88,000 thousand shares with a par value of \$10 per share, of which 8,800 thousand shares were reserved for conversion upon exercise of stock options, and the paid-in capital was \$752,869. The Company has fully received the payment for the issued shares.

1. A reconciliation of the number of outstanding shares of the Company's common stock at the beginning of the period to the end of the period is as follows:

Unit: thousands of shares

| | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| January 1 | 75,287 | 74,005 |
| Transfer of Treasury Stock to Employees | - | 1,282 |
| December 31 | <u>75,287</u> | <u>75,287</u> |

2. Treasury Stock

(1) The Securities and Exchange Act stipulates that the number of shares to be repurchased shall not exceed 10% of the total number of shares issued by the Company, and the total amount of shares to be repurchased shall not exceed the amount of retained earnings plus the premium on shares issued and the amount of realized capital surplus.

(2) The treasury stock held by the Company shall not be pledged under the Securities and Exchange Act and shall not be entitled to shareholders' rights until transferred.

(3) In accordance with the Securities and Exchange Act, shares purchased for transfer to employees shall be transferred within five years from the date of repurchase; if the shares are not transferred by that date, they shall be deemed unissued shares of the Company and shall be registered for cancellation. The Company shall register the cancellation of shares within six months from the date of repurchase to protect the Company's credit and shareholders' rights.

(4) The company implemented the treasury stock transfer employee plan on December 30, 2020, and completed the transfer of 1,282,000 treasury shares to employees at a performance price of NT\$37.96 per share on March 3, 2021.

(17) Capital Surplus

Under the Company Act, capital surplus from the issuance of shares in excess of par value and capital surplus from gifts may be used to make up for losses, except when the Company has no accumulated losses, in which case new shares or cash may be distributed in proportion to the shareholders' original shareholding percentages. In accordance with the Securities and Exchange Act, the total amount of the above capital surplus may not exceed 10% of the paid-in capital in any year. The Company may not use capital surplus to replenish the capital loss unless the earned surplus is insufficient to cover the capital loss.

2022

| | <u>Issue Premium</u> | <u>Lapsed Stock Options</u> | <u>Stock Options</u> | <u>Treasury Stock</u> | <u>Total</u> |
|-------------|----------------------|---------------------------------|----------------------|-----------------------|-------------------|
| December 31 | <u>\$293,065</u> | <u>\$ 1,344</u> | <u>\$ 11,535</u> | <u>\$ 49,006</u> | <u>\$ 354,950</u> |

2021

| | <u>Issue Premium</u> | <u>Lapsed Stock Options</u> | <u>Stock Options</u> | <u>Treasury Stock</u> | <u>Changes in Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method</u> | <u>Total</u> |
|---|--------------------------|-------------------------------------|--------------------------|---------------------------|--|------------------|
| January 1 | \$293,065 | \$ 1,344 | \$ 11,535 | \$ 49,168 | \$ 3,573 | \$358,685 |
| Transfer of Treasury Stock to Employees | - | - | - | (162) | - | (162) |
| Recognition of Affiliates in Accordance With Shareholding Percentage Changes in Equity | - | - | - | - | (3,573) | (3,573) |
| December 31 | <u>\$293,065</u> | <u>\$ 1,344</u> | <u>\$ 11,535</u> | <u>\$ 49,006</u> | <u>\$ -</u> | <u>\$354,950</u> |

(18) Retained Earnings

1. In accordance with the Company's Articles of Incorporation, if the Company makes a profit as concluded by the annual accounting book close, the Company's annual final accounts, the Company shall first pay taxes to make up for past losses and then set aside 10% as legal reserve, except when the legal reserve has accumulated to the total paid-in capital, and after setting aside or reversing the special reserve in accordance with the regulations of the competent authority, the remaining amount together with accumulated unappropriated earnings from previous years shall be available-for-distribution earnings. The Board of Directors may, at its discretion, retain a portion of the earnings in accordance with operating requirements and then request the shareholders to resolve the distribution of bonuses or dividends to shareholders. The Company may, with the presence of at least two-thirds of the Board of Directors and the approval of a majority of the directors present, distribute all or part of the dividends and bonuses in the form of cash and report to the stockholders' meeting.
2. The Company's dividend policy is based on the Company's current and future investment environment, capital requirements, domestic and foreign competition, and capital budget, taking the interests of shareholders and balancing dividends and the Company's long-term planning, etc. into account. The Board of Directors shall prepare and submit the distribution plan to the shareholders' meeting annually in accordance with the law. The annual distribution of dividends to shareholders shall be no less than 50% of the net profit for the year. The

Company may distribute dividends to shareholders in cash or in stock. However, the Company may not distribute dividends if the net profit for the year does not reach 10% of the paid-in capital. Cash dividends shall not be less than 10% of the total dividends paid, but the type and percentage for such earnings distribution may be adjusted by resolution of the shareholders' meeting depending on the actual profit and capital position of the year.

3. Legal reserve may not be used except to make up for losses or to issue new shares or cash in proportion to the shareholders' original shareholding percentage. provided the amount of such new shares or cash issued shall be limited to the reserve in excess of 25% of the paid-in capital.
4. (1) When the Company distributes earnings, the Company is required by law to set aside a special reserve for the debit balance of other equity as of the balance sheet date. When the debit balance of other equity is subsequently reversed, the reversal amount can be included in available-for-distribution earnings.
 (2) Upon the adoption of IFRSs for the first time, the special reserve provided in accordance with Jin-Guan-Zheng-Fa-Zi No. 1010012865 dated April 6, 2012 is reversed in proportion to the special reserve provided when the Company subsequently uses, disposes of, or reclassifies the related assets. When the Company adopted IFRSs for the first time in 2013, due to the Company's election to apply the IFRS 1 exemption, the cumulative translation effect was transferred to retained earnings on the date of transition to IFRSs and a special reserve of \$45,818 was provided for the same amount.
5. On February 23, 2023, the Board of Directors resolved, and on May 23, 2022, the shareholders resolved, to approve the following distribution of earnings for 2022 and 2021:

| | 2022 | | 2021 | |
|-----------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | <u>Amount</u> | <u>Dividends Per Share (NTD)</u> | <u>Amount</u> | <u>Dividends Per Share (NTD)</u> |
| Legal Reserve | \$ 45,158 | - | \$ 10,095 | - |
| Special Reserve | (19,777) | - | 19,131 | - |
| Cash Dividends | <u>316,205</u> | \$ 4.20 | <u>75,287</u> | \$ 1.00 |
| Total | <u>\$ 341,586</u> | | <u>\$ 104,513</u> | |

6. Please refer to Note 6 (28) for information on remuneration to employees and directors and supervisors.

(19) Other Equity

| | <u>Foreign Currency</u> <u>Translation</u> | <u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> |
|--|---|--|
| January 1, 2022 | (\$ 93,799) | \$ 12,211 |
| Group Foreign Currency Translation Differences | 13,381 | - |
| Group Valuation Adjustments | - | 7,988 |
| Disposal of disposal groups as held for sale | 14,383 | - |
| December 31, 2022 | <u>(\$ 66,035)</u> | <u>\$ 4,223</u> |

| | <u>Foreign Currency</u> <u>Translation</u> | <u>Financial Assets at Fair</u> <u>Value Through Other</u> <u>Comprehensive Income</u> |
|--|---|--|
| January 1, 2021 | (\$ 82,173) | \$ 19,715 |
| Group Foreign Currency Translation Differences | (11,626) | - |
| Group Valuation Adjustments | - | 11,801 |
| Group Valuation Adjustments Transferred to Retained Earnings | - | (19,305) |
| December 31, 2021 | <u>(\$ 93,799)</u> | <u>\$ 12,211</u> |

(20) Operating Revenue

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|---------------------|---------------------|
| Revenue From Customer Contracts | <u>\$ 3,210,572</u> | <u>\$ 2,296,452</u> |

1. Breakdown of Revenue From Customer Contracts

The Group's revenue is derived from merchandise transferred at a point in time, and can be broken down into the following major product lines:

| <u>2022</u> | <u>Optical Communication Optical</u> <u>Modules</u> |
|--|--|
| Revenue From External Customer Contracts | <u>\$ 3,210,572</u> |
| <u>2021</u> | <u>Optical Communication Optical</u> <u>Modules</u> |
| Revenue From External Customer Contracts | <u>\$ 2,296,452</u> |

2. Contract Liabilities

The Group recognizes contract liabilities for revenue from customer contracts as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>January 1, 2021</u> |
|---|--------------------------|--------------------------|------------------------|
| Contract Liabilities - Merchandise Contracts | \$ <u>4,522</u> | \$ <u>8,429</u> | \$ <u>10,661</u> |
| Contract Liabilities at the Beginning of the Period Recognized as Revenue in the Period as follows: | | | |

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|-----------------|
| Balance of Contract Liabilities at the Beginning of the Period | | |
| Revenue Recognized in the Period | | |
| Merchandise Contracts | \$ <u>6,446</u> | \$ <u>8,273</u> |
| (21) <u>Interest Income</u> | | |

| | <u>2022</u> | <u>2021</u> |
|---------------------------|------------------|-----------------|
| Interest on Bank Deposits | \$ <u>17,034</u> | \$ <u>9,217</u> |
| (22) <u>Other Income</u> | | |

| | <u>2022</u> | <u>2021</u> |
|----------------------|------------------|------------------|
| Rental Income | \$ - | \$ 68 |
| Dividend Income | 8,861 | 9,881 |
| Miscellaneous Income | <u>7,411</u> | <u>9,717</u> |
| | \$ <u>16,272</u> | \$ <u>19,666</u> |

(23) Other Gains and Losses

| | <u>2022</u> | <u>2021</u> |
|--|------------------|---------------------|
| Loss on Disposal of Property, Plants, and Equipment | (\$ 2,097) | (\$ 2,113) |
| Gain on Disposal of non-current groups as held for sale | 7,394 | - |
| Loss on Disposal of Investments | - | (9,937) |
| Lease Modification Gain | - | 3 |
| Net Exchange Gain(Loss) | 123,330 | (30,094) |
| Gain (Loss) on Financial Assets and Liabilities at Fair Value Through Profit or Loss | (41,544) | 18,999 |
| Miscellaneous Expenses | (299) | (324) |
| | \$ <u>86,784</u> | (\$ <u>23,466</u>) |

(24) Financial Costs

| | <u>2022</u> | <u>2021</u> |
|--------------------|-----------------|-----------------|
| Interest Expenses: | | |
| Bank Deposits | \$ 528 | \$ 1,254 |
| Convertible Bonds | 5,515 | 5,412 |
| Interest on Bills | 1 | - |
| Lease Liabilities | <u>1,217</u> | <u>1,256</u> |
| | <u>\$ 7,261</u> | <u>\$ 7,922</u> |

(25) Expenses by Nature

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Employee Benefit Expenses | \$ 803,113 | \$ 652,016 |
| Depreciation Expenses | 93,539 | 99,478 |
| Amortization Expense of Intangible Assets | <u>3,653</u> | <u>3,332</u> |
| | <u>\$ 900,305</u> | <u>\$ 754,826</u> |

(26) Employee Benefit Expenses

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|-------------------|-------------------|
| Salary Expenses | \$ 653,782 | \$ 524,123 |
| Insurance Expenses | 66,254 | 58,752 |
| Pension Expenses | 5,695 | 6,104 |
| Total Remuneration to Directors | 23,472 | 11,069 |
| Other Employment Expenses | <u>53,910</u> | <u>51,968</u> |
| | <u>\$ 803,113</u> | <u>\$ 652,016</u> |

1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration at 5% to 15% of the current year's profit and directors' and supervisors' remuneration at no more than 3% of the current year's profit. However, the Company shall make up for any accumulated losses, if any. Remuneration to employees may be in the form of stock or cash and may be made to employees of subordinate companies who meet certain criteria.
2. For 2022 and 2021, the estimated remuneration to employees was \$41,000 and \$8,000, respectively, and the estimated remuneration to directors and supervisors was \$13,600 and \$1,800, respectively, which were recorded as salary expenses.

The remuneration to employees and directors and supervisors for 2021 resolved by the shareholders' meeting were consistent with the amounts recognized in the financial statements for 2021.

Information on the remuneration to employees and remuneration to directors and supervisors approved by the Board of Directors and resolved by the shareholders' meeting is available on the Market Observation Post System.

(27) Income Taxes

1. Components of Income Tax Expenses:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|------------------|
| Current Income Taxes: | | |
| Income Taxes Arising From | | |
| Current Income (Note) | \$ 132,974 | \$ 20,538 |
| Additional Levy on | | |
| Unappropriated Earnings | - | 1,917 |
| Underestimation (Overestimation) | | |
| of Income Taxes of Prior Years | (3,579) | (1,275) |
| Total Current Income Taxes | <u>129,395</u> | <u>21,180</u> |
| Deferred Income Taxes: | | |
| Original Generation and Reversal | | |
| of Temporary Differences | <u>5,663</u> | <u>849</u> |
| Total Deferred Income Taxes | <u>5,663</u> | <u>849</u> |
| Income Tax Expenses | <u>\$ 135,058</u> | <u>\$ 22,029</u> |

Note: The applicable tax rate is based on the tax rate applicable to the income of the relevant country.

2. The relationship between income tax expenses and accounting profit is explained as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------------|------------------|
| Income Taxes on Net Profit Before | \$ 143,645 | \$ 25,733 |
| Tax at Statutory Tax Rate (Note) | | |
| Effect to be Excluded Under the Tax | | |
| Law | 2,609 | (376) |
| Income Exempt From Tax Under the | | |
| Tax Law | (1,468) | (1,297) |
| Deferred Income Tax Assets | | |
| (Liabilities) Not Recognized for | | |
| Temporary Differences | (6,149) | (2,673) |
| Underestimation (Overestimation) of | | |
| Income Taxes of Prior Years | (3,579) | (1,275) |
| Additional Levy on Unappropriated | | |
| Earnings | <u>-</u> | <u>1,917</u> |
| Income Tax Expenses | <u>\$ 135,058</u> | <u>\$ 22,029</u> |

Note: The applicable tax rate is based on the tax rate applicable to the income of the relevant country.

3. The amount of each deferred income tax asset or liability arising from temporary differences and taxable losses are as follows:

| | <u>January 1</u> | <u>2022</u> <u>Recognize in</u> <u>Profit or Loss</u> | <u>Exchange</u> <u>Difference</u> | <u>December 31</u> |
|---|--------------------|---|--------------------------------------|--------------------|
| Temporary Differences: | | | | |
| - Deferred Income Tax Assets: | | | | |
| Unrealized Salaries and Bonuses | \$ 9,392 | (\$ 669) | \$ 168 | \$ 8,891 |
| Unrealized Exchange Losses | 600 | 3,040 | - | 3,640 |
| Others | <u>9,044</u> | <u>(58)</u> | <u>-</u> | <u>8,986</u> |
| Subtotal | <u>\$ 19,036</u> | <u>\$ 2,313</u> | <u>\$ 168</u> | <u>\$ 21,517</u> |
| - Deferred Income Tax Liabilities: | | | | |
| Investment Income Unrealized Exchange Gains | (\$ 11,392) | (\$ 7,976) | \$ - | (\$ 19,368) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>(\$ 11,392)</u> | <u>(\$ 7,976)</u> | <u>\$ -</u> | <u>(\$ 19,368)</u> |
| Total | <u>\$ 7,644</u> | <u>(\$ 5,663)</u> | <u>\$ 168</u> | <u>\$ 2,149</u> |

| | <u>January 1</u> | <u>2021</u> <u>Recognize in</u> <u>Profit or Loss</u> | <u>Exchange</u> <u>Difference</u> | <u>December 31</u> |
|---|--------------------|---|--------------------------------------|--------------------|
| Temporary Differences: | | | | |
| - Deferred Income Tax Assets: | | | | |
| Unrealized Salaries and Bonuses | \$ 8,895 | \$ 532 | (\$ 35) | \$ 9,392 |
| Unrealized Exchange Losses | 1,926 | (1,326) | - | 600 |
| Others | <u>9,099</u> | <u>(55)</u> | <u>-</u> | <u>9,044</u> |
| Subtotal | <u>\$ 19,920</u> | <u>(\$ 849)</u> | <u>(\$ 35)</u> | <u>\$ 19,036</u> |
| - Deferred Income Tax Liabilities: | | | | |
| Investment Income Unrealized Exchange Gains | (\$ 11,392) | \$ - | \$ - | (\$ 11,392) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>(\$ 11,392)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(\$ 11,392)</u> |
| Total | <u>\$ 8,528</u> | <u>(\$ 849)</u> | <u>(\$ 35)</u> | <u>\$ 7,644</u> |

4. Deductible temporary differences not recognized as deferred income tax assets:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Deductible Temporary Differences | <u>\$ 22,448</u> | <u>\$ 75,460</u> |
| 5. The Company has not recognized deferred income tax liabilities for taxable temporary differences associated with certain investments in subsidiaries. The temporary differences in unrecognized deferred income tax liabilities were \$78,103 and \$208,037 as of December 31, 2022 and 2021, respectively. | | |
| 6. The Company's income taxes have been assessed by the tax authorities through 2020. | | |

(28) Earnings Per Share

| | <u>Amount After Tax</u> | <u>2022 Weighted-average Number of Outstanding Shares (in thousands)</u> | <u>Earnings Per Share (NTD)</u> |
|--|-------------------------|--|-------------------------------------|
| <u>Basic Earnings Per Share</u> | | | |
| Net Profit for the Period Attributable to Owners of the Parent Company | <u>\$ 451,583</u> | <u>75,287</u> | <u>\$ 6.00</u> |
| <u>Diluted Earnings Per Share</u> | | | |
| Net Profit for the Period Attributable to Owners of the Parent Company | \$ 451,583 | 75,287 | |
| Convertible Bonds | 3,236 | 4,918 | |
| Remuneration to Employees | <u>-</u> | <u>858</u> | |
| Net Profit for the Period Attributable to Owners of the Parent Company Plus the Effect of Potential Common Stock | <u>\$ 454,819</u> | <u>81,063</u> | <u>\$ 5.61</u> |

| | <u>Amount After</u> | <u>2021</u> <u>Weighted-average</u> <u>Number of</u> <u>Outstanding Shares</u> <u>(in thousands)</u> | <u>Earnings Per</u> <u>Share (NTD)</u> |
|---|---------------------|--|---|
| <u>Basic Earnings Per Share</u> | | | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company | <u>\$ 81,644</u> | <u>75,069</u> | <u>\$ 1.09</u> |
| <u>Diluted Earnings Per Share</u> | | | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company | \$ 81,644 | 75,069 | |
| Convertible Bonds | 5,050 | 4,815 | |
| Remuneration to Employees | <u>-</u> | <u>268</u> | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company Plus the | | | |
| Effect of Potential Common | | | |
| Stock | <u>\$ 86,694</u> | <u>80,152</u> | <u>\$ 1.08</u> |
| (29) <u>Supplementary Information on Cash Flows</u> | | | |

1. Investing activities paid only partially in cash:

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|------------------|------------------|
| Purchase of Property, Plants, and | | |
| Equipment | \$ 66,203 | \$ 40,709 |
| Add: Payables on Equipment at the | | |
| Beginning of the Period | 5,219 | 4,158 |
| Less: Payables on Equipment at the | | |
| End of the Period | (1,886) | (5,219) |
| Add: Prepayments for Equipment at | | |
| the End of the Period | 20,486 | 12,557 |
| Less: Prepayments for Equipment at | | |
| the Beginning of the Period | (12,557) | (1,199) |
| Cash Paid in the Period | <u>\$ 77,465</u> | <u>\$ 51,006</u> |

2. In December 2022, the group sold 100% equity of its subsidiary Browave Japan Corporation, resulting in the loss of control over the subsidiary. (Please refer to Note 4 (3) and Note 6 (7) for details.) The consideration received from the transaction and the information regarding the related assets and liabilities of the subsidiary are as follows:

| The book value of assets and liabilities of Browave Japan Corporation | December 20, 2022 |
|--|-------------------|
| Cash and cash equivalents | \$ 2,857 |
| Prepayments | 78 |
| Property, plant and equipment | 114,048 |
| Other payables | (71,674) |
| Exchange differences arising on translation of foreign operations | 14,383 |
| Book value of the subsidiary disposed | 59,692 |
| Gain on disposal of the subsidiary | 7,394 |
| Total consideration received from the disposal of the subsidiary | 67,086 |
| Cash and cash equivalents of the disposed subsidiary | (2,857) |
| Net change in cash and cash equivalents of the disposed subsidiary | \$ 64,229 |

(30) Changes in Liabilities Arising From Financing Activities

| | 2022 | | | | | Total Liabilities Arising from Financing Activities |
|--|---------------------|--------------------|----------------------|------------------|------------------------------|--|
| | Short-term Loans | Long-term Loans | Lease Liabilities | Bonds Payable | Cash Dividends Payable | |
| January 1 | \$ 39,153 | \$ 62,121 | \$ 739 | \$ 290,159 | \$ - | \$ 392,172 |
| Changes in Cash Flows | (37,043) | (19,137) | (571) | - | (75,287) | (132,038) |
| Changes in Non-cash Flows | - | 21,523 | - | 5,515 | - | 27,038 |
| Increase in the Period | - | - | - | - | 75,287 | 75,287 |
| Effect of Changes in Exchange Rates | (2,110) | 231 | 8 | - | - | (1,871) |
| December 31 | \$ - | \$ 64,738 | \$ 176 | \$ 295,674 | \$ - | \$ 360,588 |

2021

| | <u>Short-term</u> <u>Loans</u> | <u>Long-term</u> <u>Loans</u> | <u>Lease</u> <u>Liabilities</u> | <u>Deposits</u> <u>Received</u> | <u>Bonds</u> <u>Payable</u> | <u>Cash</u> <u>Dividends</u> <u>Payable</u> | <u>Total Liabilities</u> <u>Arising from</u> <u>Financing</u> <u>Activities</u> |
|--|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|--------------------------------|---|--|
| January 1 | \$ 22,104 | \$ 51,447 | \$ 55,624 | \$ 627 | \$ 284,747 | \$ - | \$ 414,549 |
| Changes in Cash Flows | (19,503) | (5,705) | (13,957) | 115 | - | (188,217) | (227,267) |
| Changes in Non-cash Flows | - | - | 20,562 | - | 5,412 | - | 25,974 |
| Increase in the Period | - | - | - | - | - | 188,217 | 188,217 |
| Effect of Changes in Exchange Rates | (2,601) | (6,589) | (108) | (3) | - | - | (9,301) |
| December 31 | <u>\$ -</u> | <u>\$ 39,153</u> | <u>\$ 62,121</u> | <u>\$ 739</u> | <u>\$290,159</u> | <u>\$ -</u> | <u>\$ 392,172</u> |

7. Related Party Transactions

(1) Name and Relationship of Related Party

Name of Related Party

Relationship With the Group

BKS Tec Corp.

Affiliate (Note).

Wu Jhao Yi

Substantive Related Party

Ontario Capital Co., Ltd.

Other Related Party

Note: The Group sold BKS Tec Corp. in August 2021, and since the date of the sale, it is no longer a related party of this group.

(2) Material Transactions With Related Parties

1. Operating Revenue

2022

2021

Merchandise Sales:

Affiliate

\$ -

\$ 1,327

The transaction prices and collection terms of merchandise sales were not materially different from those of unrelated parties.

2. Various Income

2022

2021

Affiliate

\$ -

\$ 39

3. Property Transactions
Disposal of Financial Assets

| | | | | <u>2022</u> | |
|---------------------------|---|--------------------------------|--------------------------------------|-----------------------|--------------------------------|
| | <u>Item in the Accounting Book</u> | <u>Number of Shares Traded</u> | <u>Subject Matter of Transaction</u> | <u>Disposal Price</u> | <u>Gain (Loss) on Disposal</u> |
| Substantive Related Party | Disposal of disposal groups as held for sale | 8,000 | Stock | \$ 67,086 | \$ 7,394 |
| <u>2021</u> | | | | | |
| Other Related Party | Investments Accounted for Using Equity Method | 6,000,000 | Stock | \$ 7,000 | (\$ 9,937) |

(3) Information on Key Management Salary

| | <u>2022</u> | <u>2021</u> |
|------------------------------|------------------|------------------|
| Short-term Employee Benefits | \$ 60,482 | \$ 32,589 |
| Post-employment Benefits | 768 | 814 |
| Total | <u>\$ 61,250</u> | <u>\$ 33,403</u> |

8. Pledged Assets

The breakdown of the guarantees given on the Group's assets is as follows:

| | <u>Book Value</u> | | |
|--|--------------------------|--------------------------|---|
| <u>Asset</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>Guarantee Purposes</u> |
| Refundable Deposits (listed as “Other Non-current Assets”) | \$ 500 | \$ 500 | Post-release Duty Payment Guarantee for Imported Goods to Taipei Customs, Customs Administration, Ministry of Finance |
| Refundable Deposits (listed as “Other Non-current Assets”) | 1,173 | 1,173 | Deposit For Lease of Park Land |
| Buildings and Structures | <u>89,626</u> | <u>92,672</u> | Guarantee For Bank Loan Facilities |
| | <u>\$ 91,299</u> | <u>\$ 94,345</u> | |

9. Significant Commitments and Contingencies

None

10. Significant Disaster Losses

None

11. Significant Future Events

Please refer to Note 6 、 Note (18) 5.

12. Others

(1) Capital Management

The Group's capital management policy is to maintain a sound capital base to sustain the confidence of investors, creditors, and the market, and to support the future development of its operations. Capital consists of stock capital, capital surplus and retained earnings. Capital management objectives are achieved by controlling the return on capital and the level of common stock dividends.

Financial Risk of Financial Instruments

(2) Financial Risk of Financial Instruments

1. Type of Financial Instruments

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Financial Assets | | |
| Financial Assets at Fair Value Through Profit or Loss | | |
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | <u>\$ 91,284</u> | <u>\$ 134,268</u> |
| Financial Assets at Fair Value Through Other Comprehensive Income | | |
| Designated Equity Instrument for Investment | <u>\$ 30,253</u> | <u>\$ 38,700</u> |
| Financial Assets at Amortized Cost | | |
| Cash and Cash Equivalents | 1,158,753 | 1,157,682 |
| Financial Assets at Amortized Cost | 537,712 | 53,680 |
| Notes Receivable | - | 174 |
| Accounts Receivable | 760,229 | 587,036 |
| Other Receivables | 2,129 | 12,039 |
| Refundable Deposits | <u>7,570</u> | <u>4,752</u> |
| | <u>\$ 2,466,393</u> | <u>\$ 1,815,363</u> |

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Financial Liabilities | | |
| Financial Liabilities at Fair Value Through Profit or Loss | | |
| Financial Liabilities Held for Trading | \$ - | \$ 1,440 |
| Financial Liabilities at Amortized Cost | | |
| Accounts Payable | \$ 416,864 | \$ 459,928 |
| Other Payables | 239,719 | 169,962 |
| Long-term Loans (including portion due within one year or one business cycle) | - | 39,153 |
| Bonds Payable (including portion due within one year or one business cycle) | 295,674 | 290,159 |
| Deposits Received | 176 | 739 |
| | <u>\$ 952,433</u> | <u>\$ 959,941</u> |
| Lease Liabilities | <u>\$ 64,738</u> | <u>\$ 62,121</u> |

2. Financial Risk Management Policy

- (1) The Group's daily operations are subject to a number of financial risks, including market risk (such as exchange rate risk and interest rate risk), credit risk, and liquidity risk. The Group employs exchange rate monitoring and counterparty credit management to identify all of the Group's risks and to seek to mitigate potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is performed by the Group's Finance Department in accordance with policies approved by the Board of Directors. The Group's Finance Department is responsible for the identification, assessment, and hedging of financial risks by working closely with the Group's operating units. The Board of Directors has written principles for overall risk management and also provides written policies for specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus liquidity.

3. Nature and Extent of Significant Financial Risks

(1) Market Risk

Exchange Rate Risk

- A. The Group operates on a multinational basis and is therefore exposed to exchange rate risk arising from various currencies, mainly USD and RMB. The related exchange rate risk arises from future business transactions, recognized assets and liabilities, and net investments in foreign operations. In addition, the Consolidated Company has natural hedges based on its capital requirements and net position of foreign currency assets and liabilities in each currency.

- B. When short-term imbalances in foreign currency-denominated monetary assets and liabilities occur, the Group ensures that net exposure is maintained at an acceptable level by buying or selling foreign currencies at spot rates.
- C. The Group engages in operations involving certain non-functional currencies (the functional currency of the Company and some subsidiaries is NTD, and the functional currency of some subsidiaries is RMB) and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities that are subject to significant exchange rate fluctuations is as follows:

| | | <u>December 31, 2022</u> | | |
|---|--|--------------------------|----------------------------------|-----------|
| (Foreign Currency: Functional Currency) | <u>Foreign Currency (in thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount (NTD)</u> | |
| <u>Financial Assets</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | \$ 57,988 | 30.71 | \$ | 1,780,811 |
| USD: CNY | 9,121 | 6.96 | | 280,106 |
| <u>Financial Liabilities</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | 12,606 | 30.71 | | 387,130 |
| USD: CNY | 1,423 | 6.96 | | 43,700 |

| | | <u>December 31, 2021</u> | | |
|---|--|--------------------------|----------------------------------|-----------|
| (Foreign Currency: Functional Currency) | <u>Foreign Currency (in thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount (NTD)</u> | |
| <u>Financial Assets</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | \$ 37,527 | 27.68 | \$ | 1,038,747 |
| USD: CNY | 15,763 | 6.37 | | 436,320 |
| <u>Financial Liabilities</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | 16,745 | 27.68 | | 463,502 |
| USD: CNY | 2,125 | 6.37 | | 58,820 |

- D. The aggregate amount of all exchange gains (losses) (both realized and unrealized) recognized for 2022 and 2021 was \$123,330 and (\$30,094), respectively, due to the significant impact of exchange rate fluctuations on the Group's monetary items.
- E. The Group's exposure to foreign currency market risk due to significant exchange rate fluctuations is analyzed as follows:

- (A) For 2022 and 2021, if the exchange rate between USD and NTD had increased or decreased by 1%, respectively, with all other factors held constant, net profit after tax would have increased or decreased by \$13,937 and \$5,752 for 2022 and 2021, respectively.
- (B) For 2022 and 2021, if the exchange rate between USD and RMB had increased or decreased by 1%, respectively, with all other factors held constant, net profit after tax would have increased or decreased by \$2,364 and \$3,775 for 2022 and 2021, respectively.

Price Risk

- A. The Group's equity instruments exposed to price risk are financial assets held at fair value through profit or loss and financial assets held at fair value through other comprehensive income. To manage the price risk of investments in equity instruments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.
- B. The Group invests mainly in equity instruments issued by domestic and foreign companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments had increased or decreased by 1%, with all other factors held constant, net profit after tax for 2022 and 2021 would have increased or decreased by \$913 and \$1,343, respectively, as a result of the gain or loss on equity instruments measured at fair value through profit or loss. For other comprehensive income, the gain or loss on equity investments classified as at fair value through other comprehensive income would increase or decrease by \$303 and \$387, respectively.

Cash Flow and Fair Value Interest Rate Risk

The Group's interest rate risk arises from short-term and long-term loans. Loans issued at fixed rates expose the Group to fair value interest rate risk.

(2) Credit Risk

- A. The Group's credit risk is the risk of financial loss arising from the failure of customers or counterparties to financial instruments to meet their contractual obligations, primarily from the failure of counterparties to settle accounts receivable on collection terms and contractual cash flows of financial assets measured at amortized cost.
- B. The Group establishes the management of credit risk from a group perspective. In accordance with the internal credit policy, each operating entity of the Group is required to manage and analyze credit risk for each new customer before setting the terms and conditions of payment and delivery. Internal risk control is performed to assess the credit quality of customers by considering their financial position, past experience, and other factors. Individual risk limits are established by management based on internal or external ratings, and the use of credit limits is regularly monitored.
- C. The Group uses IFRS 9 to provide the premise assumption that a default is deemed to have occurred when contractual payments are more than 90 days overdue in accordance with the contractual payment terms.

- D. The Group uses IFRS 9 to provide the premise assumption that a financial asset is considered to be subject to a significant increase in credit risk since original recognition when contractual payments are more than 30 days overdue in accordance with the contractual payment terms.
- E. The indicators used by the Company to determine that investments in debt instruments are credit-impaired are as follows:
- (A) A significant increase in the likelihood that the issuer is experiencing significant financial difficulties or will enter bankruptcy or other financial restructuring.
 - (B) The issuer's financial difficulties cause an active market for the financial asset to disappear.
 - (C) The issuer delays or fails to make interest or principal payments.
 - (D) An adverse change in national or regional economic conditions relating to the default of the issuer.
- F. The Group assembles accounts receivable from customers according to the characteristics of the type of customers and uses a simplified approach to estimate expected credit losses based on an allowance matrix.
- G. The Group writes off the amount of financial assets that are not reasonably expected to be recoverable after recourse procedures, but the Group continues to pursue legal recourse procedures to preserve the creditor's rights. As of December 31, 2022 and 2021, the Group's written-off debts with ongoing recourse activities were \$0.
- H. The Group's allowance for losses on accounts receivable and notes receivable as of December 31, 2022 and 2021, after adjusting the loss rate established based on historical and current information for a specific period for future-looking considerations, is as follows:

| | <u>Not Overdue</u> | <u>1-30 Days Overdue</u> | <u>31-90 Days Overdue</u> | <u>91-180 Days Overdue</u> | <u>Total</u> |
|------------------------------|--------------------|------------------------------|-------------------------------|--------------------------------|--------------|
| <u>December 31, 2022</u> | | | | | |
| Expected Loss Rate | 0.03% | 0.03% | 0.04% | 0.05% | |
| Total Book Value | \$ 603,597 | \$ 147,216 | \$ 5,371 | \$ 4,045 | \$ 760,229 |
| Allowance For Losses | \$ - | \$ - | \$ - | \$ - | \$ - |

| | <u>Not Overdue</u> | <u>1-30 Days Overdue</u> | <u>31-90 Days Overdue</u> | <u>91-180 Days Overdue</u> | <u>Total</u> |
|------------------------------|--------------------|------------------------------|-------------------------------|--------------------------------|--------------|
| <u>December 31, 2021</u> | | | | | |
| Expected Loss Rate | 0.03% | 0.03% | 0.04% | 0.05% | |
| Total Book Value | \$ 478,713 | \$ 96,672 | \$ 11,825 | \$ - | \$ 587,210 |
| Allowance For Losses | \$ - | \$ - | \$ - | \$ - | \$ - |

- I. The following is a summary of the changes in the Group's allowance for losses on other receivables under the general method:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|--------------------------|--------------------------|
| | <u>Other Receivables</u> | <u>Other Receivables</u> |
| January 1 (i.e., December 31) | \$ <u>38,257</u> | \$ <u>38,257</u> |

After assessing the credit risk of the counterparties, the Group accrues the full amount of expected credit losses for the amounts that the counterparties are unable to perform their contractual obligations.

(3) Liquidity Risk

- A. Cash flow forecasts are performed by each operating entity within the Group and are compiled by the Group Finance Department. The Group Finance Department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet its operational needs and maintains sufficient undrawn borrowing facilities at all times so that the Group does not breach the relevant borrowing limits or terms.
- B. Surplus cash held by each operating entity will be transferred back to the Group's Finance Department when it exceeds the amount required for operating capital management. The Group Finance Department invests the remaining funds in instruments of the appropriate maturity or sufficient liquidity such as time deposits, money market deposits, and marketable securities to meet the aforementioned forecasts and to provide a sufficient level of flexibility in cash flow management. As of December 31, 2022 and 2021, the Group held time deposits and bonds with repurchase agreements (recorded as "cash and cash equivalents" and "financial assets at amortized cost") totaling \$1,195,347 and \$593,450, respectively, which are expected to generate immediate cash flows to address liquidity risk.
- C. The Group had undrawn borrowing facilities of \$510,000 both as of December 31, 2022 and 2021.
- D. The following table presents the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date; derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

| December 31, 2022 | <u>Less Than 3 Months</u> | <u>3 Months to 1 Year</u> | <u>1 Year to 2 Years</u> | <u>2 Years to 5 Years</u> | <u>More Than 5 Years</u> |
|---|---------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| <u>Non-derivative Financial Assets:</u> | | | | | |
| Accounts Payable | \$ 416,864 | \$ - | \$ - | \$ - | \$ - |
| Other Payables | 239,719 | - | - | - | - |
| Lease Liabilities | 7,017 | 19,759 | 12,979 | 3,417 | 27,334 |
| Bonds Payable | - | 300,000 | - | - | - |

| December 31, 2021 | <u>Less Than 3</u> <u>Months</u> | <u>3 Months to</u> <u>1 Year</u> | <u>1 Year to 2</u> <u>Years</u> | <u>2 Years to 5</u> <u>Years</u> | <u>More Than</u> <u>5 Years</u> |
|--|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| <u>Non-derivative</u> <u>Financial Assets:</u> | | | | | |
| Accounts Payable | \$ 459,928 | \$ - | \$ - | \$ - | \$ - |
| Other Payables | 169,962 | - | - | - | - |
| Long-term Loans (including portion due within one year) | 1,617 | 4,815 | 6,308 | 18,184 | 11,262 |
| Lease Liabilities | 4,311 | 12,933 | 16,117 | 6,603 | 28,348 |
| Bonds Payable | - | - | 300,000 | - | - |

(3) Information on Fair Value

- The levels of valuation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:
 - Level 1: The quoted prices (unadjusted) in active markets for identical assets or liabilities available to the enterprise at the measurement date. An active market is a market in which transactions in assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investments in listed stocks are classified as such.
 - Level 2: The fair value of directly or indirectly observable input values for assets or liabilities, other than those included in the quoted prices in Level 1, are classified as such.
 - Level 3: Unobservable input value of an asset or liability. All the Group's investments in equity instruments in which have no active market are classified as such.
- The carrying amounts of the Group's financial instruments that are not measured at fair value are a reasonable approximation of fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, refundable deposits, short-term loans, notes payable, accounts payable, other payables, lease liabilities, long-term loans (including portion due within one year or one business cycle), bonds payable, and deposits received.
- Financial and non-financial instruments at fair value are classified by the Group based on the nature, characteristics, and risks of the assets and liabilities and the level of fair value, and the related information are as follows:
 - (1) The Group classifies assets and liabilities according to their nature, and the related information is as follows:

| December 31, 2022 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|------------------|----------------|------------------|------------------|
| Assets | | | | |
| <u>Repeatable Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Equity Instruments | \$ 91,254 | \$ - | \$ - | \$ 91,254 |
| Redemption/Sale Rights of Convertible Bonds | \$ - | \$ - | \$ 30 | \$ 30 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Equity Instruments | <u>-</u> | <u>-</u> | <u>30,253</u> | <u>30,253</u> |
| Total | <u>\$ 91,254</u> | <u>\$ -</u> | <u>\$ 30,283</u> | <u>\$121,537</u> |
| December 31, 2021 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Repeatable Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Equity Instruments | \$134,268 | - | - | \$134,268 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Equity Instruments | <u>-</u> | <u>-</u> | <u>38,700</u> | <u>38,700</u> |
| Total | <u>\$134,268</u> | <u>\$ -</u> | <u>\$ 38,700</u> | <u>\$172,968</u> |
| Liabilities | | | | |
| <u>Repeatable Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Redemption/Sale Rights of Convertible Bonds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,440</u> | <u>\$ 1,440</u> |

- (2) The methods and assumptions used by the Group to measure fair value are described below:
- A. The Group uses quoted market prices for fair value input values (i.e. Level 1), which are broken down by the characteristics of the instrument as follows:

| | <u>Stock of Listed Companies on the TWSE (TPEX) Closing Price</u> |
|-------------------|---|
| Market Quotations | |

- B. Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained by valuation techniques or by reference to quoted prices from counterparties. Fair values obtained through valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of models based on market information available on the consolidated balance sheet date (e.g., TPEX yield curves, Reuters average quoted commercial paper rates).
- There was no transfer between Level 1 and Level 2 in 2022 and 2021.
 - The following table shows the changes in Level 3 for 2022 and 2021.

| | | <u>2022</u> |
|---|---------------------------|--|
| | <u>Equity Instruments</u> | <u>Redemption/Sale Rights of Convertible Bonds</u> |
| January 1 | \$ 38,700 | \$ 1,440 |
| Gain Recognized in Profit or Loss | - | (1,470) |
| Loss Recognized in Other Comprehensive Income | (7,988) | - |
| Capital Reduction by Refunding of Stock Payment | (459) | - |
| December 31 | <u>\$ 30,253</u> | <u>(\$ 30)</u> |
| Changes in Unrealized Gains or Losses Included in Profit or Loss on Assets and Liabilities Held at the End of the Period (Note) | <u>\$ -</u> | <u>(\$ 1,470)</u> |
| Note: Listed as Non-operating Income and Expenses | | |

| | | <u>2021</u> |
|---|---------------------------|--|
| | <u>Equity Instruments</u> | <u>Redemption/Sale Rights of Convertible Bonds</u> |
| January 1 | \$ 44,701 | \$ 540 |
| Gain Recognized in Profit or Loss | - | 900 |
| Loss Recognized in Other Comprehensive Income | (4,321) | - |
| Capital Reduction by Refunding of Stock Payment | (1,680) | - |
| December 31 | <u>\$ 38,700</u> | <u>\$ 1,440</u> |
| Changes in Unrealized Gains or Losses Included in Profit or Loss on Assets and Liabilities Held at the End of the Period (Note) | <u>\$ -</u> | <u>\$ 900</u> |

Note: Listed as Non-operating Income and Expenses

6. Quantitative information regarding significant unobservable input values from valuation models used for Level 3 fair value measurements and sensitivity analysis of changes in significant unobservable input values are described below:

| | <u>Fair Value on December 31, 2022</u> | <u>Valuation Techniques</u> | <u>Significant Unobservable Input Values</u> | <u>Range (Weighted Average)</u> | <u>Input Values and Fair Value Relationship</u> |
|------------------------------------|--|---------------------------------|--|---|---|
| Non-derivative Equity Instruments: | | | | | |
| Stock of Non-listed Companies | \$ 30,253 | Net Asset Value Method | Not Applicable | - | Not Applicable |
| Non-derivative Debt Instruments: | | | | | |
| Convertible Bonds | 30 | Binary Free Valuation Model | Volatility | 48.12% | The higher the stock price volatility, the higher the fair value. |
| | <u>Fair Value on December 31, 2021</u> | <u>Valuation Techniques</u> | <u>Significant Unobservable Input Values</u> | <u>Range (Weighted Average)</u> | <u>Input Values and Fair Value Relationship</u> |
| Non-derivative Equity Instruments: | | | | | |
| Stock of Non-listed Companies | \$ 38,700 | Net Asset Value Method | Not Applicable | - | Not Applicable |
| Non-derivative Debt Instruments: | | | | | |
| Convertible Bonds | 1,440 | Binary Free Valuation Model | Volatility | 36.46% | The higher the stock price volatility, the higher the fair value. |

7. The Group has carefully evaluated the valuation models and valuation parameters selected by the Group, but when different valuation models or valuation parameters are used, the results of the valuation may differ. For financial assets and financial liabilities classified as Level 3, the effect on profit or loss or other comprehensive income if the valuation parameters are changed is as follows:

| | | <u>December 31, 2022</u> | | | | | |
|------------------------|---------------------|--------------------------|--------------------------|------------------------------------|--------------------------|--|--|
| | | | | <u>Recognize in Profit or Loss</u> | | <u>Recognize in Other Comprehensive Income</u> | |
| | <u>Input Values</u> | <u>Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | |
| Financial Assets | | | | | | | |
| Convertible Bonds | Volatility | ±1% | \$ - | \$ - | \$ - | \$ - | |
| Redemption/Sale Rights | | | | | | | |

| | | <u>December 31, 2021</u> | | | | | |
|------------------------|---------------------|--------------------------|--------------------------|------------------------------------|--------------------------|--|--|
| | | | | <u>Recognize in Profit or Loss</u> | | <u>Recognize in Other Comprehensive Income</u> | |
| | <u>Input Values</u> | <u>Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | |
| Financial Assets | | | | | | | |
| Convertible Bonds | Volatility | ±1% | \$ 60 | (\$ 60) | \$ - | \$ - | |
| Redemption/Sale Rights | | | | | | | |

(4) The Impact of the COVID-19 Pandemic on the Group's Operations in 2022

In 2022, due to the impact of the COVID-19 pandemic, the Group adjusted the work schedule of employees and strengthened disinfection and access control measures during the Level 3 epidemic alert. As of December 31, 2022, the Group assessed that the COVID-19 pandemic had no significant impact on the Group's overall operating activities, asset impairment, and fund-raising risks.

13. Additional Disclosures

(1) Information on Material Transactions

1. Loaning of Funds to Others: Please refer to Note 1.
2. Guarantees and Endorsements for Others: None.
3. Marketable Securities Held at the End of the Period (excluding investments in subsidiaries, affiliates, and joint ventures): Please refer to Exhibit 2.
4. Accumulated Purchases or Sales of the Same Marketable Securities Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Real Estate Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.

6. Disposal of Real Estate Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.
7. Purchase From or Sale to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: Please refer to Exhibit 3.
8. Receivables From Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: Please refer to Exhibit 4.
9. Derivative Financial Instrument Transactions: Please refer to Notes 6(2), 6(11) and 6(12) for details.
10. Business Relationships and Significant Intercompany Transactions Between the Parent Company and its Subsidiaries and Between Subsidiaries: Please refer to Exhibit 5.

(2) Information on Investees

Names and Locations of Investees (excluding those in Mainland China): Please refer to Exhibit 6.

(3) Information on Investments in Mainland China

1. Please refer to Exhibit 7 for more information on investees in Mainland China.
2. Material Transactions Between the Company and its Investees in Mainland China: (expressed as the un-eliminated amount of purchase and sale transactions with the investees in Mainland China)

(1) Purchases:

| | | <u>2022</u> |
|-----------------------------------|---------------------|---|
| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>As a Percentage of the Company's Net Purchases</u> |
| Browave (ZhongShan) Corporation | \$ <u>2,477,518</u> | <u>81%</u> |

The Company directly purchases goods from Browave (ZhongShan) Corporation. The purchase price is based on the cost of materials plus the related processing cost, and the payment terms are 30 days after the monthly cut-off day.

(2) Sales:

| | | <u>2022</u> |
|-----------------------------------|-------------------|---|
| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>As a Percentage of the Company's Net Sales</u> |
| Browave (ZhongShan) Corporation | \$ <u>647,642</u> | <u>20%</u> |

The selling price of the Company's sales to Browave (ZhongShan) Corporation is based on cost and the collection terms are 60 days after the monthly cut-off day.

(3) Accounts Receivable:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|------------------|---|
| | | <u>As a Percentage of the Company's Accounts Receivable</u> |
| Browave (ZhongShan) Corporation | <u>\$ 43,055</u> | <u>5%</u> |

(4) Other Receivables

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|---------------|---|
| | | <u>As a Percentage of the Company's Accounts Receivable</u> |
| Browave (ZhongShan) Corporation | <u>\$ 63</u> | <u>3%</u> |

(5) Accounts Payable:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|-------------------|--|
| | | <u>As a Percentage of the Company's Accounts Payable</u> |
| Browave (ZhongShan) Corporation. | <u>\$ 266,428</u> | <u>70%</u> |

(6) Advance Receipts:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>2022</u> |
|-----------------------------------|------------------|---|
| | | <u>As a Percentage of Advance Receipts of the Company</u> |
| Browave (ZhongShan) Corporation | <u>\$ 35,077</u> | <u>100%</u> |

(7) Other Income:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>2022</u> |
|-----------------------------------|-----------------|--|
| | | <u>As a Percentage of the Company's Other Income</u> |
| Browave (ZhongShan) Corporation | <u>\$ 1,425</u> | <u>32%</u> |

(8) Property Transactions:

As of December 31, 2022, the unrealized gain on disposal of fixed assets among affiliates was \$621.

(9) Endorsement and Guarantee With Notes and Provision of Collateral: None.

(10) Financial Accommodations: None.

(11) Other Transactions That Have a Significant Impact on Profit or Loss for the Period or Financial Position: None.

(4) Information on Major Shareholders

Information on the Names, Amounts, and Percentage of Shareholders Holding More Than 5% of the Issuer's Equity: None.

14. Information on Operating Segments

(1) General Information

The Group operates in a single industry and the Group evaluates performance and allocates resources on a Group-wide basis and has been identified as a single reportable segment.

(2) Information on Segments

The Group's operating decision makers assess the performance of the operating segments based on the financial statements.

(3) Information on Segment Profit or Loss, Assets, and Liabilities

External revenue reported to the chief operating decision maker is measured in a manner consistent with revenue in the income statement.

Information on reportable segments provided to the chief operating decision maker for 2022 and 2021 was as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------|--------------------------|--------------------------|
| External Revenue | <u>\$ 3,210,572</u> | <u>\$ 2,296,452</u> |
| Intersegment Revenue | <u>\$ -</u> | <u>\$ -</u> |
| Segment Profit or Loss | <u>\$ 586,641</u> | <u>\$ 103,673</u> |
| Segment Assets | <u>\$ 3,368,252</u> | <u>\$ 2,881,199</u> |
| Segment Liabilities | <u>\$ 1,157,937</u> | <u>\$ 1,066,956</u> |

(4) Information on Reconciliation of Segment Profit or Loss, Assets, and Liabilities

1. The reportable segment profit or loss reviewed by the chief operating decision maker is the same as the profit or loss from continuing operations and is not subject to reconciliation.
2. The total assets and liabilities provided to the chief operating decision maker are measured in a manner consistent with the assets and liabilities in the financial statements of the Company.

(5) Information on Products and Services

Revenue from external customers is mainly from optical fiber communication component modules.

The breakdown of revenue is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Optical Fiber Communication Component Modules | <u>\$ 3,210,572</u> | <u>\$ 2,296,452</u> |

(6) Information on Regions

Information on regions for the Group for 2022 and 2021 is as follows:

| | <u>2022</u> | | <u>2021</u> | |
|----------------|---------------------|---------------------------|---------------------|---------------------------|
| | <u>Revenue</u> | <u>Non-current Assets</u> | <u>Revenue</u> | <u>Non-current Assets</u> |
| United States | \$ 1,819,255 | \$ - | \$ 1,173,100 | \$ - |
| Thailand | 510,404 | - | 517,739 | - |
| Japan | 95,435 | - | 152,955 | 118,403 |
| Mainland China | 137,502 | 251,229 | 87,149 | 255,931 |
| Taiwan | 7,078 | 153,984 | 7,787 | 183,854 |
| Others | <u>640,898</u> | <u>33,739</u> | <u>357,722</u> | <u>-</u> |
| Total | <u>\$ 3,210,572</u> | <u>\$ 438,952</u> | <u>\$ 2,296,452</u> | <u>\$ 558,188</u> |

(7) Information on Important Customers

Information on important customers of the Group for 2022 and 2021 is as follows:

| | <u>2022</u> | | | <u>2021</u> | |
|-------|----------------|-------------------|-------|----------------|-------------------|
| | <u>Revenue</u> | <u>Segment</u> | | <u>Revenue</u> | <u>Segment</u> |
| ETY23 | \$ 1,227,046 | The Whole Company | ETY23 | \$ 746,319 | The Whole Company |
| AFA1 | 508,393 | The Whole Company | AFA1 | 517,445 | The Whole Company |
| | | | ETY24 | 50,195 | The Whole Company |

Browave Corporation and Subsidiaries
Loaning of Funds to Others
January 1 to December 31, 2022

Exhibit 1

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Number</u> | <u>Company That Loans Funds to Others</u> | <u>Loan Recipient</u> | <u>Business Dealings</u> | <u>Related Party or Not</u> | <u>Maximum Amount For the Period</u> | <u>Balance at the End of the Period</u> | <u>Actual Amount Drawn</u> | <u>Interest Rate Range</u> | <u>Nature of Funds Loaning (Note 1)</u> | <u>Amount of Business Dealings</u> | <u>Reasons For the Necessity of Short-term Financial Accommodation</u> | <u>Provision of Allowance For Doubtful Accounts</u> | <u>Collateral</u> | | <u>Limit of Funds Loaning For an Individual Party (Note 2)</u> | <u>Limit of Funds Loaning For Total Amount (Note 2)</u> | <u>Remark</u> |
|---------------|---|---------------------------|--------------------------|-----------------------------|--------------------------------------|---|----------------------------|----------------------------|---|------------------------------------|--|---|-------------------|-------|--|---|---------------|
| 0 | Browave Corporation | Browave Japan Corporation | Other Receivables | Yes | \$76,636 | \$ - | \$ - | 2.366% | 2 | \$ - | For Short-term Operating Capital Turnover | \$ - | Name | Value | \$ 221,031 | \$ 442,063 | |

Note 1: Fill in the nature of the funds loaning as follows:

- (1). For those with which the Company has business dealings, enter 1.
- (2). For those who have the necessity of short-term financial accommodation, enter 2.

Note 2: Limits of funds loaning for total amount and for an individual party:

- (1). If short-term financial accommodation is necessary, the total funds loaning shall not exceed 20% of the Company's net worth, and the amount of individual funds loaning shall not exceed 10% of the Company's net worth.
- (2). If the Company engages in the loaning of funds for business dealings, the total funds loaning shall not exceed 10% of the Company's net worth, and the amount of individual funds loaning shall not exceed the amount of business dealings between the two parties.
The amount of business dealings refers to the higher of the amount of purchases or sales made between the Company and the other party in a year or in the current year up to the time the funds are loaned to the other party.
- (3). The loaning of funds between the foreign companies of which the Company directly and indirectly holds 100% of the voting shares shall not exceed 20% of the Company's net worth.

Browave Corporation and Subsidiaries
Marketable Securities Held at the End of the Period (excluding investments in subsidiaries, affiliates, and joint ventures)
December 31, 2022

Exhibit 2

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Companies Held</u> | <u>Type and Name of Marketable Securities</u> | <u>Relationship With Issuer of Marketable Securities</u> | <u>General Ledger Account in the Book</u> | <u>End of the Period</u> | | | <u>Information on Fair Value</u> | <u>Remarks</u> |
|-----------------------|---|--|---|--------------------------|------------------------|------------------------------------|--------------------------------------|----------------|
| | | | | <u>Number of Shares</u> | <u>Carrying Amount</u> | <u>Shareholding Percentage</u> | | |
| Browave Corporation | Stock: FOCI Fiber Optic Communications, Inc. | None | Financial Assets at Fair Value Through Profit or Loss | 4,020,000 | \$ 91,254 | 4.55 | \$ 91,254 | |
| Browave Corporation | Fund: JAFCO ASIA TECHNOLOGY FUND VIL.P. | None | Financial Assets at Fair Value Through Other Comprehensive Income | - | 6,416 | 0.67 | 6,416 | |
| Browave Corporation | Stock: Darjun Venture Corporation | None | Financial Assets at Fair Value Through Other Comprehensive Income | 2,273,600 | 23,837 | 4.80 | 23,837 | |

Browave Corporation and Subsidiaries
Purchase From or Sale to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
January 1 to December 31, 2022

Exhibit 3

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Purchase (Sale) Company</u> | <u>Name of Counterparty</u> | <u>Relationship</u> | <u>Circumstances of the Transaction</u> | | <u>As a Percentage of Total Purchases (Sales)</u> | <u>Credit Period</u> | <u>Circumstances and Reasons Why the Trading Terms are Different From Those of Ordinary Transactions</u> | | <u>Notes and Accounts Receivable (Payable)</u> | | <u>Remarks</u> |
|--------------------------------|---------------------------------|---|---|---------------|---|---------------------------------------|--|----------------------|--|---|------------------------------------|
| | | | <u>Purchase (Sale) Amount</u> | <u>Amount</u> | | | <u>Unit Price</u> | <u>Credit Period</u> | <u>Balance</u> | <u>As a Percentage of Total Notes and Accounts Receivable (Payable)</u> | |
| | | | <u>Purchases:</u> | <u>\$</u> | | | <u>Note 1</u> | <u>Note 1</u> | <u>(\$)</u> | <u>(Payable)</u> | |
| Browave Corporation | Browave (ZhongShan) Corporation | Subsidiaries 100% Indirectly Owned by the Company | Purchases: | \$ 1,799,876 | 59.49% | 30 Days After the Monthly Cut-off Day | Note 1 | Note 1 | (\$ 314,568) | (73%) | Accounts Payable - Related Parties |

Note 1: The Group appoints Browave (ZhongShan) Corporation to assemble and process the optical fiber passive components. The trading terms of outsourced processing by related parties are not comparable because no general customers are engaged in the same transactions. The payment terms are 30 days after the monthly cut-off day upon reconciliation, and the payment terms for general vendors are 30 to 90 days after the monthly cut-off day.

Browave Corporation and Subsidiaries
Receivables From Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

Exhibit 4

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Companies That Listed the Transactions as Accounts Receivable</u> | <u>Name of Counterparty</u> | <u>Relationship</u> | <u>Balance of Receivables From Related Parties</u> | <u>Turnover Rate</u> | <u>Overdue Receivables From Related Parties</u> | | <u>Receivables From Related Parties Collected in the Subsequent Period</u> | <u>Provision of Allowance For Doubtful Accounts</u> |
|--|-----------------------------|--|--|----------------------|---|------------------------|--|---|
| | | | | | <u>Amount</u> | <u>Handling Method</u> | | |
| Browave (ZhongShan) Corporation | Browave Corporation | Subsidiaries 100% Indirectly Owned by the Company | \$ 314,568 | 5.45 | \$ - | - | \$ 114,776 | \$ - |

Browave Corporation and Subsidiaries
Business Relationships and Significant Intercompany Transactions Between the Parent Company and its Subsidiaries and Between Subsidiaries
January 1 to December 31, 2022

Exhibit 5

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Number</u> <u>(Note 1)</u> | <u>Name of Trader</u> | <u>Trading Counterparty</u> | <u>Relationship</u> <u>With the Trader</u> <u>(Note 2)</u> | <u>Circumstances of the Transaction and Dealing</u> | | | <u>As a Percentage of Consolidated</u> <u>Total Revenue or Total Assets (Note 3)</u> |
|----------------------------------|-----------------------|---------------------------------|--|---|---------------|----------------------------------|---|
| | | | | <u>General Ledger Account</u> | <u>Amount</u> | <u>Trading Terms</u> | |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Purchases: | \$ 1,799,876 | Subject to General Trading Terms | 56.06% |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Accounts Payable | 314,568 | Subject to General Trading Terms | 9.34% |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Advance Receipts | 35,077 | Subject to General Trading Terms | 1.04% |

Note 1: Information on business dealings between the parent company and subsidiaries should be indicated in the number column respectively, and the number should be filled in as follows:

- (1). Fill in 0 for parent company.
- (2). Subsidiaries are numbered sequentially from Arabic numeral 1 by company.

Note 2: The relationship with the traders is classified into three types as follows (the same transaction between the parent and a subsidiary or between subsidiaries is not required to be disclosed repeatedly. For example, if the parent company discloses a transaction with a subsidiary, the subsidiary is not required to disclose the transaction repeatedly; if a subsidiary discloses a transaction with a subsidiary, the other subsidiary is not required to disclose the transaction repeatedly.).

- (1). Parent Company to Subsidiary
- (2). Subsidiary to Parent Company
- (3). Subsidiary to Subsidiary.

Note 3: The percentage of transaction amount to consolidated total revenues or total assets is calculated as the ending balance to consolidated total assets in the case of assets and liabilities, or as the amount to consolidated total revenue in the case of profit or loss.

Browave Corporation and Subsidiaries
Names and Locations of Investees (Excluding Those in Mainland China)
January 1 to December 31, 2022

Exhibit 6

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Investor</u> | <u>Investee</u> | <u>Location</u> | <u>Main Businesses</u> | <u>Original Investment Amount</u> | | <u>Holding at the End of the Period</u> | | | <u>Profit or Loss of the</u> | <u>Investment Income</u> | <u>Remarks</u> |
|---------------------|------------------------------------|------------------------|---|-----------------------------------|-------------------------|---|-------------------|------------------------|------------------------------|---------------------------|----------------|
| | | | | <u>End of the Period</u> | <u>End of Last Year</u> | <u>Number of Shares</u> | <u>Percentage</u> | <u>Carrying Amount</u> | <u>Investee For the</u> | <u>or Loss Recognized</u> | |
| | | | | | | | | | <u>Period</u> | <u>in the Period</u> | |
| Browave Corporation | Browave Holding Inc, | British Virgin Islands | Investment | \$ 677,760 | \$ 677,760 | 20,360,000 | 100 | \$ 930,431 | \$ 18,005 | \$ 18,005 | |
| Browave Corporation | Browave Japan Corporation | Japan | Research, development, production, and sale of electronic machine parts and optical communication machines; management and utilization of real estate trading, resale, leasing, brokerage, and negotiation. | - | 115,680 | - | 0 | - | (6,204) | (6,204) | |
| Browave Corporation | Browave (Philippines) Corporation. | Philippines | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | 54,509 | - | 100,000,000 | 100 | \$ 51,134 | (3,591) | (3,591) | |

Browave Corporation and Subsidiaries
Information on Investments in Mainland China - Basic Information
January 1 to December 31, 2022

Exhibit 8

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Investee in Mainland China</u> | <u>Main Businesses</u> | <u>Paid-in Capital</u> | <u>Investment Method</u> <u>(Note 1)</u> | <u>Accumulated</u> <u>Investment</u> <u>Amount Remitted</u> <u>From Taiwan at</u> <u>the Beginning of</u> <u>the Period</u> | <u>Remitted or Recovered</u> <u>Investment Amount in the</u> <u>Period</u> | | <u>Accumulated</u> <u>Investment</u> <u>Amount Remitted</u> <u>From Taiwan at</u> <u>the End of the</u> <u>Period</u> | <u>Profit or Loss</u> <u>of the Investee</u> <u>For the Period</u> | <u>Shareholding</u> <u>Percentage of</u> <u>the</u> <u>Company's</u> <u>Direct or</u> <u>Indirect</u> <u>Investment</u> | <u>Investment</u> <u>Income or Loss</u> <u>Recognized in</u> <u>the Period (Note</u> <u>2)</u> | <u>Carrying Amount</u> <u>of Investments at</u> <u>the End of the</u> <u>Period</u> | <u>Investment</u> <u>Income</u> <u>Remitted as of</u> <u>the End of the</u> <u>Period</u> | <u>Remarks</u> |
|-----------------------------------|---|------------------------|---|--|--|------|--|--|---|--|--|---|----------------|
| Browave (ZhongShan) Corporation. | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | \$ 795,439 | 2 | \$ 795,439 | \$ - | \$ - | \$ 795,439 | \$ 40,772 | 100 | \$ 40,772 | \$ 715,960 | \$ - | |

| <u>Company Name</u> | <u>Accumulated</u> <u>Investment Amount</u> <u>From Taiwan to</u> <u>Mainland China at the</u> <u>End of the Period</u> | <u>Investment</u> <u>Commission.</u> <u>Ministry of</u> <u>Economic Affairs</u> <u>Approved</u> <u>Investment Amount</u> | <u>Limit of Investments</u> <u>in Mainland China</u> <u>Imposed by the</u> <u>Investment</u> <u>Commission.</u> <u>Ministry of</u> <u>Economic Affairs</u> <u>(Note 3)</u> |
|---------------------|---|---|---|
| Browave Corporation | \$ 795,439 | \$ 795,439 | \$ 1,326,189 |

Note 1: The investment methods can be divided into the following three types, and just indicate as such:

- (1). Invest in Mainland China directly.
- (2). Invest in Mainland China through a company in third regions (Browave Holding INC.).
- (3). Other method.

Note 2: The financial statements audited and attested by the attesting CPAs of the parent company in Taiwan.

Note 3: The limit of investment in accordance with the provisions of the letter (2001) Tai-Cai-Zheng (I) No. 006130 by the Investment Commission.

Attachment 2

Browave Corporation
Parent Company Only Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report

(Stock Code 3163)

Independent Auditors' Report

(2023) Cai-Shen-Bao-Zi No.22003740

To the Board of Directors and Shareholders of Browave Corporation:

Audit Opinions

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

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

Basis of Audit Opinions

We concluded our audits in accordance with the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards of the R.O.C. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the Consolidated Financial Statements. We are independent of the Browave Corporation and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the 2022 parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2022 is stated as following:

Inventory Valuation

Description of the Matter

Please refer to Note 4 (12) to the parent company only financial statements for the accounting policy on inventory valuation, Note 5 (2) to the parent company only financial statements for the accounting estimates and uncertainties in assumptions on inventory valuation, and Note 6 (6) to the parent company only financial statements for the description of inventory items.

Due to the rapid changes in technology and the fierce competition in the market, the risk of loss on decline in value or obsolescence of Browave's inventory is high.

Because the net realizable value used by the Company in valuing its inventory is often subjective and therefore subject to uncertainty in estimation, we consider the valuation of the Company's inventory to be one of the most important matters for this year's audits, considering the significant effect of the Company's inventory valuation on the financial statements.

Corresponding Audit Procedures

The corresponding procedures we performed for inventory valuation are set forth as below:

- We evaluated the reasonableness of the policies and procedures used to recognize the allowance for losses on inventory based on our understanding of the nature of the Company's operations and industries, including the historical information used to determine the net realizable value.
- Tested the correctness of the calculations related to the net realizable value of inventory as evaluated by the management.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Liu Chien-Yu

CPA

Lin Yu-Kuan

Financial Supervisory Commission

Approval Document: Jin-Guan-Zheng-Shen-Zi

No.1090350620

Former Securities Regulatory Commission, Ministry of Finance

Approval Document:(1992) Tai-Cai-Zheng (VI) No.81020

February 23,2023

Browave Corporation
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and 2021

Unit: In thousands of NTD

| Assets | | | December 31, 2022 | | December 31, 2021 | | | |
|--------------------|---|-------------|-------------------|-----------|-------------------|----|-----------|-----|
| | | | Amount | % | Amount | % | | |
| Current Assets | | | | | | | | |
| 1100 | Cash and Cash Equivalents | 6(1) | \$ | 679,748 | 21 | \$ | 650,066 | 23 |
| 1110 | Financial Assets at Fair Value Through Profit or Loss - Current | 6(2) | | 91,284 | 3 | | 134,268 | 5 |
| 1136 | Financial Assets at Amortized Cost - Current | 6(4) | | 421,014 | 13 | | 53,680 | 2 |
| 1170 | Accounts Receivable, Net | 6(5) | | 758,051 | 23 | | 582,131 | 21 |
| 1200 | Other Receivables | | | 2,058 | - | | 3,323 | - |
| 1210 | Other receivables from related parties | 7 | | 63 | - | | 31,321 | 1 |
| 130X | Inventories | 6(6) | | 118,336 | 3 | | 123,748 | 5 |
| 1410 | Prepayments | | | 25,390 | 1 | | 8,347 | - |
| 11XX | Total Current Assets | | | 2,095,944 | 64 | | 1,586,884 | 57 |
| Non-current Assets | | | | | | | | |
| 1517 | Financial Assets at Fair Value Through Other Comprehensive Income - Non-current | 6(3) | | 30,253 | 1 | | 38,700 | 2 |
| 1550 | Investments Accounted for Using Equity Method | 6(7) | | 981,565 | 30 | | 950,486 | 34 |
| 1600 | Property, Plants, and Equipment | 6(8) and 8 | | 114,594 | 4 | | 143,172 | 5 |
| 1755 | Right-of-Use Assets | 6(9) | | 30,932 | 1 | | 33,762 | 1 |
| 1780 | Intangible Assets | | | 4,144 | - | | 6,868 | - |
| 1840 | Deferred Income Tax Assets | 6(26) | | 12,626 | - | | 9,644 | 1 |
| 1900 | Other Non-current Assets | 6(10) and 8 | | 6,681 | - | | 1,734 | - |
| 15XX | Total Non-current Assets | | | 1,180,795 | 36 | | 1,184,366 | 43 |
| 1XXX | Total Assets | | \$ | 3,276,739 | 100 | \$ | 2,771,250 | 100 |

(Continued on next page)

Browave Corporation
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and 2021

Unit: In thousands of NTD

| Liabilities and Equity | | Note | December 31, 2022 | | December 31, 2021 | |
|-------------------------|--|-------|-------------------|------|-------------------|------|
| | | | Amount | % | Amount | % |
| Current Liabilities | | | | | | |
| 2120 | Financial Liabilities at Fair Value Through Profit or Loss - Current | 6(11) | - | - | 1,440 | - |
| 2130 | Contract Liabilities - Current | 6(19) | 4,522 | - | 8,429 | - |
| 2170 | Accounts Payable | | 115,646 | 4 | 149,001 | 6 |
| 2180 | Accounts payable to related parties | 7 | 314,568 | 10 | 345,496 | 13 |
| 2200 | Other Payables | 6(13) | 141,431 | 4 | 64,221 | 2 |
| 2230 | Current Income Tax Liabilities | | 107,542 | 3 | 15,149 | 1 |
| 2280 | Lease Liabilities - Current | 6(9) | 2,854 | - | 2,823 | - |
| 2320 | Long-term liabilities within one year or one business cycle | 6(12) | 295,674 | 9 | - | - |
| 2399 | Other Current Liabilities | | 36,183 | 1 | 37,532 | 1 |
| 21XX | Total Current Liabilities | | 1,018,420 | 31 | 624,091 | 23 |
| Non-current Liabilities | | | | | | |
| 2530 | Bonds Payable | 6(12) | - | - | 290,159 | 11 |
| 2570 | Deferred Income Tax Liabilities | 6(26) | 19,368 | 1 | 11,392 | - |
| 2580 | Lease Liabilities - Non-current | 6(9) | 28,636 | 1 | 31,365 | 1 |
| 25XX | Total Non-current Liabilities | | 48,004 | 2 | 332,916 | 12 |
| 2XXX | Total Liabilities | | 1,066,424 | 33 | 957,007 | 35 |
| Equity | | | | | | |
| | Stock Capital | 6(15) | | | | |
| 3110 | Common Stock Capital | | 752,869 | 23 | 752,869 | 27 |
| | Capital Surplus | 6(16) | | | | |
| 3200 | Capital Surplus | | 354,950 | 11 | 354,950 | 13 |
| | Retained Earnings | 6(17) | | | | |
| 3310 | Legal Reserve | | 172,321 | 5 | 162,226 | 6 |
| 3320 | Special Reserve | | 81,589 | 2 | 62,458 | 2 |
| 3350 | Unappropriated Earnings | | 910,398 | 28 | 563,328 | 20 |
| | Other Equity | 6(18) | | | | |
| 3400 | Other Equity | | (61,812) | (2) | (81,588) | (3) |
| 3XXX | Total Equity | | 2,210,315 | 67 | 1,814,243 | 65 |
| 3X2X | Total Liabilities and Equity | | \$ 3,276,739 | 100 | \$ 2,771,250 | 100 |

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

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD
(Except for earnings per share, which are in NTD.)

| | Item | Note | 2022 | | 2021 | |
|------|--|--------------------|-------------------|-----------|------------------|----------|
| | | | Amount | % | Amount | % |
| 4000 | Operating Revenue | 6(19) and 7 | \$ 3,192,619 | 100 | \$ 2,269,121 | 100 |
| 5000 | Operating Costs | 6(6)(24)(25) and 7 | (2,483,680) | (78) | (1,974,367) | (87) |
| 5900 | Operating Gross Profits | | 708,939 | 22 | 294,754 | 13 |
| 5910 | Unrealized Loss (Profit) on Sales | | - | - | 91 | - |
| 5920 | Realized Profit (Loss) on Sales | | - | - | (11) | - |
| 5950 | Operating Gross Profits, Net Operating Expenses | 6(24)(25) | 708,939 | 22 | 294,834 | 13 |
| 6100 | Selling Expenses | | (61,060) | (2) | (51,712) | (2) |
| 6200 | Administrative Expenses | | (95,711) | (3) | (64,089) | (3) |
| 6300 | R&D Expenses | | (107,566) | (3) | (86,414) | (4) |
| 6000 | Total Operating Expenses | | (264,337) | (8) | (202,215) | (9) |
| 6900 | Operating Income | | 444,602 | 14 | 92,619 | 4 |
| | Non-operating Income and Expenses | | | | | |
| 7100 | Interest Income | 6(20) and 7 | 14,098 | 1 | 2,689 | - |
| 7010 | Other Income | 6(21) and 7 | 13,324 | - | 15,495 | 1 |
| 7020 | Other Gains and Losses | 6(22) and 7 | 87,267 | 3 | (10,048) | - |
| 7050 | Financial Costs | 6(23) | (5,926) | - | (5,841) | - |
| 7070 | Share of loss of subsidiaries, associates and joint ventures accounted for using equity method | 6(7) | | | | |
| | | | 8,210 | - | 2,870 | - |
| 7000 | Total Non-operating Income and Expenses | | 116,973 | 4 | 5,165 | 1 |
| 7900 | Income Before Income Tax | | 561,575 | 18 | 97,784 | 5 |
| 7950 | Income Tax Expenses | 6(26) | (109,992) | (4) | (16,140) | (1) |
| 8200 | Net Profit for the Net Income | | <u>\$ 451,583</u> | <u>14</u> | <u>\$ 81,644</u> | <u>4</u> |
| | Items That Are Not Reclassified to Profit or Loss | | | | | |
| 8316 | Unrealized Valuation Gains or Losses on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income | 6(3) | (\$ 7,988) | - | (\$ 4,321) | - |
| 8330 | Share of other comprehensive loss of subsidiaries and associates | | - | - | 16,122 | 1 |
| 8310 | Total Amount of Items That Are Not Reclassified to Profit or Loss | | (7,988) | - | 11,801 | 1 |
| | Items That May be Reclassified Subsequently to Profit or Loss | | | | | |

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

Browave Corporation
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD
(Except for earnings per share, which are in NTD.)

| | Item | Note | 2022 | | 2021 | |
|----------------------------|---|-------|-------------------|-------------|------------------|-------------|
| | | | Amount | % | Amount | % |
| 8361 | Exchange Differences on Translation of Financial Statements of Foreign Operations | 6(18) | 13,381 | - | (11,626) | (1) |
| 8300 | Other Comprehensive Income (Net) | | <u>\$ 5,393</u> | <u>-</u> | <u>\$ 175</u> | <u>-</u> |
| 8500 | Total Other Comprehensive Income for the Year | | <u>\$ 456,976</u> | <u>14</u> | <u>\$ 81,819</u> | <u>4</u> |
| Basic Earnings Per Share | | | | | | |
| 9750 | | | <u>\$</u> | <u>6.00</u> | <u>\$</u> | <u>1.09</u> |
| Diluted Earnings Per Share | | | | | | |
| 9850 | | | <u>\$</u> | <u>5.61</u> | <u>\$</u> | <u>1.08</u> |

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

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| Note | Equity Attributable to Owners of the Parent Company | | | | | | | | |
|---|---|-----------------|-------------------|-----------------|-------------------------|---|--|----------------|--------------|
| | Common Stock Capital | Capital Surplus | Retained Earnings | | | Other Equity | | Treasury Stock | Total Equity |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Financial Statements of Foreign Operations | Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income | | |
| <u>2021</u> | | | | | | | | | |
| Balance as of January 1, 2021 | \$ 752,869 | \$ 358,685 | \$ 139,297 | \$ 82,657 | \$ 653,326 | (\$ 82,173) | \$ 19,715 | (\$ 48,681) | \$ 1,875,695 |
| Net Income in 2021 | - | - | - | - | 81,644 | - | - | - | 81,644 |
| Other Comprehensive Income in 2021 | 6(3)(18) | - | - | - | - | (11,626) | 11,801 | - | 175 |
| Total Other Comprehensive Income for the Year | - | - | - | - | 81,644 | (11,626) | 11,801 | - | 81,819 |
| Appropriation and Distribution of 2020 Earnings | 6(17) | - | - | - | - | - | - | - | - |
| Provision of Legal Reserve | - | - | 22,929 | - | (22,929) | - | - | - | - |
| Provision of Special Reserve | - | - | - | (20,199) | 20,199 | - | - | - | - |
| Cash Dividends | - | - | - | - | (188,217) | - | - | - | (188,217) |
| Transfer of Treasury Stock to Employees | 6(16) | (162) | - | - | - | - | - | 48,681 | 48,519 |
| Changes in Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method | 6(16) | (3,573) | - | - | - | - | - | - | (3,573) |
| Disposal of Equity Instruments at Fair Value Through Other Comprehensive Income by Subsidiaries | 6(18) | - | - | - | 19,305 | - | (19,305) | - | - |
| Balance as of December 31, 2021 | \$ 752,869 | \$ 354,950 | \$ 162,226 | \$ 62,458 | \$ 563,328 | (\$ 93,799) | \$ 12,211 | \$ - | \$ 1,814,243 |
| <u>2022</u> | | | | | | | | | |
| Balance as of January 1, 2022 | \$ 752,869 | \$ 354,950 | \$ 162,226 | \$ 62,458 | \$ 563,328 | (\$ 93,799) | \$ 12,211 | \$ - | \$ 1,814,243 |
| Net Income in 2022 | - | - | - | - | 451,583 | - | - | - | 451,583 |
| Other Comprehensive Income in 2022 | 6(3)(18) | - | - | - | - | 13,381 | (7,988) | - | 5,393 |
| Total Other Comprehensive Income Year | - | - | - | - | 451,583 | 13,381 | (7,988) | - | 456,976 |
| Appropriation and Distribution of 2021 Earnings | 6(17) | - | - | - | - | - | - | - | - |
| Provision of Legal Reserve | - | - | 10,095 | - | (10,095) | - | - | - | - |
| Provision of Special Reserve | - | - | - | 19,131 | (19,131) | - | - | - | - |
| Cash Dividends | - | - | - | - | (75,287) | - | - | - | (75,287) |
| Disposal of Equity Instruments at Fair Value Through Other Comprehensive Income by Subsidiaries | 6(18) | - | - | - | - | 14,383 | - | - | 14,383 |
| Balance as of December 31, 2022 | \$ 752,869 | \$ 354,950 | \$ 172,321 | \$ 81,589 | \$ 910,398 | (\$ 66,035) | \$ 4,223 | \$ - | \$ 2,210,315 |

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

Browave Corporation
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|--------------|--------------------------------------|--------------------------------------|
| <u>Cash Flows from Operating Activities</u> | | | |
| Income Before Income Tax | | \$ 561,575 | \$ 97,784 |
| Adjustments | | | |
| Income and Expense Items | | | |
| Depreciation Expenses | 6(8)(9)(24) | 34,089 | 43,906 |
| Amortization Expenses | 6(24) | 3,653 | 3,332 |
| Loss (Gain) on Valuation of Financial Assets (Liabilities) at Fair Value Through Profit or Loss | 6(2)(11)(22) | 41,544 | (18,999) |
| Loss on Disposal of Investments Accounted for Using Equity Method | 6(22) | (7,394) | 9,937 |
| Interest Income | 6(20) | (14,098) | (2,689) |
| Interest Expenses | 6(23) | 5,926 | 5,841 |
| Dividend Income | 6(21) | (8,861) | (9,836) |
| Unrealized Profit (Loss) on Sales | | - | (91) |
| Realized Loss (Profit) on Sales | | - | 11 |
| Loss on Disposal of Property, Plants, and Equipment | 6(22) | 1,372 | 311 |
| Lease Modification Gain | 6(22) | - | (1) |
| Share of Losses of Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method | | (8,210) | (2,870) |
| Changes in Assets/Liabilities Related to Operating Activities | | | |
| Net Changes in Assets Related to Operating Activities | | | |
| Accounts Receivable | | (175,920) | (78,872) |
| Other Receivables | | 1,265 | (1,426) |
| Other receivables due from related parties-others | | 370 | (431) |
| Inventories | | 5,412 | (22,559) |
| Prepayments | | (17,043) | 11,722 |
| Net Changes in Liabilities Related to Operating Activities | | | |
| Contract Liabilities | | (3,907) | (2,223) |
| Accounts Payable | | (33,355) | (3,451) |
| Accounts payable to related parties | | (30,928) | 27,200 |
| Other Payables | | 77,972 | (43,013) |
| Other Current Liabilities | | (1,349) | 510 |
| Cash Inflows From Operations | | 432,113 | 14,093 |
| Interest Received | | 14,540 | 2,247 |
| Dividends Received | | 8,861 | 9,836 |
| Interest Paid | | (411) | (429) |
| Income Tax Paid | | (12,606) | (56,762) |
| Net Cash Inflows (Outflows) From Operating Activities | | 442,497 | (31,015) |

(Continued on next page)

Browave Corporation
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
January 1 to December 31, 2022 and 2021

Unit: In thousands of NTD

| | Note | January 1 to December 31, 2022 | January 1 to December 31, 2021 |
|---|------------|--------------------------------------|--------------------------------------|
| <u>Cash Flows From Investing Activities</u> | | | |
| Acquisition of Financial Assets at Amortized Cost | 6(4) | (\$ 421,014) | (\$ 52,007) |
| Disposal of Financial Assets at Amortized Cost | | 53,680 | 389,317 |
| Capital Reduction by Refunding of Stock Payment | | 459 | 1,680 |
| Acquisition of Investments Accounted for Using Equity Method | 6(7) | (54,509) | - |
| Disposal of Investments Accounted for Using Equity Method | 6(7) and 7 | 67,086 | 7,000 |
| Acquisition of Property, Plants, and Equipment | 6(28) | (11,682) | (8,183) |
| Proceeds From Disposal of Property, Plants, and Equipment | | 1,826 | 3,679 |
| Acquisition of Intangible Assets | | (929) | (4,202) |
| Decrease (Increase) in other receivables due from related parties | | 30,488 | (30,448) |
| (Increase)Decrease in Refundable Deposits | | (66) | 116 |
| Net Cash Inflows (Outflows) From Investing Activities | | (334,701) | 306,952 |
| <u>Cash Flows From Financing Activities</u> | | | |
| Principal Repayment of Lease Liabilities | | (2,827) | (1,818) |
| Increase in Deposits Received | | - | (16) |
| Cash Dividends | 6(17) | (75,287) | (188,217) |
| Employee Purchases of Treasury Stocks | 6(15) | - | 48,519 |
| Net Cash Inflows (Outflows) From Financing Activities | | (78,114) | (141,532) |
| Net Increase in Cash and Cash Equivalents | | 29,682 | 134,405 |
| Cash and Cash Equivalents at the Beginning of the Year | | 650,066 | 515,661 |
| Cash and Cash Equivalents at the End of the Year | | <u>\$ 679,748</u> | <u>\$ 650,066</u> |

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

Chairperson: Cheng Wann-Lai

Managerial Officer: Hwang Yu-Wen

Accounting Officer: Huang Shu-Jun

Browave Corporation
Notes to Parent Company only Financial Statements
2022 and 2021

Unit: In thousands of NTD
(Except as otherwise indicated)

1. Company History and Business Scope

Browave Corporation (hereinafter referred to as “the Company”) was established on May 18, 1998 and started its business on November 1, 1998. The Company is mainly engaged in the design, production, and sales of optical fiber communication components. The Company's shares have been listed and traded on the Taipei Exchange since December 2012.

2. Date and Procedures for Approval of Financial Statements

The accompanying parent company only financial statements were approved and issued by the Board of Directors on February 23, 2023.

3. Application of New and Revised International Financial Reporting Standards

(1) Effect of the adoption of newly issued and revised IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as the “FSC”).

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs endorsed by the FSC for application in 2022.

| Newly Issued/Amended/Revised Standards or Interpretations | International Accounting Standards Board (IASB) Effective Date |
|--|---|
| Amendment to IFRS 3 “Update the Index of the Conceptual Framework”. | January 1, 2022 |
| Amendment to IAS 16 “Property, Plants, and Equipment: Price Before Reaching Intended Use”. | January 1, 2022 |
| Amendment to IAS 37 “Onerous Contracts - Cost of Performing Contracts”. | January 1, 2022 |
| Annual Improvements for the 2018-2020 Cycle. | January 1, 2022 |

The Company has assessed that the above standards and interpretations do not have a material impact on the Company financial position and financial performance.

(2) Effect of not adopting the newly issued and revised IFRSs endorsed by the FSC.

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs endorsed by the FSC for application in 2023.

| Newly Issued/Amended/Revised Standards or Interpretations | <u>International Accounting Standards Board (IASB)</u> <u>Effective Date</u> |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies”. | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates”. | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |

The Company has assessed that the above standards and interpretations do not have a material impact on the Company's financial position and financial performance.

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

The following table presents the newly issued, amended, and revised IFRSs and interpretations of IFRSs issued by the IASB that have not been endorsed by the FSC.

| <u>Newly Issued/Amended/Revised Standards or Interpretations</u> | <u>International Accounting Standards Board (IASB) Effective Date</u> |
|---|---|
| Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets Between an Investor and its Affiliate or Joint Venture". | To be decided by the IASB. |
| Amendments to IFRS 16 "Leases" - Lease Liability in a Sale and Leaseback | January 1, 2024 |
| IFRS 17 "Insurance Contracts". | January 1, 2023 |
| Amendment to IFRS 17 "Insurance Contracts". | January 1, 2023 |
| Amendment to IFRS 17, 'Initial Application of IFRS 17 and IFRS 9 — Comparative Information' | January 1, 2023 |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-current". | January 1, 2024 |
| Amendments to IAS 1 "Presentation of Financial Statements" - Non-current Liabilities with Covenants | January 1, 2024 |

The Company has assessed that the above standards and interpretations do not have a material impact on the Company's financial position and financial performance.

4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are described below: Unless otherwise stated, these policies have been applied consistently throughout the reporting period.

(1) Compliance Statement

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Accounting Standards Used in Preparation of the Parent Company Only Financial Statements").

(2) Basis of Preparation

1. The accompanying parent company only financial statements have been prepared on the historical cost basis, except for the following significant items:
 - (1) Financial assets and liabilities at fair value through profit or loss (including derivative instruments).
 - (2) Financial assets at fair value through other comprehensive income.

2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and management's judgment in the process of applying the Company's accounting policies. Items involving a higher degree of judgment or complexity, or items involving significant assumptions and estimates in the parent company Financial Statements are described in Note 5.

(3) Foreign Currency Translation

The parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the financial statements are measured using that functional currency.

1. Foreign Currency Transactions and Balances

- (1) Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction, and the resulting translation differences are recognized in profit or loss.
- (2) Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period.
- (3) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are adjusted at the exchange rates prevailing on the balance sheet date, and the resulting translation differences are recognized in profit or loss for the current period. For those measured at fair value through other comprehensive income, the adjustments are made at the spot exchange rates on the balance sheet date, and the resulting exchange differences are recognized in other comprehensive income. For those not measured at fair value, they are measured at the historical exchange rate on the date of initial transaction.
- (4) All other exchange gains and losses are reported in "Other Gains and Losses" in the income statement.

2. Translation of Foreign Operations

- (1) The results of operations and financial position of all Group entities, affiliates, and joint ventures with a functional currency different from the presentation currency are translated into the presentation currency in the following manner:
 - A. Assets and liabilities expressed in each balance sheet are translated at the closing rate on the balance sheet date;
 - B. The income and expenses expressed in each statement of comprehensive income are translated at the average exchange rate for the period; and
 - C. All exchange differences arising from translation are recognized in other comprehensive income.

- (2) When a foreign operation partially disposed of or sold is an affiliate or a joint venture, the exchange differences under other comprehensive income are reclassified proportionately to profit or loss for the period as part of the gain or loss on disposal. However, when the Group loses significant influence over a foreign operation that is an affiliate or loses joint control over a foreign operation that is a joint venture even though the Group retains a portion of the interest in the former affiliate or joint venture, the disposal is treated as a disposal of the entire interest in the foreign operation.
 - (3) When a foreign operation partially disposed of or sold is a subsidiary, the cumulative translation differences recognized in other comprehensive income are re-attributed to the non-controlling interests in the foreign operation on a pro rata basis. However, when the Company loses control over a foreign operation that is a subsidiary even though the Company retains a portion of the interest in the former subsidiary, the disposal is treated as a disposal of the entire interest in the foreign operation.
- (4) Classification Criteria of Assets and Liabilities into Current and Non-current
 1. An asset is classified as current if it meets one of the following criteria:
 - (1) The asset is expected to be realized in the normal operating cycle or is intended to be sold or consumed.
 - (2) The asset is held primarily for trading purposes.
 - (3) The asset is expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or cash equivalents, except for those restricted for exchange or settlement of liabilities at least twelve months after the balance sheet date.The Company classifies all assets that do not meet the above criteria as non-current.
 2. A liability is classified as current if it meets one of the following criteria:
 - (1) The liability is expected to be settled in the normal operating cycle.
 - (2) The asset is held primarily for trading purposes.
 - (3) The liability is expected to be due and settled within 12 months after the balance sheet date.
 - (4) The liability whose settlement due date cannot be unconditionally extended to at least 12 months after the balance sheet date. The fact that the terms of the liabilities may allow settlement by issuing equity instruments at the option of the trading partners does not affect the classification.The Company classifies all liabilities that do not meet the above criteria as non-current.
- (5) Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments for operating purposes are classified as cash equivalents.

(6) Financial Assets at Fair Value Through Profit or Loss

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The Company uses trade date accounting for financial assets at fair value through profit or loss that qualify as customary transactions.
3. The Company measures financial assets at fair value on initial recognition, with the related transaction costs recognized in profit or loss, and subsequently at fair value, with the gain or loss recognized in profit or loss.
4. The Company recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of dividends can be measured reliably.

(7) Financial Assets at Fair Value Through Other Comprehensive Income

1. Investments in equity instruments that are not held for trading and for which an irrevocable election is made at the time of initial recognition to report the change in fair value in other comprehensive income; or investments in debt instruments that also meet the following criteria:
 - (1) The financial asset is held under a business model whose objective is to collect the contractual cash flows and sell it.
 - (2) The contractual terms of the financial asset generate cash flows at a specific date, solely for the purpose of paying the principal and interest on the outstanding principal amount.
2. The Company uses trade date accounting for financial assets at fair value through other comprehensive income in accordance with trading practices.
3. The Company measures the financial asset at fair value plus transaction costs on initial recognition and subsequently at fair value.

Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss and is reclassified to retained earnings. The Company recognizes dividend income in profit or loss when the right to receive dividends is established, it is probable that the economic benefits associated with the dividends will flow in, and the amount of dividends can be measured reliably.

(8) Financial Assets at Amortized Cost

1. Those meet the following criteria at the same time:
 - (1) The financial asset is held under a business model whose objective is to collect the contractual cash flows.
 - (2) The contractual terms of the financial asset generate cash flows at a specific date, solely for the purpose of paying the principal and interest on the outstanding principal amount.
2. The Company uses trade date accounting for financial assets at amortized cost in accordance with trading practices.

3. The Company recognizes the financial asset at fair value plus transaction costs on initial recognition, and subsequently recognizes interest income and impairment loss over the circulation period using the effective interest method under the amortization procedure, and recognizes its gain or loss in profit or loss upon derecognition.
4. The Company holds time deposits that do not qualify as cash equivalents. Because of the short holding period, the effect of discounting is not significant and they are measured at the amount invested.

(9) Accounts and Notes Receivable

1. Accounts and notes receivable represent the unconditional right to receive the consideration for the transfer of goods or services in accordance with the contract.
2. Short-term accounts and notes receivable without interest are measured at the original invoice amount because the effect of discounting is not significant.

(10) Impairment of Financial Assets

On each balance sheet date, for investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost, the Company measures the allowance for losses at the expected credit loss over 12 months, taking all reasonable and corroborable information into account, including forward-looking information and for those whose credit risk has not increased significantly since initial recognition, the allowance for losses is measured at the expected credit loss amount over 12 months. For those with significant increases in credit risk since initial recognition, an allowance for losses is measured at the amount of expected credit losses over the period. For accounts receivable or contract assets that do not contain significant financial components, the allowance for losses is measured at the amount of the expected credit loss over the period.

(11) Derecognition of Financial Assets

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

(12) Inventories

Inventories are measured at the lower of cost or net realizable value and are calculated at standard cost. The lower of cost or net realizable value is compared on an item-by-item basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and related variable selling expenses.

(13) Investments Accounted for Using Equity Method – Subsidiaries and Affiliates

1. Subsidiaries refer to entities (including structured entities) controlled by the reporting company, when the reporting company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. The unrealized gains and losses generated from transactions between the reporting company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with those of the reporting company.

3. The gains and losses attributable to the equity interests acquired in the subsidiary by the reporting company are recognized as current period gains or losses, and other comprehensive income attributable to the equity interests acquired in the subsidiary is recognized as other comprehensive income. If the losses recognized by the reporting company for the equity interests acquired in the subsidiary are equal to or greater than the equity interests in the subsidiary, the reporting company continues to recognize the losses based on its shareholding ratio.
4. When the Company loses control over a subsidiary, any remaining investment in the former subsidiary is re-measured at fair value and treated as the fair value of the original financial asset or the cost of the original investment in the associated enterprise, and any difference between fair value and book value is recognized in the current profit and loss statement. For all amounts previously recognized in other comprehensive income related to the former subsidiary, the accounting treatment is the same as the basis for directly disposing of related assets or liabilities by the Company, meaning that if the previously recognized gain or loss was reclassified as profit or loss upon disposal of the related asset or liability, it will be reclassified from equity to profit or loss when control over the subsidiary is lost.
5. An affiliate is an entity over which the Company has significant influence but not control, generally holding directly or indirectly 20% or more of the voting shares. The Company's investments in affiliates are accounted for under the equity method and are recognized at cost upon acquisition..
6. The Company recognizes its share of profit and loss of affiliates as profit or loss for the period and its share of other comprehensive income or loss as other comprehensive income or loss after acquisition. If the Company 's share of losses of any affiliate equals or exceeds its interest in that affiliate (including any other unsecured receivables), the Company does not recognize further losses unless the Company has a legal or constructive obligation to, or has made payments on behalf of, that affiliate.
7. When there is a change in equity in an affiliate that is not profit or loss and other comprehensive income and does not affect the shareholding percentage in the affiliate, the Company recognizes all changes in equity in proportion to the shareholding percentage as "capital surplus".
8. Unrealized profits or losses resulting from transactions between the Company and its affiliates are eliminated in proportion to the Company 's interest in the affiliates; unrealized losses are also eliminated unless there is evidence that the assets transferred in the transaction are impaired. The accounting policies of affiliates have been adjusted as necessary to conform to the policies adopted by the Company.

9. When the Company disposes of an affiliate, if it loses significant influence over that affiliate, all amounts previously recognized in other comprehensive income related to the affiliate are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities, i.e., if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss upon disposal of the related assets or liabilities, and the gain or loss is reclassified from equity to profit or loss when significant influence over the affiliate is lost. If the Company still has significant influence over the affiliate, only the proportionate share of the amount previously recognized in other comprehensive income is transferred out in the manner described above.
10. According to the accounting standards for financial reports of securities issuers, the current period's income and other comprehensive income of individual financial reports should be attributed to the same proportion of the parent company's owners as the consolidated financial reports prepared on a parent-company-only basis. The owner's equity in the individual financial report should be the same as the equity attributed to the parent company's owners in the consolidated financial report.

(14) Property, Plants, and Equipment

1. Property, plants, and equipment are recorded at acquisition cost and the related interest is capitalized during the period of acquisition or construction.
2. Subsequent costs are included in the carrying amount of an asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced portion should be derecognized. All other maintenance costs are recognized in profit or loss as incurred.
3. Property, plants, and equipment are subsequently measured at cost and depreciated on a straight-line basis over their estimated useful lives. If the components of property, plants, and equipment are significant, they are depreciated separately.
4. The Company reviews the residual value, useful life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value and useful life differs from previous estimates, or if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the change is accounted for in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates, and Errors" from the date of the change. The useful lives of each asset are as follows:

| | |
|---|---------------------|
| Buildings and Structures (including ancillary equipment) | 3 years to 50 years |
| Machinery and Equipment | 3 years to 8 years |
| Molding Equipment | 2 years |
| Office Equipment | 3 years |
| Other Equipment | 2 years to 3 years |

(15) Lease Transactions as the Lessee - Right-of-Use Assets/Lease Liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the Company. When a lease contract is a short-term lease or a lease of a low-value underlying asset, the lease payments are recognized as an expense on a straight-line basis over the lease period.
2. Lease liabilities are recognized at the present value of the lease payments outstanding at the starting date of the lease, discounted at the Company's incremental borrowing rate, and the lease payments consist of:
 - (1) Fixed payments, net of any lease incentives that may be received; and
 - (2) Variable lease payments depending on an index or rate.Interest expense is subsequently provided for under the amortized cost method over the lease using the interest method. Lease liabilities are reassessed and right-of-use assets are remeasured when there is a change in the lease period or lease payments that is not a contractual modification.
3. Right-of-use assets are recognized at cost at the starting date of the lease and the cost consists of:
 - (1) The original measurement amount of the lease liability; and
 - (2) Any lease payments made on or before the starting date.Depreciation expense is provided based on the expiration of the useful life of the right-of-use asset or the expiration of the lease period, whichever is earlier, measured subsequently using the cost model. When a lease liability is reassessed, the right-of-use asset is adjusted for any re-measurement of the lease liability

(16) Intangible Assets

This includes computer software, which is recorded at acquisition cost and amortized by the average method over the estimated economic benefit period.

(17) Impairment of Non-financial Assets

The Company estimates the recoverable amount of an asset with an indication of impairment on the balance sheet date and recognizes an impairment loss when the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. An impairment loss is reversed when the impairment loss that was recognized in prior years no longer exists or decreases, provided that the carrying amount of the asset increased by the reversed impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, net of depreciation or amortization.

(18) Accounts and Notes Payable

1. They refer to debts arising from the purchase of raw materials, merchandise or services on credit, and notes payable arising from operating and non-operating activities.
2. Short-term accounts and notes payable without interest are measured at the original invoice amount because the effect of discounting is not significant.

(19) Financial Liabilities at Fair Value Through Profit or Loss

1. They refer to financial liabilities that are held primarily for the purpose of repurchasing in the near future and for trading in derivatives other than those designated as hedging instruments under hedge accounting. Or financial liabilities designated as at fair value through profit or loss on initial recognition. The Company designates a financial liability at fair value through profit or loss on initial recognition when one of the following criteria is met:
 - (1) It is a hybrid (combined) contract; or
 - (2) It can eliminate or materially reduce measurement or recognition inconsistencies; or
 - (3) It is an instrument that is managed and evaluated on a fair value basis in accordance with written risk management policies.
2. The Company measures financial assets at fair value on initial recognition, with the related transaction costs recognized in profit or loss, and subsequently at fair value, with the gain or loss recognized in profit or loss.

(20) Convertible Bonds Payable

The convertible bonds payable issued by the Company are embedded with conversion rights (i.e., the holder's right to choose to convert to the Company's common stock for a fixed number of shares with a fixed amount of money), resale rights, and repurchase rights. At initial issuance, the issue price is classified as financial assets, financial liabilities, or equity depending on the issuance conditions, which are treated as follows:

1. Embedded Resale Rights and Repurchase Rights: Recorded as "financial assets or liabilities at fair value through profit or loss" at their net fair value on initial recognition; subsequently, the difference based on the fair value at that time is recognized as "gain or loss on financial assets (liabilities) at fair value through profit or loss" on the balance sheet date.
2. Master Contract of Corporate Bonds: The difference between the fair value of corporate bonds and the redemption value is recognized as a premium or discount on bonds payable at the time of initial recognition; subsequently, it is recognized in profit or loss as an adjustment to "financial costs" using the effective interest method under the amortization procedure over the circulation period.
3. Embedded Conversion Rights (which meet the definition of equity): On initial recognition, the remaining value of the issue amount, net of the above "financial assets or liabilities at fair value through profit or loss" and "bonds payable", is recorded as "capital surplus - stock options" and is not subsequently remeasured.
4. Any transaction costs directly attributable to the issuance are allocated to each component of liabilities and equity in proportion to the original carrying amount of each component mentioned above.
5. Upon conversion, the components of liabilities (including "bonds payable" and "financial assets or liabilities at fair value through profit or loss") are subsequently measured according to their respective classifications, and the book value of the aforementioned components of liabilities is added to the book value of "capital surplus - stock options" as the issuance cost of the common stock exchanged.

(21) Employee Benefits

1. Short-term Employee Benefits

Short-term employee benefits are measured at the non-discounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pensions

Defined Contribution Plans

For defined contribution plans, the amount to be contributed to the pension fund is recognized as current pension cost on an accrual basis. Prepaid contributions are recognized as assets to the extent that they are refundable in cash or reduce future benefits.

3. Remuneration to Employees and Directors and Supervisors

Remuneration to employees and directors and supervisors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in accounting estimate. Where the remuneration to employees is paid in stock, the number of shares is calculated based on the closing price on the day before the Board of Directors' resolution.

(22) Employee Share-based Payment

For equity-settled share-based payment agreements, employee services acquired at the date of grant are measured at the fair value of the equity instruments granted and remuneration costs are recognized over the vesting period, with a corresponding adjustment to equity. The fair value of equity instruments should reflect the effect of vesting conditions and non-vesting conditions of market price. The recognized remuneration costs are adjusted based on the expected amount of reward when the service conditions are going to be met and non-vesting conditions of market price until the final amount is recognized as the vested number on the vesting date.

(23) Income Taxes

1. Income tax expense includes current and deferred income taxes. Income taxes are recognized in profit or loss, except for those related to items included in other comprehensive income or directly in equity, which are included in other comprehensive income or directly in equity, respectively.
2. The Company bases current income taxes on the tax rates enacted or substantively enacted on the balance sheet date in the countries in which the Company operates and generates taxable income. Management periodically assesses the status of income tax returns with respect to applicable income tax regulations and, where appropriate, estimates the income tax liability based on the expected tax payments to be made to the tax authorities. Income taxes on unappropriated earnings are levied in accordance with the Income Tax Act. Income tax expenses on unappropriated earnings are recognized based on the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed at the shareholders' meeting.

3. Deferred income tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. Deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction (excluding individual businesses) that, at the time of the transaction, does not affect the accounting profit or taxable income (taxable loss). Temporary differences arising from investments in subsidiaries and affiliates are not recognized if the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is calculated using the tax rates (and tax laws) that are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled, based on legislation or substantively enacted on the balance sheet date.
4. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. Current income tax assets and current income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities, and there is an intention to settle or realize the assets and settle the liabilities on a net basis. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities, and when the deferred income tax assets and liabilities are incurred by the same taxable entity or by different taxable entities that intend to settle or realize the assets and liabilities simultaneously on a net basis.

(24) Stock Capital

1. Common stock is classified as equity and the incremental costs directly attributable to the issuance of new shares or stock options are recorded as a deduction from price in equity, net of income taxes.
2. When the Company repurchases issued shares, the consideration paid includes any incremental costs directly attributable to the issuance of new shares recognized as a deduction from shareholders' equity, net of income tax. Upon subsequent reissuance of repurchased shares, the difference between the consideration received and the carrying amount, net of any directly attributable incremental costs and income tax effects, is recognized as a deduction from stockholders' equity.

(25) Dividend Distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's shareholders resolve to distribute the dividends. Cash dividends distributed are recognized as a liability and stock dividends distributed are recognized as stock dividends to be distributed and transferred to common stock on the base date of issuance of new shares.

(26) Revenue Recognition

1. The Company manufactures and sells optical fiber communication component products. Sales revenue is recognized when control of the product is transferred to the customer, i.e., when the product is delivered to the customer and the Company has no outstanding performance obligations that could affect the customer's acceptance of the product. Delivery of product occurs when the product is delivered to the customer at a designated location where the risk of obsolescence and loss has been transferred to the customer and the customer accepts the product in accordance with the sales contract or when there is objective evidence that all acceptance criteria have been met.
2. Sales revenue is recognized at the contract price. Accounts receivable are recognized when the merchandise is delivered to the customer because the Company has an unconditional right to the contract price from that point onward, and it only takes some time before the Company receives the consideration from the customer.

5. Significant Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

The preparation of the parent company only financial statements requires management to make judgments in determining the accounting policies to be used and has made accounting estimates and assumptions that are based on reasonable expectations of future events under the circumstances prevailing on the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results and will be continually evaluated and adjusted, with historical experience and other factors taken into account. These estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year. Please refer to the following descriptions for the uncertainty of significant accounting judgments, estimates, and assumptions:

(1) Significant Judgments in the Adoption of Accounting Policies

None.

(2) Significant Accounting Estimates and Assumptions

Inventory Valuation.

As inventories are stated at the lower of cost or net realizable value, the Company must use judgment and estimates to determine the net realizable value of inventories on the balance sheet date. Due to the rapid changes in technology, the Company evaluates the amount of inventories on the balance sheet date that are normally worn out, obsolete, or have no marketable value, and reduces the cost of inventories to the net realizable value. This inventory valuation is primarily based on estimates of product demand in specific future periods and is subject to significant change.

As of December 31, 2022, the carrying amount of the Company inventories was \$118,336.

6. Description of Significant Accounting Items

(1) Cash and Cash Equivalents

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Cash on Hand and Revolving Funds | \$ 112 | \$ 106 |
| Checking Deposits | 358 | 481 |
| Demand Deposits | 71,724 | 109,709 |
| Time Deposits | 521,566 | 484,410 |
| Bonds With Repurchase Agreement | <u>85,988</u> | <u>55,360</u> |
| Total | <u>\$ 679,748</u> | <u>\$ 650,066</u> |

1. The credit quality of the Company's correspondent financial institutions is good and the Company has dealings with various financial institutions to diversify credit risk, and the possibility of default is expected to be low.
2. The Company's cash and cash equivalents restricted for use were \$1,673 as of December 31, 2022 and 2021, and were classified as other financial assets (listed as "other non-current assets").

(2) Financial Assets at Fair Value Through Profit or Loss

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current Items: | | |
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Stock of Listed Companies on the TWSE and TPEX | \$ 139,960 | \$ 139,960 |
| Valuation Adjustments | <u>(48,676)</u> | <u>(5,692)</u> |
| Total | <u>\$ 91,284</u> | <u>\$ 134,268</u> |

1. The breakdown of financial assets at fair value through profit or loss recognized in profit (loss) is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|------------------|
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | | |
| Equity Instruments | (\$ 43,014) | \$ 19,899 |
| Hybrid instruments - valuation adjustment for redeemable/puttable convertible bonds | <u>\$ 30</u> | <u>-</u> |
| Total | <u>(\$ 42,984)</u> | <u>\$ 19,899</u> |

2. The Company has not pledged financial assets at fair value through profit or loss as security.
 3. For information on the fair value of financial assets at fair value through profit or loss, please refer to Note 12 (2).
- (3) Financial Assets at Fair Value Through Other Comprehensive Income

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-------------------------------|--------------------------|--------------------------|
| Non-current Items: | | |
| Equity Instruments | | |
| Stock of Non-listed Companies | \$ 26,030 | \$ 26,489 |
| Valuation Adjustments | <u>4,223</u> | <u>12,211</u> |
| Total | <u>\$ 30,253</u> | <u>\$ 38,700</u> |

1. The Company has elected to classify equity instruments of strategic investments as financial assets at fair value through other comprehensive income, and the fair values of these investments were \$30,253 and \$38,700 as of December 31, 2022 and 2021, respectively.
2. The breakdown of financial assets at fair value through other comprehensive income recognized in other comprehensive income is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| <u>Equity Instruments at Fair Value</u> | | |
| <u>Through Other Comprehensive</u> | | |
| <u>Income</u> | | |
| Recognized in Other | | |
| Comprehensive Profit or Loss | | |
| by Change in Fair Value | (\$ 7,988) | (\$ 4,321) |
| Dividend Income Recognized | | |
| in Profit or Loss ,Derecognized | | |
| in the Period | <u>\$ 2,429</u> | <u>\$ 5,816</u> |

3. The financial asset held by the Company at fair value through other comprehensive income that best represents without considering the collateral or other credit enhancements, had a maximum exposure to credit risk of \$30,253 and \$38,700 as of December 31, 2022 and 2021, respectively.
4. The Company has not pledged financial assets at fair value through other comprehensive income as security.
5. For information on the fair value of financial assets at fair value through other comprehensive income, please refer to Note 12 (2).

(4) Financial Assets at Amortized Cost

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------|--------------------------|--------------------------|
| Current Items: | | |
| Time Deposits | <u>\$ 421,014</u> | <u>\$ 53,680</u> |

1. The amount that best represents the Company's exposure to credit risk for financial assets at amortized cost, without taking into account collateral held or other credit enhancements, was \$421,014 and \$53,680 as of December 31, 2022 and 2021, respectively.
2. Please refer to Note 12 (2) for information on the credit risk of financial assets at amortized cost.

(5) Notes and Accounts Receivable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------|--------------------------|--------------------------|
| Accounts Receivable | <u>\$ 758,051</u> | <u>\$ 582,131</u> |
| Less: Allowance for Losses | <u>-</u> | <u>-</u> |
| | <u>\$ 758,051</u> | <u>\$ 582,131</u> |

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------|--------------------------|--------------------------|
| Not Overdue | <u>\$ 601,761</u> | <u>\$ 473,820</u> |
| Within 30 Days | <u>147,203</u> | <u>96,486</u> |
| 31-90 Days | <u>5,042</u> | <u>11,825</u> |
| 91-180 Days | <u>4,045</u> | <u>-</u> |
| | <u>\$ 758,051</u> | <u>\$ 582,131</u> |

The aging analysis of accounts receivable and notes receivable are based on the number of days over due and the maturity date of the notes, respectively.

2. As of December 31, 2022 and 2021, the accounts receivable balances were generated from customer contracts, and the receivable balances from customer contracts were \$503,259 as of January 1, 2022.
3. The Company has not pledged any accounts receivable as security.
4. Without considering the collaterals held or other credit enhancements, the amount that best represents the Company's maximum exposure to credit risk for the accounts receivable as of December 31, 2022 and 2021 was \$758,051 and \$582,131, respectively.
5. Please refer to Note 12 (2) for information on the related credit risk of accounts receivable and notes receivable.

(6) Inventories

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------|--------------------------|--------------------------|
| Raw Materials | \$ 43,351 | \$ 46,396 |
| Work in Process | 30,741 | 37,462 |
| Finished Goods | <u>44,244</u> | <u>39,890</u> |
| Total | <u>\$ 118,336</u> | <u>\$ 123,748</u> |

The cost of inventories the Company recognized as expenses in the period:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cost of Inventories Sold | \$ 2,490,112 | \$ 1,983,184 |
| Loss on Slow Moving Inventory and Decline in Value (Reversal) | <u>(6,432)</u> | <u>(8,817)</u> |
| | <u>\$ 2,483,680</u> | <u>\$ 1,974,367</u> |

The Company p recognized a decrease in cost of goods sold in 2022 and 2021 due to the disposal of certain inventories that had declined in value or become slow moving, resulting in a recovery in the net realizable value of inventories.

(7) Investments Accounted for Using Equity Method

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Subsidiaries: | | |
| Browave Holding Inc. | \$ 930,431 | \$ 897,190 |
| Browave Japan Corp. (Note1) | - | 53,296 |
| Browave (Philippines) Corp. (Note2) | <u>51,134</u> | <u>-</u> |
| Total | <u>\$ 981,565</u> | <u>\$ 950,486</u> |

Note1: The company sold 8,000 shares of Browave Japan Corp., with disposal proceeds and disposal gains of \$67,086 and \$7,394 on December of the year 2022, respectively, recorded under other gains and losses. Please refer to Note 6 (22) for related explanations.

Note2: On August of the year 2022, our company established Browave (Philippines) Corporation in the Philippines with a registered capital of \$54,509.

Regarding the subsidiary information of our company, please refer to Note 4.(3) of the consolidated financial statements for the fiscal year 2022.

(8) Property, Plants, and Equipment

| | <u>Buildings and Structures</u> | <u>Machinery and Equipment</u> | <u>Molding Equipment</u> | <u>Office Equipment</u> | <u>Others</u> | <u>Construction in Progress and Equipment to be Tested</u> | <u>Total</u> |
|-------------------|---------------------------------|--------------------------------|--------------------------|-------------------------|-----------------|--|-------------------|
| <u>Cost</u> | | | | | | | |
| January 1, 2022 | \$ 249,590 | \$ 218,913 | \$ 10,672 | \$ 18,281 | \$ 1,688 | \$ 420 | \$ 499,564 |
| Addition | 1,245 | 3,591 | 765 | 324 | - | 114 | 6,039 |
| Disposal | (3,695) | (19,874) | (5,157) | | | - | (28,726) |
| Reclassification | - | 114 | - | - | - | (114) | |
| December 31, 2022 | <u>\$ 247,140</u> | <u>\$ 202,744</u> | <u>\$ 6,280</u> | <u>\$ 18,605</u> | <u>\$ 1,688</u> | <u>\$ 420</u> | <u>\$ 476,877</u> |

Accumulated Depreciation and Impairment

| | | | | | | | |
|-----------------------|-------------------|-------------------|-----------------|------------------|-----------------|-------------|-------------------|
| January 1, 2022 | \$ 148,545 | \$ 179,935 | \$ 9,484 | \$ 17,104 | \$ 1,324 | \$ - | \$ 356,392 |
| Depreciation Expenses | 6,814 | 22,363 | 1,272 | 499 | 182 | - | 31,130 |
| Disposal | (3,695) | (16,387) | (5,157) | - | - | - | (25,239) |
| December 31, 2022 | <u>\$ 151,664</u> | <u>\$ 185,911</u> | <u>\$ 5,599</u> | <u>\$ 17,603</u> | <u>\$ 1,506</u> | <u>\$ -</u> | <u>\$ 362,283</u> |

Book Value

| | | | | | | | |
|-------------------|-------------------|------------------|-----------------|-----------------|---------------|---------------|-------------------|
| January 1, 2022 | <u>\$ 101,045</u> | <u>\$ 38,978</u> | <u>\$ 1,188</u> | <u>\$ 1,177</u> | <u>\$ 364</u> | <u>\$ 420</u> | <u>\$ 143,172</u> |
| December 31, 2022 | <u>\$ 95,476</u> | <u>\$ 16,833</u> | <u>\$ 681</u> | <u>\$ 1,002</u> | <u>\$ 182</u> | <u>\$ 420</u> | <u>\$ 114,594</u> |

| | <u>Buildings and Structures</u> | <u>Machinery and Equipment</u> | <u>Molding Equipment</u> | <u>Office Equipment</u> | <u>Others</u> | <u>Construction in Progress and Equipment to be Tested</u> | <u>Total</u> |
|-------------------|---------------------------------|--------------------------------|--------------------------|-------------------------|-----------------|--|-------------------|
| <u>Cost</u> | | | | | | | |
| January 1, 2021 | \$ 248,815 | \$ 229,609 | \$ 12,988 | \$ 17,358 | \$ 7,372 | \$ 1,339 | \$ 517,481 |
| Addition | 1,494 | 3,845 | 162 | 1,217 | - | 420 | 7,138 |
| Disposal | (719) | (14,541) | (2,478) | (294) | (5,684) | - | (23,716) |
| Reclassification | - | - | - | - | - | (1,339) | (1,339) |
| December 31, 2021 | <u>\$ 249,590</u> | <u>\$ 218,913</u> | <u>\$ 10,672</u> | <u>\$ 18,281</u> | <u>\$ 1,688</u> | <u>\$ 420</u> | <u>\$ 499,564</u> |

Accumulated Depreciation and Impairment

| | | | | | | | |
|-----------------------|-------------------|-------------------|-----------------|------------------|-----------------|-------------|-------------------|
| January 1, 2021 | \$ 142,335 | \$ 159,842 | \$ 9,827 | \$ 17,200 | \$ 4,695 | \$ - | \$ 333,899 |
| Depreciation Expenses | 6,929 | 32,224 | 2,061 | 198 | 537 | - | 41,949 |
| Disposal | (719) | (12,131) | (2,404) | (294) | (3,908) | - | (19,456) |
| December 31, 2021 | <u>\$ 148,545</u> | <u>\$ 179,935</u> | <u>\$ 9,484</u> | <u>\$ 17,104</u> | <u>\$ 1,324</u> | <u>\$ -</u> | <u>\$ 356,392</u> |

Book Value

| | | | | | | | |
|-------------------|-------------------|------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| January 1, 2021 | <u>\$ 106,480</u> | <u>\$ 69,767</u> | <u>\$ 3,161</u> | <u>\$ 158</u> | <u>\$ 2,677</u> | <u>\$ 1,339</u> | <u>\$ 183,582</u> |
| December 31, 2021 | <u>\$ 101,045</u> | <u>\$ 38,978</u> | <u>\$ 1,188</u> | <u>\$ 1,177</u> | <u>\$ 364</u> | <u>\$ 420</u> | <u>\$ 143,172</u> |

For information on property, plants, and equipment pledged as security, please refer to Note 8.

(9) Lease Transactions - Lessee

1. The underlying assets of the Company's leases include land, buildings and structures, and transportation equipment. The period of the lease contracts normally ranges from 3 to 20 years. Lease agreements are individually negotiated and contain various terms and conditions, with no restrictions other than that the leased assets cannot be used as security for borrowings.
2. The book values of the right-of-use assets and the depreciation expense recognized were as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| | <u>Carrying Amount</u> | <u>Carrying Amount</u> |
| Land | \$ 27,939 | \$ 28,773 |
| Transportation Equipment | <u>2,993</u> | <u>4,989</u> |
| | <u>\$ 30,932</u> | <u>\$ 33,762</u> |

| | <u>2022</u> | <u>2021</u> |
|--------------------------|------------------------------|------------------------------|
| | <u>Depreciation Expenses</u> | <u>Depreciation Expenses</u> |
| Land | \$ 963 | \$ 959 |
| Transportation Equipment | <u>1,996</u> | <u>998</u> |
| | <u>\$ 2,959</u> | <u>\$ 1,957</u> |

3. The additions to the Company's right-of-use assets amounted to \$129 and \$5,987 for 2022 and 2021, respectively.
4. Information on gains and losses related to lease contracts is as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| <u>Items Affecting Profit or Loss for the Period</u> | | |
| Interest Expense on Lease Liabilities | \$ 346 | \$ 334 |
| Expenses Under Short-term Lease Contracts | 503 | 1,344 |

5. The Company's total lease cash outflows for 2022 and 2021 were \$3,676 and \$3,496, respectively.

(10) Other Non-current Assets

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------|--------------------------|--------------------------|
| Refundable Deposits | \$ 1,747 | \$ 1,681 |
| Prepayments For Equipment | <u>4,934</u> | <u>53</u> |
| | <u>\$ 6,681</u> | <u>\$ 1,734</u> |

(11) Financial Liabilities at Fair Value Through Profit or Loss

| <u>Item</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Current Items: | | |
| Financial Liabilities Held for Trading | | |
| Redemption/Sale Rights of | | |
| Convertible Bonds | (\$ 59) | (\$ 59) |
| Valuation Adjustments | <u>59</u> | <u>1,499</u> |
| Total | <u>\$ -</u> | <u>\$ 1,440</u> |

The breakdown of financial liabilities at fair value through profit or loss recognized in profit or loss is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| Net Gain (Loss) Recognized in Profit or Loss: | | |
| Financial Liabilities Held for Trading | | |
| Redemption/Sale Rights of | | |
| Convertible Bonds | <u>\$ 1,440</u> | <u>(\$ 900)</u> |

(12) Bonds Payable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Bonds Payable | \$ 300,000 | \$ 300,000 |
| Less: Discount on Bonds Payable | <u>(4,326)</u> | <u>(9,841)</u> |
| | \$ 295,674 | \$ 290,159 |
| Less : Bonds payable, current portion | <u>(295,674)</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ 290,159</u> |

1. Domestic Convertible Bonds Issued by the Company

(1) The terms of the second domestic unsecured convertible bonds are as follows:

- A. The Company's second domestic unsecured convertible bonds were approved by the competent authorities and issued with a total amount of \$300,000 and a coupon rate of 0% for a three-year issuance period from October 8, 2020 to October 8, 2023. The convertible bonds are repayable in cash at par value on maturity.
- B. The holders of the convertible bonds may request the Company to convert the bonds into common stock at any time from the day after the third month from the date of issuance to the maturity date, except for the period when the transfer of the bonds is suspended under the regulations or laws. The rights and obligations of the converted common stock are the same as those of the earlier issued common stock.

- C. The conversion price of the convertible bonds of NT\$61 per share is determined in accordance with the pricing model stipulated in the conversion measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the conversion measures under circumstances of anti-dilution clauses.
 - D. The bondholders may request the Company to repurchase the convertible bonds held by themselves two years after the date of issuance.
 - E. If the closing price of the Company's common stock exceeds 30% of the conversion price for 30 consecutive business days from the day after the third month of issuance to the 40th day before the expiration of the issuance period, the Company may redeem all of the bonds at their face value in cash within 30 business days thereafter.
 - F. If the outstanding balance of the convertible bonds is less than 10% of the original issue amount from the day after the third month of issuance to the 40th day before the expiration of the issuance period, the Company may redeem all of the bonds at their face value in cash at any time thereafter.
 - G. In accordance with the conversion measures, all bonds redeemed (including those bought back by the TPEX), repaid, or converted by the Company will be cancelled and all rights and obligations attached to the bonds will be extinguished and no reissuance will be made.
2. Upon the issuance of convertible bonds, the Company separated the conversion rights of equity from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation", and recorded \$11,535 as "capital surplus - stock options". In accordance with IFRS 9, "Financial Instruments", the embedded repurchase and resale rights are separated from the economic characteristics and risks of the debt instruments of the master contract and are recorded as "financial liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the debt of the master contract after the separation was 1.88%.

(13) Other Payables

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------|--------------------------|--------------------------|
| Employment Expenses Payable | \$ 122,900 | \$ 46,092 |
| Service Expenses Payable | 4,194 | 1,190 |
| Payables On Equipment | 719 | 1,481 |
| Others | 13,618 | 15,458 |
| | <u>\$ 141,431</u> | <u>\$ 64,221</u> |

(14) Pensions

1. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan in accordance with the "Labor Pension Act", which is applicable to domestic employees. The Company and its domestic subsidiaries make monthly contributions of 6% of salaries and wages to employees' personal accounts at the Bureau of Labor Insurance for employees who choose to apply the labor pension system under the "Labor Pension Act". The employees' pension payments are made in the form of monthly pensions or lump-sum pensions depending on the amount of the employees' individual pension accounts and accumulated earnings.
2. For 2022 and 2021, the Company recognized pension costs of \$5,598 and \$6,021, respectively, based on the above pension plans.

(15) Stock Capital

As of December 31, 2022, the Company's authorized capital was \$880,000, divided into 88,000 thousand shares with a par value of \$10 per share, of which 8,800 thousand shares were reserved for conversion upon exercise of stock options, and the paid-in capital was \$752,869. The Company has fully received the payment for the issued shares.

1. A reconciliation of the number of outstanding shares of the Company's common stock at the beginning of the period to the end of the period is as follows:

Unit: thousands of shares

| | <u>2022</u> | <u>2021</u> |
|--|---------------|---------------|
| January 1 | 75,287 | 74,005 |
| Transfer of Treasury Stock to Employees | - | 1,282 |
| December 31 | <u>75,287</u> | <u>75,287</u> |

2. Treasury Stock
 - (1) The Securities and Exchange Act stipulates that the number of shares to be repurchased shall not exceed 10% of the total number of shares issued by the Company, and the total amount of shares to be repurchased shall not exceed the amount of retained earnings plus the premium on shares issued and the amount of realized capital surplus.
 - (2) The treasury stock held by the Company shall not be pledged under the Securities and Exchange Act and shall not be entitled to shareholders' rights until transferred.
 - (3) In accordance with the Securities and Exchange Act, shares purchased for transfer to employees shall be transferred within five years from the date of repurchase; if the shares are not transferred by that date, they shall be deemed unissued shares of the Company and shall be registered for cancellation. The Company shall register the cancellation of shares within six months from the date of repurchase to protect the Company's credit and shareholders' rights.

- (4) The company implemented the treasury stock transfer employee plan on December 30, 2020, and completed the transfer of 1,282,000 treasury shares to employees at a performance price of 37.96 yuan per share on March 3, 2021.

(16) Capital Surplus

Under the Company Act, capital surplus from the issuance of shares in excess of par value and capital surplus from gifts may be used to make up for losses, except when the Company has no accumulated losses, in which case new shares or cash may be distributed in proportion to the shareholders' original shareholding percentages. In accordance with the Securities and Exchange Act, the total amount of the above capital surplus may not exceed 10% of the paid-in capital in any year. The Company may not use capital surplus to replenish the capital loss unless the earned surplus is insufficient to cover the capital loss.

2022

| | <u>Issue Premium</u> | <u>Lapsed Stock Options</u> | <u>Stock Options</u> | <u>Treasury Stock</u> | <u>Total</u> |
|---------------------------|----------------------|-----------------------------|----------------------|-----------------------|------------------|
| January 1 | <u>\$293,065</u> | <u>\$ 1,344</u> | <u>\$ 11,535</u> | <u>\$ 49,006</u> | <u>\$354,950</u> |
| (The same on December 31) | | | | | |

2021

| | <u>Issue Premium</u> | <u>Lapsed Stock Options</u> | <u>Stock Options</u> | <u>Treasury Stock</u> | <u>Changes in Affiliated Enterprises and Joint Ventures Recognized Under the Equity Method</u> | <u>Total</u> |
|--|----------------------|-----------------------------|----------------------|-----------------------|--|------------------|
| January 1 | \$293,065 | \$ 1,344 | \$ 11,535 | \$ 49,168 | \$ 3,573 | \$358,685 |
| Transfer of Treasury Stock to Employees | - | - | - | (162) | - | (162) |
| Recognition of Affiliates in Accordance With Shareholding Percentage Changes in Equity | - | - | - | - | (3,573) | (3,573) |
| December 31 | <u>\$293,065</u> | <u>\$ 1,344</u> | <u>\$ 11,535</u> | <u>\$ 49,006</u> | <u>\$ -</u> | <u>\$354,950</u> |

(17) Retained Earnings

1. In accordance with the Company's Articles of Incorporation, if the Company makes a profit as concluded by the annual accounting book close, the Company's annual final accounts, the Company shall first pay taxes to make up for past losses and then set aside 10% as legal reserve, except when the legal reserve has accumulated to the total paid-in capital, and after setting aside or reversing the special reserve in accordance with the regulations of the competent authority, the remaining amount together with accumulated unappropriated earnings from previous years shall be available-for-distribution earnings. The Board of Directors may, at its discretion, retain a portion of the earnings in accordance with operating requirements and then request the shareholders to resolve the distribution of bonuses or dividends to shareholders. The Company may, with the presence of at least two-thirds of the Board of Directors and the approval of a majority of the directors present, distribute all or part of the dividends and bonuses in the form of cash and report to the stockholders' meeting.
2. The Company's dividend policy is based on the Company's current and future investment environment, capital requirements, domestic and foreign competition, and capital budget, taking the interests of shareholders and balancing dividends and the Company's long-term planning, etc. into account. The Board of Directors shall prepare and submit the distribution plan to the shareholders' meeting annually in accordance with the law. The annual distribution of dividends to shareholders shall be no less than 50% of the net profit for the year. The Company may distribute dividends to shareholders in cash or in stock. However, the Company may not distribute dividends if the net profit for the year does not reach 10% of the paid-in capital. Cash dividends shall not be less than 10% of the total dividends paid, but the type and percentage for such earnings distribution may be adjusted by resolution of the shareholders' meeting depending on the actual profit and capital position of the year.
3. Legal reserve may not be used except to make up for losses or to issue new shares or cash in proportion to the shareholders' original shareholding percentage. provided the amount of such new shares or cash issued shall be limited to the reserve in excess of 25% of the paid-in capital.
4. (1) When the Company distributes earnings, the Company is required by law to set aside a special reserve for the debit balance of other equity as of the balance sheet date. When the debit balance of other equity is subsequently reversed, the reversal amount can be included in available-for-distribution earnings.
(2) Upon the adoption of IFRSs for the first time, the special reserve provided in accordance with Jin-Guan-Zheng-Fa-Zi No.1010012865 dated April 6, 2012 is reversed in proportion to the special reserve provided when the Company subsequently uses, disposes of, or reclassifies the related assets. When the Company adopted IFRSs for the first time in 2013, due to the Company's election to apply the IFRS 1 exemption, the cumulative translation effect was transferred to retained earnings on the date of transition to IFRSs and a special reserve of \$45,818 was provided for the same amount.

5. On February 23, 2023, the Board of Directors resolved, and on May 23, 2022, the shareholders resolved, to approve the following distribution of earnings for 2022 and 2021:

| | <u>2022</u> | | <u>2021</u> | |
|-----------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | <u>Amount</u> | <u>Dividends Per Share (NTD)</u> | <u>Amount</u> | <u>Dividends Per Share (NTD)</u> |
| Legal Reserve | \$ 45,158 | - | \$ 10,095 | - |
| Special Reserve | (19,777) | - | 19,131 | - |
| Cash Dividends | <u>316,205</u> | \$ 4.2 | <u>75,287</u> | \$ 1.00 |
| Total | <u>\$ 341,586</u> | | <u>\$ 104,513</u> | |

6. Please refer to Note 6 (25) for information on remuneration to employees and directors and supervisors.

(18) Other Equity

| | <u>Foreign Currency Translation</u> | <u>Financial Assets at Fair Value Through Other Comprehensive Income</u> |
|--|-------------------------------------|--|
| January 1, 2022 | (\$ 93,799) | \$ 12,211 |
| Foreign Currency Translation Differences of subsidiaries | 13,381 | - |
| Company Valuation Adjustments | - | (7,988) |
| Proceeds from disposal of using the equity | | |
| Method in subsidiaries | <u>14,383</u> | <u>-</u> |
| December 31, 2022 | <u>(\$ 66,035)</u> | <u>\$ 4,223</u> |

| | <u>Foreign Currency Translation</u> | <u>Financial Assets at Fair Value Through Other Comprehensive Income</u> |
|--|-------------------------------------|--|
| January 1, 2021 | (\$ 82,173) | \$ 19,715 |
| Foreign Currency Translation Differences of subsidiaries | (11,626) | - |
| Company Valuation Adjustments | - | 11,801 |
| Proceeds from disposal of using the equity | | |
| Method in subsidiaries | <u>-</u> | <u>(19,305)</u> |
| December 31, 2021 | <u>(\$ 93,799)</u> | <u>\$ 12,211</u> |

(19) Operating Revenue

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|--------------|--------------|
| Revenue From Customer Contracts | \$ 3,192,619 | \$ 2,269,121 |

1. Breakdown of Revenue From Customer Contracts

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

| <u>2022</u> | <u>Optical Communication Optical Modules</u> |
|--|--|
| Revenue From External Customer Contracts | \$ 3,192,619 |
| <u>2021</u> | <u>Optical Communication Optical Modules</u> |
| Revenue From External Customer Contracts | \$ 2,269,121 |

2. Contract Liabilities

The Company recognizes contract liabilities for revenue from customer contracts as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>January 1, 2021</u> |
|--|--------------------------|--------------------------|------------------------|
| Contract Liabilities - Merchandise Contracts | \$ 4,522 | \$ 8,429 | \$ 10,652 |

Contract Liabilities at the Beginning of the Period Recognized as Revenue in the Period

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Balance of Contract Liabilities at the Beginning of the Period | | |
| Revenue Recognized in the Period | | |
| Merchandise Contracts | \$ 6,446 | \$ 8,264 |

(20) Interest Income

| | <u>2022</u> | <u>2021</u> |
|---------------------------|-------------|-------------|
| Interest on Bank Deposits | \$ 13,649 | \$ 2,247 |
| Other Interest income | 449 | 442 |
| Interest on Bank Deposits | \$ 14,098 | \$ 2,689 |

(21) Other Income

| | <u>2022</u> | <u>2021</u> |
|----------------------|------------------|------------------|
| Dividend Income | \$ 8,861 | \$ 9,836 |
| Rental Income | - | 39 |
| Miscellaneous Income | <u>4,463</u> | <u>5,620</u> |
| | <u>\$ 13,324</u> | <u>\$ 15,495</u> |

(22) Other Gains and Losses

| | <u>2022</u> | <u>2021</u> |
|--|------------------|--------------------|
| Loss on Disposal of Property, Plants, and Equipment | (\$ 1,372) | (\$ 311) |
| Loss on Disposal of Investments | 7,394 | (9,937) |
| Lease Modification Gain | - | 1 |
| Net Exchange Gain (loss) | 123,022 | (18,544) |
| Gain (Loss) on Financial Assets (Liabilities) at Fair Value Through Profit or Loss | (41,544) | 18,999 |
| Miscellaneous Expenses | <u>(233)</u> | <u>(256)</u> |
| | <u>\$ 87,267</u> | <u>(\$ 10,048)</u> |

(23) Financial Costs

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|-----------------|-----------------|
| Interest Expenses: | | |
| Interest on Bank borrowings | \$ 64 | \$ 95 |
| Convertible Bonds | 5,515 | 5,412 |
| Interest on Bills | 1 | - |
| Lease Liabilities | <u>346</u> | <u>334</u> |
| | <u>\$ 5,926</u> | <u>\$ 5,841</u> |

(24) Expenses by Nature

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Employee Benefit Expenses | \$ 247,904 | \$ 171,675 |
| Depreciation Expenses | 34,089 | 43,906 |
| Amortization Expense of Intangible Assets | <u>3,653</u> | <u>3,332</u> |
| | <u>\$ 285,646</u> | <u>\$ 218,913</u> |

(25) Employee Benefit Expenses

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|-------------------|-------------------|
| Salary Expenses | \$ 197,927 | \$ 133,114 |
| Insurance Expenses | 11,502 | 13,112 |
| Pension Expenses | 5,598 | 6,021 |
| Total Remuneration to Directors | 23,472 | 11,069 |
| Other Employment Expenses | <u>9,405</u> | <u>8,359</u> |
| | <u>\$ 247,904</u> | <u>\$ 171,675</u> |

1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration at 5% to 15% of the current year's profit and directors' and supervisors' remuneration at no more than 3% of the current year's profit. However, the Company shall make up for any accumulated losses, if any. Remuneration to employees may be in the form of stock or cash and may be made to employees of subordinate companies who meet certain criteria.
2. For 2022 and 2021 the estimated remuneration to employees was \$41,000 and 8,000 respectively, and the estimated remuneration to directors and supervisors was \$13,600 and \$1,800, respectively, which were recorded as salary expenses. The remuneration to employees and directors and supervisors for 2021 resolved by the shareholders' meeting were consistent with the amounts recognized in the financial statements for 2021.

Information on the remuneration to employees and remuneration to directors and supervisors approved by the Board of Directors and resolved by the shareholders' meeting is available on the Market Observation Post System.

(26) Income Taxes

1. Components of Income Tax Expenses:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|------------------|
| Current Income Taxes: | | |
| Income Taxes Arising From | | |
| Current Income (Note) | \$ 108,740 | \$ 13,594 |
| Additional Levy on | | |
| Unappropriated Earnings | (3,742) | (752) |
| Underestimation (Overestimation) | | |
| of Income Taxes of Prior Years | <u>-</u> | <u>1,917</u> |
| Total Current Income Taxes | <u>104,998</u> | <u>14,759</u> |
| Deferred Income Taxes: | | |
| Original Generation and Reversal | | |
| of Temporary Differences | <u>4,994</u> | <u>1,381</u> |
| Total Deferred Income Taxes | <u>4,994</u> | <u>1,381</u> |
| Income Tax Expenses | <u>\$ 109,992</u> | <u>\$ 16,140</u> |

2. The relationship between income tax expenses and accounting profit is explained as follows:

| | <u>2022</u> | | <u>2021</u> |
|---|-------------------|----|---------------|
| Income Taxes on Net Profit Before Tax at Statutory Tax Rate | \$ 112,315 | \$ | 19,557 |
| Effect to be Excluded Under the Tax Law | 9,036 | (| 910) |
| Income Exempt From Tax Under the Tax Law | (1,468) | (| 999) |
| Deferred Income Tax Assets (Liabilities) Not Recognized for Temporary Differences | (6,149) | (| 2,673) |
| Underestimation (Overestimation) of Income Taxes of Prior Years | - | | 1,917 |
| Additional Levy on Unappropriated Earnings | (3,742) | (| 752) |
| Income Tax Expenses | <u>\$ 109,992</u> | \$ | <u>16,140</u> |

3. The amount of each deferred income tax asset or liability arising from temporary differences and taxable losses are as follows:

| | <u>January 1</u> | <u>2022</u> <u>Recognize in Profit</u> <u>or Loss</u> | <u>December 31</u> |
|------------------------------------|--------------------------|---|--------------------------|
| Temporary Differences: | | | |
| - Deferred Income Tax Assets: | | | |
| Unrealized Exchange Losses | \$ 600 | \$ 3,040 | \$ 3,640 |
| Others | <u>9,044</u> | <u>(58)</u> | <u>8,986</u> |
| Subtotal | <u>\$ 9,644</u> | <u>\$ 2,982</u> | <u>\$ 12,626</u> |
| - Deferred Income Tax Liabilities: | | | |
| Investment Income | (<u>\$ 11,392</u>) | (<u>\$ 7,976</u>) | (<u>\$ 19,368</u>) |
| Total | <u>(<u>\$ 1,748</u>)</u> | <u>(<u>\$ 4,994</u>)</u> | <u>(<u>\$ 6,742</u>)</u> |

| | <u>January 1</u> | <u>2021</u> <u>Recognize in Profit</u> <u>or Loss</u> | <u>December 31</u> |
|--|--------------------------|---|--------------------|
| Temporary Differences: | | | |
| - Deferred Income Tax | | | |
| Assets: | | | |
| Unrealized Exchange | | | |
| Losses | \$ 1,926 | (\$ 1,326) | \$ 600 |
| Others | <u>9,099</u> | <u>(55)</u> | <u>9,044</u> |
| Subtotal | <u>\$ 11,025</u> | <u>(\$ 1,381)</u> | <u>\$ 9,644</u> |
| - Deferred Income Tax | | | |
| Liabilities: | | | |
| Investment Income | <u>(\$ 11,392)</u> | <u>(\$ -)</u> | <u>(\$ 11,392)</u> |
| Total | <u>(\$ 367)</u> | <u>(\$ 1,381)</u> | <u>(\$ 1,748)</u> |
| 4. Deductible temporary differences not recognized as deferred income tax assets: | | | |
| | <u>December 31, 2022</u> | <u>December 31, 2020</u> | |
| Deductible Temporary | | | |
| Differences | <u>\$ 22,448</u> | <u>\$ 75,460</u> | |
| 5. The Company has not recognized deferred income tax liabilities for taxable temporary differences associated with certain investments in subsidiaries. The temporary differences in unrecognized deferred income tax liabilities were \$78,103 and \$208,037 as of December 31, 2022 and 2021, respectively. | | | |
| 6. The Company's income taxes have been assessed by the tax authorities through 2020. | | | |

(27) Earnings Per Share

| | <u>Amount After</u> <u>Tax</u> | <u>2022</u> <u>Weighted-average</u> <u>Number of</u> <u>Outstanding Shares</u> <u>(in thousands)</u> | <u>Earnings Per</u> <u>Share (NTD)</u> |
|-----------------------------------|-----------------------------------|--|---|
| <u>Basic Earnings Per Share</u> | | | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company | <u>\$ 451,583</u> | <u>75,287</u> | <u>\$ 6.00</u> |
| <u>Diluted Earnings Per Share</u> | | | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company | \$ 451,583 | 75,287 | |
| Remuneration to Employees | - | 858 | |
| Convertible Bonds | <u>3,236</u> | <u>4,918</u> | |
| Net Profit for the Period | | | |
| Attributable to Owners of the | | | |
| Parent Company Plus the | | | |
| Effect of Potential Common | | | |
| Stock | <u>\$ 454,819</u> | <u>81,063</u> | <u>\$ 5.61</u> |

| | <u>Amount After Tax</u> | <u>2021 Weighted-average Number of Outstanding Shares (in thousands)</u> | <u>Earnings Per Share (NTD)</u> |
|--|-----------------------------|--|-------------------------------------|
| <u>Basic Earnings Per Share</u> | | | |
| Net Profit for the Period Attributable to Owners of the Parent Company | <u>\$ 81,644</u> | <u>75,069</u> | <u>\$ 1.09</u> |
| <u>Diluted Earnings Per Share</u> | | | |
| Net Profit for the Period Attributable to Owners of the Parent Company | \$ 81,644 | 75,069 | |
| Employee Stock Options | - | 268 | |
| Convertible Bonds | <u>5,050</u> | <u>4,815</u> | |
| Net Profit for the Period Attributable to Owners of the Parent Company Plus the Effect of Potential Common Stock | <u>\$ 86,694</u> | <u>80,152</u> | <u>\$ 1.08</u> |

(28) Supplementary Information on Cash Flows

Investing activities paid only partially in cash:

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-----------------|
| Purchase of Property, Plants, and Equipment | \$ 6,039 | \$ 7,138 |
| Add: Payables on Equipment at the Beginning of the Period | 1,481 | 2,473 |
| Less: Payables on Equipment at the End of the Period | (719) | (1,481) |
| Add: Prepayments for Equipment at the End of the Period | 4,934 | 53 |
| Less: Prepayments for Equipment at the Beginning of the Period | <u>(53)</u> | <u>-</u> |
| Cash Paid in the Period | <u>\$ 11,682</u> | <u>\$ 8,183</u> |

(29) Changes in Liabilities Arising From Financing Activities

| | <u>2022</u> | | | |
|---------------------------|--------------------------|----------------------|-------------------------------|--|
| | <u>Lease Liabilities</u> | <u>Bonds Payable</u> | <u>Cash Dividends Payable</u> | <u>Total Liabilities Arising from Financing Activities</u> |
| January 1 | \$ 34,188 | \$ 290,159 | \$ - | \$ 324,347 |
| Changes in Cash Flows | (3,173) | - | (75,287) | (78,460) |
| Changes in Non-cash Flows | 475 | 5,515 | - | 5,990 |
| Increase in the Period | - | - | 75,287 | 75,287 |
| December 31 | <u>\$ 31,490</u> | <u>\$ 295,674</u> | <u>\$ -</u> | <u>\$ 327,164</u> |

| | <u>2021</u> | | | | |
|------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------------------|--|
| | <u>Lease Liabilities</u> | <u>Guarantee deposits</u> | <u>Bonds Payable</u> | <u>Cash Dividends Payable</u> | <u>Total Liabilities Arising from Financing Activities</u> |
| January 1 | \$ 30,426 | \$ 16 | \$ 284,747 | \$ - | \$ 315,189 |
| Changes in Cash Flows | (2,152) | (16) | - | (188,217) | (190,385) |
| Changes in Non-cash Flows | 5,914 | - | 5,412 | - | 11,326 |
| Increase in the Period | <u>-</u> | <u>-</u> | <u>-</u> | <u>188,217</u> | <u>188,217</u> |
| December 31 | \$ 51,447 | \$ - | \$ 290,159 | \$ - | \$ 324,347 |

7. Related Party Transactions

(1) Name and Relationship of Related Party

| <u>Name of Related Party</u> | <u>Relationship With the Company</u> |
|------------------------------|--------------------------------------|
| Browave Holding Inc. | Subsidiary |
| Browave (Philippines) Corp. | Subsidiary |
| Browave (Zhongshan) Corp. | Subsidiary |
| Browave (Japan) Corp. | Subsidiary(Note2) |
| BKS Tec Corp. | Affiliate (Note1). |
| Ontario Capital Co., Ltd. | Other Related Party |
| Wu Jhao Yi | Substantive related party |

Note1: In August 2021, the Company sold 6,000,000 shares of BKS Tec Corp. for a disposal price of \$7,000 and a loss of \$9,937, respectively, which were recorded under other gains and losses. Please refer to Note 6 (22) for related explanations.

Note2: In December 2022, the Company sold 8,000 shares of Browave (Japan) Corp. for a disposal price of \$67,086 and a gain of \$7,394, respectively, which were recorded under other gains and losses. Please refer to Note 6 (22) for related explanations.

(2) Material Transactions With Related Parties

1. Purchases

| | <u>2022</u> | <u>2021</u> |
|---------------------------|---------------------|---------------------|
| Merchandise Purchases: | | |
| Browave (Zhongshan) Corp. | <u>\$ 1,799,876</u> | <u>\$ 1,438,929</u> |

Our company is assembled passive components by Browave (Zhongshan) Corp, and payment terms to related parties were not significantly different from those of sales. The payment terms are 30 days after the monthly cut-off day; it is not different from other supplier 30-90 day.

2. Operating Revenue

| | <u>2022</u> | <u>2021</u> |
|--------------------|-------------|-----------------|
| Merchandise Sales: | | |
| Affiliate | <u>\$ -</u> | <u>\$ 1,327</u> |

The transaction prices and collection terms of merchandise sales were not materially different from those of unrelated parties.

3. Other receivables

| | <u>2022</u> | <u>2021</u> |
|--|--------------|------------------|
| Other receivables from related parties | | |
| Browave (Zhongshan) Corp | \$ 63 | \$ 433 |
| Browave (Japan) Corp. | - | 440 |
| Financing provided to related parties | | |
| Browave (Japan) Corp. | <u>-</u> | <u>30,448</u> |
| | <u>\$ 63</u> | <u>\$ 31,321</u> |

4. Temporary payments

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|----------------------------------|--------------------------|--------------------------|
| Temporary payments to Subsidiary | | |
| Browave (Philippines) Corp. | <u>\$ 21,025</u> | <u>\$ -</u> |

5. Account Payable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------------|--------------------------|--------------------------|
| Account Payable to related parties | | |
| Browave (Zhongshan) Corp | <u>\$ 314,568</u> | <u>\$ 345,496</u> |

The account Payable is outsourcing fee.

6. Unearned receipts to related parties(listed as "Other Current Liabilities")

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Unearned receipts | | |
| Browave (Zhongshan) Corp | <u>\$ 35,077</u> | <u>\$ 34,515</u> |

7. Other revenue and expense

| <u>Counterparty</u> | <u>Item</u> | <u>2022</u> | <u>2021</u> |
|--------------------------|------------------|-----------------|-----------------|
| Browave (Zhongshan) Corp | Other revenue | \$ 1,425 | \$ 1,169 |
| Browave (Japan) Corp. | Interest revenue | 449 | 442 |
| Associates | Rental revenue | - | 39 |
| | | <u>\$ 1,874</u> | <u>\$ 1,650</u> |

8. Property Transactions

Disposal of Financial Assets

| | <u>Item in the Accounting Book</u> | <u>Number of Shares Traded</u> | <u>Subject Matter of Transaction</u> | <u>2022</u> <u>Disposal Price</u> | <u>Gain (Loss) on Disposal</u> |
|---------------------------|---|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Substantive related party | Investments Accounted for Using Equity Method | 8,000 | Stock | <u>\$ 67,086</u> | <u>\$ 7,394</u> |
| Other Related Party | Investments Accounted for Using Equity Method | 6,000,000 | Stock | <u>\$ 7,000</u> | <u>(\$ 9,937)</u> |

9. Endorsement/Guarantee provided to related party

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|--------------------------|--------------------------|
| Browave (Japan) Corp. | <u>\$ -</u> | <u>\$ 71,900</u> |

(3) Information on Key Management Salary

| | <u>2022</u> | <u>2021</u> |
|------------------------------|------------------|------------------|
| Short-term Employee Benefits | \$ 58,517 | \$ 30,937 |
| Post-employment Benefits | <u>719</u> | <u>731</u> |
| Total | <u>\$ 59,236</u> | <u>\$ 31,668</u> |

8. Pledged Assets

The breakdown of the guarantees given on the Company's assets is as follows:

| <u>Asset</u> | <u>Book Value</u> | | <u>Guarantee Purposes</u> |
|--|--------------------------|--------------------------|---|
| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | |
| Pledged Time Deposits (listed as "Other Non-current Assets") | \$ 1,173 | \$ 1,173 | Deposit For Lease of Park Land |
| Pledged Time Deposits (listed as "Other Non-current Assets") | 500 | 500 | Post-release Duty Payment Guarantee for Imported Goods to Taipei Customs, Customs Administration, Ministry of Finance |
| Buildings and Structures | <u>89,626</u> | <u>92,672</u> | Guarantee For Bank Loan Facilities |
| | <u>\$ 91,299</u> | <u>\$ 94,345</u> | |

9. Significant Commitments and Contingencies

None

10. Significant Disaster Losses

None

11. Significant Future Events

Please refer to Note 6 and (17)5.

12. Others

(1) Capital Management

The Company's capital management policy is to maintain a sound capital base to sustain the confidence of investors, creditors, and the market, and to support the future development of its operations. Capital consists of stock capital, capital surplus and retained earnings. Capital management objectives are achieved by controlling the return on capital and the level of common stock dividends.

(2) Financial Risk of Financial Instruments

1. Type of Financial Instruments

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Financial Assets | | |
| Financial Assets at Fair Value Through Profit or Loss | | |
| Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss | <u>\$ 91,284</u> | <u>\$ 134,268</u> |
| Financial Assets at Fair Value Through Other Comprehensive Income | | |
| Designated Equity Instrument for Investment | <u>\$ 30,253</u> | <u>\$ 38,700</u> |
| Financial Assets at Amortized Cost | | |
| Cash and Cash Equivalents | 679,748 | 650,066 |
| Financial Assets at Amortized Cost | 421,014 | 53,680 |
| Accounts Receivable(including related parties) | 758,051 | 582,131 |
| Other Receivables(including related parties) | 2,121 | 34,644 |
| Refundable Deposits | <u>1,747</u> | <u>1,681</u> |
| | <u>\$ 1,862,681</u> | <u>\$ 1,322,202</u> |
| Financial Liabilities | | |
| Financial Liabilities at Fair Value Through Profit or Loss | | |
| Financial Liabilities Held for Trading | <u>\$ -</u> | <u>\$ 1,440</u> |
| Financial Liabilities at Amortized Cost | | |
| Accounts Payable(including related parties) | \$ 430,214 | \$ 494,497 |
| Other Payables | 141,431 | 64,221 |
| Bonds Payable (including portion due within one year or one business cycle) | | |
| Deposits Received | <u>295,674</u> | <u>290,159</u> |
| | <u>\$ 867,319</u> | <u>\$ 848,877</u> |
| Lease Liabilities | <u>\$ 31,490</u> | <u>\$ 34,188</u> |

2. Financial Risk Management Policy

- (1) The Company's daily operations are subject to a number of financial risks, including market risk (such as exchange rate risk and interest rate risk), credit risk, and liquidity risk. The Company employs exchange rate monitoring and counterparty credit management to identify all of the

Company's risks and to seek to mitigate potential adverse effects on the Company's financial position and financial performance.

- (2) Risk management is performed by the Company's Finance Department in accordance with policies approved by the Board of Directors. The Company's Finance Department is responsible for the identification, assessment, and hedging of financial risks by working closely with the Company's operating units. The Board of Directors has written principles for overall risk management and also provides written policies for specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus liquidity.

3. Nature and Extent of Significant Financial Risks

(1) Market Risk

Exchange Rate Risk

- A. The Company operates on a multinational basis and is therefore exposed to exchange rate risk arising from various currencies, mainly USD and RMB. The related exchange rate risk arises from future business transactions, recognized assets and liabilities, and net investments in foreign operations. In addition, the Consolidated Company has natural hedges based on its capital requirements and net position of foreign currency assets and liabilities in each currency.
- B. When short-term imbalances in foreign currency-denominated monetary assets and liabilities occur, the Group ensures that net exposure is maintained at an acceptable level by buying or selling foreign currencies at spot rates.
- C. The Company engages in operations involving certain non-functional currencies (the functional currency of the Company and some subsidiaries is NTD, and the functional currency of some subsidiaries is RMB) and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities that are subject to significant exchange rate fluctuations is as follows:

| | | <u>December 31, 2022</u> | | |
|---|--|--------------------------|----------------------------------|-----------|
| (Foreign Currency: Functional Currency) | <u>Foreign Currency (in thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount (NTD)</u> | |
| <u>Financial Assets</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | \$ 57,988 | 30.71 | \$ | 1,780,811 |
| <u>Non-Monetary Item</u> | | | | |
| CNY: NTD | 162,349 | 4.41 | | 715,960 |
| PHP: NTD | 92,971 | 0.55 | | 51,134 |
| <u>Financial Liabilities</u> | | | | |
| <u>Monetary Item</u> | | | | |
| USD: NTD | 12,066 | 30.71 | | 387,130 |

| (Foreign Currency: Functional Currency) | <u>December 31, 2021</u> | | |
|---|--|----------------------|----------------------------------|
| | <u>Foreign Currency (in thousands)</u> | <u>Exchange Rate</u> | <u>Carrying Amount (NTD)</u> |
| <u>Financial Assets</u> | | | |
| <u>Monetary Item</u> | | | |
| USD: NTD | \$ 37,527 | 27.68 | \$ 1,038,747 |
| <u>Non-Monetary Item</u> | | | |
| CNY: NTD | 196,451 | 4.35 | 854,563 |
| JPY: NTD | 222,067 | 0.24 | 53,296 |
| <u>Financial Liabilities</u> | | | |
| <u>Monetary Item</u> | | | |
| USD: NTD | 16,745 | 27.68 | 463,502 |

- D. The aggregate amount of all exchange gains (losses) (both realized and unrealized) recognized for 2022 and 2021 was \$123,022 and (\$18,544), respectively, due to the significant impact of exchange rate fluctuations on the Company's monetary items.
- E. The Company's exposure to foreign currency market risk due to significant exchange rate fluctuations is analyzed as follows:
For 2022 and 2021, if the exchange rate between USD and NTD had increased or decreased by 1%, respectively, with all other factors held constant, net profit after tax would have increased or decreased by \$13,937 and \$5,752 for 2022 and 2021, respectively.

Price Risk

- A. The Company's equity instruments exposed to price risk are financial assets held at fair value through profit or loss and financial assets held at fair value through other comprehensive income. To manage the price risk of investments in equity instruments, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- B. The Company invests mainly in equity instruments issued by domestic and foreign companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments had increased or decreased by 1%, with all other factors held constant, net profit after tax for 2022 and 2021 would have increased or decreased by \$913 and \$1,343 respectively, as a result of the gain or loss on equity instruments measured at fair value through profit or loss. For other comprehensive income, the gain or loss on equity investments classified as at fair value through other comprehensive income would increase or decrease by \$303 and \$387, respectively.

Cash Flow and Fair Value Interest Rate Risk

The Company's interest rate risk arises from short-term and long-term loans. Loans issued at fixed rates expose the Company to fair value interest rate risk.

(2) Credit Risk

- A. The Company's credit risk is the risk of financial loss arising from the failure of customers or counterparties to financial instruments to meet their contractual obligations, primarily from the failure of counterparties to settle accounts receivable on collection terms and contractual cash flows of financial assets measured at amortized cost.
- B. The Company establishes the management of credit risk from a group perspective. In accordance with the internal credit policy, each operating entity of the Group is required to manage and analyze credit risk for each new customer before setting the terms and conditions of payment and delivery. Internal risk control is performed to assess the credit quality of customers by considering their financial position, past experience, and other factors. Individual risk limits are established by management based on internal or external ratings, and the use of credit limits is regularly monitored.
- C. The Company uses IFRS 9 to provide the premise assumption that a default is deemed to have occurred when contractual payments are more than 90 days overdue in accordance with the contractual payment terms.
- D. The Company uses IFRS 9 to provide the premise assumption that a financial asset is considered to be subject to a significant increase in credit risk since original recognition when contractual payments are more than 30 days overdue in accordance with the contractual payment terms.
- E. The indicators used by the Company to determine that investments in debt instruments are credit-impaired are as follows:
 - (A) A significant increase in the likelihood that the issuer is experiencing significant financial difficulties or will enter bankruptcy or other financial restructuring.
 - (B) The issuer's financial difficulties cause an active market for the financial asset to disappear.
 - (C) The issuer delays or fails to make interest or principal payments.
 - (D) An adverse change in national or regional economic conditions relating to the default of the issuer.
- F. The Company assembles accounts receivable from customers according to the characteristics of the type of customers and uses a simplified approach to estimate expected credit losses based on an allowance matrix.
- G. The Company writes off the amount of financial assets that are not reasonably expected to be recoverable after recourse procedures, but the Company continues to pursue legal recourse procedures to preserve the creditor's rights. As of December 31, 2022 and 2021, the Company's written-off debts with ongoing recourse activities were \$0.
- H. The Company's allowance for losses on accounts receivable and notes receivable as of December 31, 2022 and 2021, after adjusting the loss rate established based on historical and current information for a specific period for future-looking considerations, is as follows:

| | <u>Not Overdue</u> | <u>1-30 Days Overdue</u> | <u>31-90 Days Overdue</u> | <u>91-180 Days Overdue</u> | <u>Total</u> |
|------------------------------|--------------------|------------------------------|-------------------------------|--------------------------------|--------------|
| <u>December 31, 2022</u> | | | | | |
| Expected Loss Rate | 0.03% | 0.03% | 0.04% | 0.05% | |
| Total Book Value | \$ 601,761 | \$ 147,203 | \$ 5,042 | \$ 4,045 | \$ 758,051 |
| Allowance For Losses | \$ - | \$ - | \$ - | \$ - | \$ - |

| | <u>Not Overdue</u> | <u>1-30 Days Overdue</u> | <u>31-90 Days Overdue</u> | <u>91-180 Days Overdue</u> | <u>Total</u> |
|------------------------------|--------------------|------------------------------|-------------------------------|--------------------------------|--------------|
| <u>December 31, 2021</u> | | | | | |
| Expected Loss Rate | 0.03% | 0.03% | 0.04% | 0.05% | |
| Total Book Value | \$ 473,820 | \$ 96,486 | \$ 11,825 | \$ - | \$ 582,131 |
| Allowance For Losses | \$ - | \$ - | \$ - | \$ - | \$ - |

The Company allowance for losses on other receivable, is as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------|-------------|
| Other Receivables | | |
| January 1(The same on December 31) | \$ 38,257 | \$ 38,257 |

After assessing the credit risk of the counterparties, the Company accrues the full amount of expected credit losses for the amounts that the counterparties are unable to perform their contractual obligations.

(3) Liquidity Risk

- A. Cash flow forecasts are performed by each operating entity within the Group and are compiled by the Group Finance Department. The Group Finance Department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet its operational needs and maintains sufficient undrawn borrowing facilities at all times so that the Group does not breach the relevant borrowing limits or terms.
- B. Surplus cash held by each operating entity will be transferred back to the Group's Finance Department when it exceeds the amount required for operating capital management. The Group Finance Department invests the remaining funds in instruments of the appropriate maturity or sufficient liquidity such as time deposits, money market deposits, and marketable securities to meet the aforementioned forecasts and to provide a sufficient level of flexibility in cash flow management. As of December 31, 2022 and 2021, the Company held time deposits and bonds with repurchase agreements (recorded as "cash and cash equivalents" and "financial assets at amortized cost") totaling \$1,028,568 and \$593,450, respectively, which are expected to generate immediate cash flows to address liquidity risk.
- C. The Company had undrawn borrowing facilities the same \$510,000, as

of December 31, 2022 and 2021.

- D. The following table presents the Company's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date; derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

| December 31, 2022 | <u>Less Than 3 Months</u> | <u>3 Months to 1 Year</u> | <u>1 Year to 2 Years</u> | <u>2 Years to 5 Years</u> | <u>More Than 5 Years</u> |
|---|-------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| <u>Non-derivative</u> | | | | | |
| <u>Financial Assets:</u> | | | | | |
| Accounts Payable (including related parties) | \$ 430,214 | \$ - | \$ - | \$ - | \$ - |
| Other Payables | 141,431 | - | - | - | - |
| Lease Liabilities | 793 | 2,380 | 2,156 | 3,417 | 27,334 |
| Bonds Payable | - | 300,000 | - | - | - |
| | | | | | |
| December 31, 2021 | <u>Less Than 3 Months</u> | <u>3 Months to 1 Year</u> | <u>1 Year to 2 Years</u> | <u>2 Years to 5 Years</u> | <u>More Than 5 Years</u> |
| <u>Non-derivative</u> | | | | | |
| <u>Financial Assets:</u> | | | | | |
| Accounts Payable (including related parties) | \$ 494,497 | \$ - | \$ - | \$ - | \$ - |
| Other Payables | 64,221 | - | - | - | - |
| Lease Liabilities | 792 | 2,376 | 3,168 | 4,419 | 28,348 |
| Bonds Payable | - | - | 300,000 | - | - |

(3) Information on Fair Value

- The levels of valuation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:
 - Level 1: The quoted prices (unadjusted) in active markets for identical assets or liabilities available to the enterprise at the measurement date. An active market is a market in which transactions in assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investments in listed stocks are classified as such.
 - Level 2: The fair value of directly or indirectly observable input values for assets or liabilities, other than those included in the quoted prices in Level 1, are classified as such.
 - Level 3: Unobservable input value of an asset or liability. All the Group's investments in equity instruments in which have no active market are classified as such.
- The carrying amounts of the Company's financial instruments that are not measured at fair value are a reasonable approximation of fair value, including

cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, refundable deposits, short-term loans, notes payable, accounts payable, other payables, lease liabilities, long-term loans (including portion due within one year or one business cycle), bonds payable, and deposits received.

3. Financial and non-financial instruments at fair value are classified by the Group based on the nature, characteristics, and risks of the assets and liabilities and the level of fair value, and the related information are as follows:

- (1) The Company classifies assets and liabilities according to their nature, and the related information is as follows:

| December 31, 2022 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|------------------|-------------------|
| Assets | | | | |
| <u>Repeatabe Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Equity Instruments | \$ 91,254 | \$ - | \$ - | \$ 91,254 |
| Redemption of convertible Bond | - | - | 30 | 30 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Equity Instruments | - | - | 30,253 | 30,253 |
| Total | <u>\$ 91,254</u> | <u>\$ -</u> | <u>\$ 30,283</u> | <u>\$ 121,537</u> |
| December 31, 2021 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Repeatabe Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Equity Instruments | \$ 134,268 | \$ - | \$ - | \$ 134,268 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Equity Instruments | - | - | \$ 38,700 | \$ 38,700 |
| Total | <u>\$ 134,268</u> | <u>\$ -</u> | <u>\$ 38,700</u> | <u>\$ 172,968</u> |
| Liabilities | | | | |
| <u>Repeatabe Fair Value</u> | | | | |
| Financial Assets at Fair Value Through Profit or Loss | | | | |
| Redemption/Sale Rights of Convertible Bonds | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,440</u> | <u>\$ 1,440</u> |

(2) The methods and assumptions used by the Company to measure fair value are described below:

- A. The Company uses quoted market prices for fair value input values (i.e. Level 1), which are broken down by the characteristics of the instrument as follows:

| | <u>Stock of Listed Companies on the TWSE (TPEX) Closing Price</u> |
|-------------------|---|
| Market Quotations | |

- B. Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained by valuation techniques or by reference to quoted prices from counterparties. Fair values obtained through valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of models based on market information available on the consolidated balance sheet date (e.g., TPEX yield curves, Reuters average quoted commercial paper rates).

4. There was no transfer between Level 1 and Level 2 in 2022 and 2021
5. The following table shows the changes in Level 3 for 2022 and 2021.

| | <u>2022</u> | |
|---|---------------------------|--|
| | <u>Equity Instruments</u> | <u>Redemption/Sale Rights of Convertible Bonds</u> |
| January 1 | \$ 38,700 | \$ 1,440 |
| Loss Recognized in Profit or Loss | - | (1,470) |
| Loss Recognized in Other Comprehensive Income | (7,988) | - |
| Capital Reduction by Refunding of Stock Payment | (459) | - |
| December 31 | <u>\$ 30,253</u> | <u>(\$ 30)</u> |
| Changes in Unrealized Gains or Losses Included in Profit or Loss on Assets and Liabilities Held at the End of the Period (Note) | <u>\$ -</u> | <u>(\$ 1,470)</u> |

Note: Listed as Non-operating Income and Expenses

| | | <u>2021</u> |
|---|---------------------------|--|
| | <u>Equity Instruments</u> | <u>Redemption/Sale Rights of Convertible Bonds</u> |
| January 1 | \$ 44,701 | \$ 540 |
| Gain Recognized in Profit or Loss | - | 900 |
| Loss Recognized in Other Comprehensive Income | (4,321) | - |
| Capital Reduction by Refunding of Stock Payment | (1,680) | - |
| December 31 | <u>\$ 38,700</u> | <u>\$ 1,440</u> |
| Changes in Unrealized Gains or Losses Included in Profit or Loss on Assets and Liabilities Held at the End of the Period (Note) | <u>\$ -</u> | <u>\$ 900</u> |

Note: Listed as Non-operating Income and Expenses

6. Quantitative information regarding significant unobservable input values from valuation models used for Level 3 fair value measurements and sensitivity analysis of changes in significant unobservable input values are described below:

| | <u>Fair Value on December 31, 2022</u> | <u>Valuation Techniques</u> | <u>Significant Unobservable Input Values</u> | <u>Range (Weighted Average)</u> | <u>Input Values and Fair Value Relationship</u> |
|------------------------------------|--|---------------------------------|--|---|---|
| Non-derivative Equity Instruments: | | | | | |
| Stock of Non-listed Companies | \$ 30,253 | Net Asset Value Method | Not Applicable | - | Not Applicable |
| Non-derivative Debt Instruments: | | | | | |
| Convertible Bonds | 30 | Binary Free Valuation Model | Volatility | 48.12% | The higher the stock price volatility, the higher the fair value. |
| | <u>Fair Value on December 31, 2021</u> | <u>Valuation Techniques</u> | <u>Significant Unobservable Input Values</u> | <u>Range (Weighted Average)</u> | <u>Input Values and Fair Value Relationship</u> |
| Non-derivative Equity Instruments: | | | | | |
| Stock of Non-listed Companies | \$ 38,700 | Net Asset Value Method | Not Applicable | - | Not Applicable |
| Non-derivative Debt Instruments: | | | | | |
| Convertible Bonds | 1,440 | Binary Free Valuation Model | Volatility | 36.46% | The higher the stock price volatility, the higher the fair value. |

7. The Company has carefully evaluated the valuation models and valuation parameters selected by the Company, but when different valuation models or valuation parameters are used, the results of the valuation may differ. For financial assets and financial liabilities classified as Level 3, the effect on profit or loss or other comprehensive income if the valuation parameters are changed is as follows:

| | | | <u>December 31, 2022</u> | | | |
|--|---------------------|----------------|------------------------------------|----------------------------|--|----------------------------|
| | | | <u>Recognize in Profit or Loss</u> | | <u>Recognize in Other Comprehensive Income</u> | |
| | <u>Input Values</u> | <u>Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> |
| Financial Liabilities | | | | | | |
| Convertible Bonds/ Redemption/ Sale Rights | Volatility | ±1% | \$ - | \$ - | \$ - | \$ - |

| | | | <u>December 31, 2021</u> | | | |
|---|---------------------|----------------|------------------------------------|----------------------------|--|----------------------------|
| | | | <u>Recognize in Profit or Loss</u> | | <u>Recognize in Other Comprehensive Income</u> | |
| | <u>Input Values</u> | <u>Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> | <u>Favorable Changes</u> | <u>Unfavorable Changes</u> |
| Financial Liabilities | | | | | | |
| Convertible Bonds Redemption/ Sale Rights | Volatility | ±1% | \$ 60 | (\$ 60) | \$ - | \$ - |

(4) The Impact of the COVID-19 Pandemic on the Company's Operations in 2022

In 2022, due to the impact of the COVID-19 pandemic, the Company adjusted the work schedule of employees and strengthened disinfection and access control measures during the Level 3 epidemic alert. As of December 31, 2022, the Company assessed that the COVID-19 pandemic had no significant impact on the Company's overall operating activities, asset impairment, and fund-raising risks.

13. Additional Disclosures

(1) Information on Material Transactions

1. Loaning of Funds to Others: Please refer to Exhibit 1.
2. Guarantees and Endorsements for Others: None.
3. Marketable Securities Held at the End of the Period (excluding investments in subsidiaries, affiliates, and joint ventures): Please refer to Exhibit 2.
4. Accumulated Purchases or Sales of the Same Marketable Securities Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.
5. Acquisition of Real Estate Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.
6. Disposal of Real Estate Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital: None.

7. Purchase From or Sale to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: Please refer to Exhibit 3.
8. Receivables From Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital: Please refer to Exhibit 4.
9. Derivative Financial Instrument Transactions: Please refer to Notes 6 (2) 、(11) and 6 (12) for details.
10. Business Relationships and Significant Intercompany Transactions Between the Parent Company and its Subsidiaries and Between Subsidiaries: Please refer to Exhibit 5.

(2) Information on Investees

Names and Locations of Investees (excluding those in Mainland China): Please refer to Exhibit 6.

(3) Information on Investments in Mainland China

1. Please refer to Exhibit 7 for more information on investees in Mainland China.
2. Material Transactions Between the Company and its Investees in Mainland China: (expressed as the un-eliminated amount of purchase and sale transactions with the investees in Mainland China)

(1) Purchases:

| | | <u>2022</u> |
|-----------------------------------|---------------|---|
| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>As a Percentage of the Company's Net Purchases</u> |
| Browave (ZhongShan) Corporation | \$ 2,447,518 | 81% |

The Company directly purchases goods from Browave (ZhongShan) Corporation. The purchase price is based on the cost of materials plus the related processing cost, and the payment terms are 30 days after the monthly cut-off day.

(2) Sales:

| | | <u>2022</u> |
|-----------------------------------|---------------|---|
| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>As a Percentage of the Company's Net Sales</u> |
| Browave (ZhongShan) Corporation | \$ 647,642 | 20% |

The selling price of the Company's sales to Browave (ZhongShan) Corporation is based on cost and the collection terms are 60 days after the monthly cut-off day.

(3) Accounts Receivable:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|------------------|---|
| | | <u>As a Percentage of the Company's Accounts Receivable</u> |
| Browave (ZhongShan) Corporation | <u>\$ 43,055</u> | <u>5%</u> |

(4) Other Receivables

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|---------------|---|
| | | <u>As a Percentage of the Company's Accounts Receivable</u> |
| Browave (ZhongShan) Corporation | <u>\$ 63</u> | <u>3%</u> |

(5) Accounts Payable:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>December 31, 2022</u> |
|-----------------------------------|-------------------|--|
| | | <u>As a Percentage of the Company's Accounts Payable</u> |
| Browave (ZhongShan) Corporation. | <u>\$ 266,428</u> | <u>70%</u> |

(6) Advance Receipts:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>2022</u> |
|-----------------------------------|------------------|---|
| | | <u>As a Percentage of Advance Receipts of the Company</u> |
| Browave (ZhongShan) Corporation | <u>\$ 35,077</u> | <u>100%</u> |

(7) Other Income:

| <u>Investee in Mainland China</u> | <u>Amount</u> | <u>2022</u> <u>As a Percentage</u> <u>of the Company's</u> <u>Other Income</u> |
|------------------------------------|-----------------|---|
| Browave (ZhongShan) Corporation | <u>\$ 1,425</u> | <u>32%</u> |

(8) Property Transactions:

As of December 31, 2022, the unrealized gain on disposal of fixed assets among affiliates was \$621.

(9) Endorsement and Guarantee With Notes and Provision of Collateral: None.

(10) Financial Accommodations: None.

(11) Other Transactions That Have a Significant Impact on Profit or Loss for the Period or Financial Position: None.

(4) Information on Major Shareholders

Information on the Names, Amounts, and Percentage of Shareholders Holding More Than 5% of the Issuer's Equity: None.

14. Operating Segment Information

Not applicable.

Browave Corporation
Loaning of Funds to Others
January 1 to December 31, 2022

Exhibit 1

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Number</u> | <u>Company That Loans Funds to Others</u> | <u>Loan Recipient</u> | <u>Business Dealings</u> | <u>Related Party or Not</u> | <u>Maximum Amount For the Period</u> | <u>Balance at the End of the Period</u> | <u>Actual Amount Drawn</u> | <u>Interest Rate Range</u> | <u>Nature of Funds Loaning (Note 1)</u> | <u>Amount of Business Dealings</u> | <u>Reasons For the Necessity of Short-term Financial Accommodation</u> | <u>Provision of Allowance For Doubtful Accounts</u> | <u>Collateral</u> | | <u>Limit of Funds Loaning For an Individual Party (Note 2)</u> | <u>Limit of Funds Loaning For Total Amount (Note 2)</u> | <u>Remark</u> |
|---------------|---|---------------------------|--------------------------|-----------------------------|--------------------------------------|---|----------------------------|----------------------------|---|------------------------------------|--|---|-------------------|-------|--|---|---------------|
| 0 | Browave Corporation | Browave Japan Corporation | Other Receivables | Yes | \$76,636 | \$ - | \$ - | 2.366% | 2 | \$ - | For Short-term Operating Capital Turnover | \$ - | Name | Value | \$ 221,031 | \$ 442,063 | |

Note 1: Fill in the nature of the funds loaning as follows:

- (1). For those with which the Company has business dealings, enter 1.
- (2). For those who have the necessity of short-term financial accommodation, enter 2.

Note 2: Limits of funds loaning for total amount and for an individual party:

- (1). If short-term financial accommodation is necessary, the total funds loaning shall not exceed 20% of the Company's net worth, and the amount of individual funds loaning shall not exceed 10% of the Company's net worth.
- (2). If the Company engages in the loaning of funds for business dealings, the total funds loaning shall not exceed 10% of the Company's net worth, and the amount of individual funds loaning shall not exceed the amount of business dealings between the two parties.
The amount of business dealings refers to the higher of the amount of purchases or sales made between the Company and the other party in a year or in the current year up to the time the funds are loaned to the other party.
- (3). The loaning of funds between the foreign companies of which the Company directly and indirectly holds 100% of the voting shares shall not exceed 20% of the Company's net worth.

Browave Corporation
Marketable Securities Held at the End of the Period (excluding investments in subsidiaries, affiliates, and joint ventures)
December 31, 2022

Exhibit 2

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Companies Held</u> | <u>Type and Name of Marketable Securities</u> | <u>Relationship With Issuer of Marketable Securities</u> | <u>General Ledger Account in the Book</u> | <u>End of the Period</u> | | | <u>Information on Fair Value</u> | <u>Remarks</u> |
|-----------------------|---|--|---|--------------------------|------------------------|------------------------------------|--------------------------------------|----------------|
| | | | | <u>Number of Shares</u> | <u>Carrying Amount</u> | <u>Shareholding Percentage</u> | | |
| Browave Corporation | Stock: FOCI Fiber Optic Communications, Inc. | None | Financial Assets at Fair Value Through Profit or Loss | 4,020,000 | \$ 91,254 | 4.55 | \$ 91,254 | |
| Browave Corporation | Fund: JAFCO ASIA TECHNOLOGY FUND VIL.P. | None | Financial Assets at Fair Value Through Other Comprehensive Income | - | 6,416 | 0.67 | 6,416 | |
| Browave Corporation | Stock: Darjun Venture Corporation | None | Financial Assets at Fair Value Through Other Comprehensive Income | 2,273,600 | 23,837 | 4.8 | 23,837 | |

Browave Corporation
Purchase From or Sale to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
January 1 to December 31, 2022

Exhibit 3

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Purchase (Sale) Company</u> | <u>Name of Counterparty</u> | <u>Relationship</u> | <u>Circumstances of the Transaction</u> | | <u>As a Percentage of Total Purchases (Sales)</u> | <u>Credit Period</u> | <u>Circumstances and Reasons Why the Trading Terms are Different From Those of Ordinary Transactions</u> | | <u>Notes and Accounts Receivable (Payable)</u> | | <u>Remarks</u> |
|--------------------------------|---------------------------------|---|---|---------------|---|---------------------------------------|--|----------------------|--|---|------------------------------------|
| | | | <u>Purchase (Sale) Amount</u> | <u>Amount</u> | | | <u>Unit Price</u> | <u>Credit Period</u> | <u>Balance</u> | <u>As a Percentage of Total Notes and Accounts Receivable (Payable)</u> | |
| | | | <u>Purchases:</u> | | | | <u>Note 1</u> | <u>Note 1</u> | <u>(\$)</u> | <u>(Payable)</u> | |
| Browave Corporation | Browave (ZhongShan) Corporation | Subsidiaries 100% Indirectly Owned by the Company | Purchases: | \$ 1,799,876 | 59.49% | 30 Days After the Monthly Cut-off Day | Note 1 | Note 1 | (\$ 314,568) | (73%) | Accounts Payable - Related Parties |

Note 1: The Group appoints Browave (ZhongShan) Corporation to assemble and process the optical fiber passive components. The trading terms of outsourced processing by related parties are not comparable because no general customers are engaged in the same transactions. The payment terms are 30 days after the monthly cut-off day upon reconciliation, and the payment terms for general vendors are 30 to 90 days after the monthly cut-off day.

Browave Corporation
Receivables From Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

Exhibit 4

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Companies That Listed the Transactions as Accounts Receivable</u> | <u>Name of Counterparty</u> | <u>Relationship</u> | <u>Balance of Receivables From Related Parties</u> | <u>Turnover Rate</u> | <u>Overdue Receivables From Related Parties</u> | | <u>Receivables From Related Parties Collected in the Subsequent Period</u> | <u>Provision of Allowance For Doubtful Accounts</u> |
|--|-----------------------------|--|--|----------------------|---|------------------------|--|---|
| | | | | | <u>Amount</u> | <u>Handling Method</u> | | |
| Browave (ZhongShan) Corporation | Browave Corporation | Subsidiaries 100% Indirectly Owned by the Company | \$ 314,568 | 5.45 | \$ - | - | \$ 114,776 | \$ - |

Browave Corporation
Business Relationships and Significant Intercompany Transactions Between the Parent Company and its Subsidiaries and Between Subsidiaries
January 1 to December 31, 2022

Exhibit 5

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Number</u> <u>(Note 1)</u> | <u>Name of Trader</u> | <u>Trading Counterparty</u> | <u>Relationship With the Trader</u> <u>(Note 2)</u> | <u>General Ledger Account</u> | <u>Circumstances of the Transaction and Dealing</u> | | <u>As a Percentage of</u> <u>Consolidated Total</u> <u>Revenue or Total Assets</u> <u>(Note 3)</u> |
|----------------------------------|-----------------------|---------------------------------|--|-------------------------------|---|----------------------------------|---|
| | | | | | <u>Amount</u> | <u>Trading Terms</u> | |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Purchases: | \$ 1,799,876 | Subject to General Trading Terms | 56.06% |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Accounts Payable | 314,568 | Subject to General Trading Terms | 9.34% |
| 0 | Browave Corporation | Browave (ZhongShan) Corporation | 1 | Advance Receipts | 35,077 | Subject to General Trading Terms | 1.04% |

Note 1: Information on business dealings between the parent company and subsidiaries should be indicated in the number column respectively, and the number should be filled in as follows:

- (1). Fill in 0 for parent company.
- (2). Subsidiaries are numbered sequentially from Arabic numeral 1 by company.

Note 2: The relationship with the traders is classified into three types as follows (the same transaction between the parent and a subsidiary or between subsidiaries is not required to be disclosed repeatedly. For example, if the parent company discloses a transaction with a subsidiary, the subsidiary is not required to disclose the transaction repeatedly; if a subsidiary discloses a transaction with a subsidiary, the other subsidiary is not required to disclose the transaction repeatedly.).

- (1). Parent Company to Subsidiary
- (2). Subsidiary to Parent Company
- (3). Subsidiary to Subsidiary.

Note 3: The percentage of transaction amount to consolidated total revenues or total assets is calculated as the ending balance to consolidated total assets in the case of assets and liabilities, or as the amount to consolidated total revenue in the case of profit or loss.

Browave Corporation
Names and Locations of Investees (Excluding Those in Mainland China)
January 1 to December 31, 2022

Exhibit 6

Unit: In thousands of NTD
(Except as otherwise indicated)

| <u>Investor</u> | <u>Investee</u> | <u>Location</u> | <u>Main Businesses</u> | <u>Original Investment Amount</u> | | <u>Holding at the End of the Period</u> | | | <u>Profit or Loss of</u> | <u>Investment</u> | <u>Remarks</u> |
|---------------------|-----------------------------------|------------------------|---|-----------------------------------|-------------------------|---|-------------------|------------------------|--------------------------|--------------------------|----------------|
| | | | | <u>End of the Period</u> | <u>End of Last Year</u> | <u>Number of Shares</u> | <u>Percentage</u> | <u>Carrying Amount</u> | <u>the Investee For</u> | <u>Income or Loss</u> | |
| | | | | | | | | | <u>the Period</u> | <u>Recognized in the</u> | |
| | | | | | | | | | | <u>Period</u> | |
| Browave Corporation | Browave Holding Inc, | British Virgin Islands | Investment | \$ 677,760 | \$ 677,760 | 20,360,000 | 100 | \$ 930,431 | \$ 18,005 | \$ 18,005 | |
| Browave Corporation | Browave Japan Corporation | Japan | Research, development, production, and sale of electronic machine parts and optical communication machines; management and utilization of real estate trading, resale, leasing, brokerage, and negotiation. | - | 115,680 | - | - | - | (6,204) | (6,204) | |
| Browave Corporation | Browave (Philippines) Corporation | Philippines | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | 54,509 | - | 100,000,000 | 100 | 51,134 | (3,591) | (3,591) | |

Browave Corporation
Information on Investments in Mainland China - Basic Information
January 1 to December 31, 2022

Unit: In thousands of NTD
(Except as otherwise indicated)

Exhibit 7

| <u>Investee in Mainland China</u> | <u>Main Businesses</u> | <u>Paid-in Capital</u> | <u>Investment Method (Note 1)</u> | <u>Accumulated Investment Amount Remitted From Taiwan at the Beginning of the Period</u> | <u>Remitted or Recovered Investment Amount in the Period</u> | | <u>Accumulated Investment Amount Remitted From Taiwan at the End of the Period</u> | <u>Profit or Loss of the Investee For the Period</u> | <u>Shareholding Percentage of the Company's Direct or Indirect Investment</u> | <u>Investment Income or Loss Recognized in the Period (Note 2)</u> | <u>Carrying Amount of Investments at the End of the Period</u> | <u>Investment Income Remitted as of the End of the Period</u> | <u>Remarks</u> |
|-----------------------------------|---|------------------------|-----------------------------------|--|--|------|--|--|---|--|--|---|----------------|
| Browave (ZhongShan) Corporation. | Production of optoelectronic devices, optical fiber couplers, micro-optical products, and optical fiber passive components. | \$ 795,439 | 2 | \$ 795,439 | \$ - | \$ - | \$ 795,439 | \$ 40,772 | 100 | \$ 40,772 | \$ 715,960 | \$ - | |

| <u>Company Name</u> | <u>Accumulated Investment Amount From Taiwan to Mainland China at the End of the Period</u> | <u>Investment Commission, Ministry of Economic Affairs Approved Investment Amount</u> | <u>Limit of Investments in Mainland China Imposed by the Investment Commission, Ministry of Economic Affairs (Note 3)</u> |
|---------------------|---|---|---|
| Browave Corporation | \$ 795,439 | \$ 795,439 | \$ 1,326,189 |

Note 1: The investment methods can be divided into the following three types, and just indicate as such:

- (1). Invest in Mainland China directly.
- (2). Invest in Mainland China through a company in third regions (Browave Holding INC.).
- (3). Other method.

Note 2: The financial statements audited and attested by the attesting CPAs of the parent company in Taiwan.

Note 3: The limit of investment in accordance with the provisions of the letter (2001) Tai-Cai-Zheng (I) No. 006130 by the Investment Commission.