



Loop Telecommunication International, Inc.

2023 Annual Report

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(I) Business Report to Shareholders

Dear shareholders,

In 2023, apart from the United States and the United Kingdom, various countries in Europe successively launched the national infrastructure upgrade plans in response to the changing market dynamics. Additionally, there was an increasing demand for upgraded internet speeds, driven by emerging AI applications and corporate market needs. These factors contributed to the rising penetration rate of high-speed networking equipment, which boded well for the revenue of Taiwan's Network Communication Equipment industry. Loop Telecommunication responded to the transformation of the industry pattern and our long-established brand has obtained fruitful results in being highly recognized, which has been reflected in breakthroughs of revenue, gross profit, and the overall performance. Facing the ever-changing market revolution, the product has been successfully transformed into a contractor for value-added MCC solutions in recent years, which will have significant effects on the increase in subsequent operating income.

The consolidated revenue of the Company throughout the year was NT\$649,097 thousand, representing a growth of 48% from 2022; net income was NT\$199,659 thousand, and earnings per share were NT\$3.00. Since 2019, the profit margin of Loop Telecommunication has been maintained stably above 50%. Due to the promotion of infrastructure construction in the European and American markets, the continuous growth of emerging markets and the results of deep cultivation in the Taiwan market being reflected, the profit margin, operating profit margin and net profit margin have reached a record high over the years. A good result of growth in all three aspects was shown, which is quite amazing in the Networking Communication industry. In addition, we maintained favorable performance in terms of financial structure, solvency, accounts receivable turnover, and other financial indicators.

Regarding our business, there were 46 countries having business dealings with the Company worldwide last year. Export sales accounted for about 70% of the operating income throughout the year. Of which, there was significant growth in Americans, the European Union and Taiwan market, while India and the Middle East declined slightly. In terms of industry, electricity and government agencies accounted for 70% of the total revenue, and the transportation and private corporate market accounted for about 20%. In 2023, 80% of our operating income was from 9% of countries having dealings with us. Among all 27 product lines, 80% of the revenue was from 12% of the sales products. With the good prospects of the communication market, Loop Telecommunication has long cooperated with international SI factory. Europe and the United States are expected to continue to grow, and the domestic market has entered the next stage of development. The Southeast Asian market has been on recovery one by one and we have continue to develop emerging markets. Our active developments of next generation communication technology to flexibly meet customer demand will be regarded as the growth momentum under the new trend.

In recent years, Loop Telecommunication has developed mission-critical communications (MCC) solutions and successfully transformed its product strategy into a number of important infrastructure markets at home and abroad. Presently, most of the mission-critical backbone network infrastructure constructions based on SDH/SONET technology are about to be replaced. The technology needs to be upgraded to MPLS-TP based packet transmission network to replace the SDH/SONET based TDM technology to meet the high frequency bandwidth requirements service. Therefore, it is expected that the mission-critical backbone network is bound to enter a new wave of replacement tide in the next 5 - 10 years. In response to the rapidly changing market need, Loop Telecommunication's product line includes more than 30 products, and continues to expand the new features of new products such as G7860A, WDM1800, O9400-PTN10G, O9500-PTN10G and other mixed service multiplex equipment that provide a good transformation solution for customers in the growing pains of old and new backbone transmission communication technology conversion. Meanwhile, it enables customers to perform end-to-end circuit management in the new generation packet transport network through a network management system similar to the concept of TDM network, saving customers the potential cost of maintenance operations personnel training. Additionally, we have developed our own ultra-low latency zero packet drop protection switching technology for the access service product line (AM3440, IP6704A), which can solve the main hindrances that mission-critical users will encounter when facing the transition from backbone technology to packet transmission network, such as uncontrollable delay variation and asymmetric delay, etc. On the basis of these innovative technologies, Loop Telecommunication's all-round upgrade from transmission backbone and service access to network management system will provide customers with a total solution for dozens of MCC backbone networks to the access end.

This year, the Company's key development project is the flagship Loop-G7800, which is a new generation of PTN high frequency wide multi-function transmission access equipment, and a highlight of Loop Telecommunication's strong entry into the MCC market. Loop-G7800 is based on the Company's years of accumulation and continuous innovation of technology. The company has also invested in a large amount of cost to develop open-source management integrated automated test platform to improve quality control at all stages from R&D to production. We have also developed more than a dozen types of interface cards that support service multiple speeds. Apart from serving as a backbone node, G7800 can support 100G packet transmission network interfaces from traditional low-speed 64K circuits to the next generation of mission-critical backbone requirement on a single system, and can be configured according to customers' applications. The comprehensive feature allows customers to have more flexibility for network planning in the future; regardless of phased budgeting projects increased based on requirements or the new era overall transmission network solutions that wish to be settled at one go, the Loop-G7800 product line will be able to satisfy such customers. At present, multiple partners have been actively inquiring about the release of G7800.

Except for the major backbone and access network product series used worldwide, Loop Telecommunication has explored Information Security System (ISS), Artificial Intelligence Solution (AI Solution), iNMS-Big Data Analysis/AI, Automatic System Diagnosis and Repair, inet-Circuit Creation/Auto-Diagnostic, Corporate New Era Office Network, Corporate 5G Private Network, and other new technologies in recent years to expand into new markets of corporate and governmental information security network overall solution development. In recent years, due to frequent information security events, the requirements for information security of corporations and the government have been increasing. Loop Telecommunication has obtained ISO27001 information security certification and performed a firmware upgrade for different products catering to the MCC market to support FIPS 140-3. Meanwhile, the Company also plans to launch the Loop-ISS2150 mission-critical network firewall and Loop-ISS2110 government configuration baseline network setting management system to assist customers in establishing the optimized MCC information security protection environment.

Looking into to the future, the Company will continue to launch the following products and services

1. Primarily used in MCC market

- High frequency width multi-function transmission access equipment G7800:
- Circuit simulation capability, circuit handover matrix card G7800-XCU interface card with STM-64/OC-192 capacity
- G7800-CC4 main control card with 600G level exchange capability
- GFEO 10G interface card that supports L2 link level and L2.5/L3 end-to-end encrypted transmission technology
- GFE-PoE power over Ethernet interface card that supports PoE/PoE+/PoE++ and other specifications
- B2G5-2eos interface card that supports Ethernet packet transfer from SDH/SONET to PTN protocol conversion
- MXP-10GADM interface card that supports OTN optical plug multiplexing capability
- Highport E1/DS1 circuit emulates TE1-CEM interface card
- Highport E3/DS3 circuit emulates TE3-CEM interface card

2. Solutions primarily used in the interconversion from TDM transmission and packet transmission

- O9500R-8GES16SWA interface card that supports multiple virtual connection groups
- O9500R-PTN100G interface card with 400G level exchange capability
- O9500R-XGEO interface card with multi-port 10G expansion capability that supports encrypted transmission
- Inet network management system - circuit management and diagnosis module

3. Solutions primarily used in exclusive MCC's 5G for enterprises

4. MCC 5G-CPE and 5G CPE corporate core network service information security network solutions primarily used in new-generation corporate offices

- INMS and inet network management system-AI intelligent network management operation framework
- New generation corporate area network solution ISS2180 Next Generation Secured Office Networking Solution
- IIoT and video monitoring equipment iot0510 outdoor sensors
- OT operation technical information security equipment ISS2150 MCC-FW
- Government configuration baseline information security management system ISS2110 GCB-NE, GCB-Linux.

For future market strategies, the MCC market is enormous, and it requires customized overall solutions. At present, many countries have initiated dedicated acts for infrastructure. Due to the high competitiveness of Loop Telecommunication network transmission equipment and solutions, it has a leading position in the total solution market in the mission-critical communications through international partners and local system integrators. The next step is to expand the market through the advent of new products, which actively participate in large-scale communication exhibitions and arrange product seminars held in various countries, and publicize the effectiveness of Loop Telecommunication's new product features and enhance exposure opportunities and brand orientation.

Marketing strategy wise, apart from sharing the experience internationally, Loop Telecommunication's successful case in the new backbone transmission will develop more important new customer groups. In the MCC business, the annual service revenue is also one of the main revenue of products/solutions. Loop Telecommunication development team will develop a vertically integrated way to collect maintenance service revenue from customers in the international market, it is believed that it can bring more orders and drive operational performance for the Company. MCC networking product portfolio under the new business will strengthen the use of automated test system and the new product G7800 combined with the niche of various products, which will become the world's first star product, and is expected to become the growth focus for operations in the future. At present, Loop Telecommunication is the world's top three MCC solutions. Based on the existing foundation, the Company continues to reinforce its management and makes constant efforts by adhering to the philosophy of continuing to develop new products and exploring new markets. In the future, the Company will become a leader, grasp business opportunities, create excellent performance, and continue to strive for maximized operating performance for all shareholders.

The 2023 operating results, the summary of the 2024 business plan, future development strategies of the Company, and effects of the external competitive environment, regulatory environment, and macroeconomic environment are summarized and reported as follows:

1. The 2023 operating results

(1) Implementation achievement of the business plan

The consolidated revenue of the Company throughout the year was NT\$649,097 thousand, representing an increase of 48% from 2022; net income was NT\$199,659 thousand, and earnings per share were NT\$3.00. The profit margin of Loop Telecommunication has been maintained stably above 50% since 2019, which is a relatively outstanding performance in the network and communication industry. With the effects achieved through focusing on the market in Taiwan and the continual growth in different regions, Loop Telecommunication has adopted global sales and arrangements, and the regional ratio of the overall revenue will become more comprehensive. In addition, we maintained favorable performance in terms of financial structure, solvency, accounts receivable turnover, and other financial indicators.

(2) Budget execution:

Actual revenue surpassed internal estimates, driven by a favorable outlook in the communications market. Loop Telecom's long-term partnerships with international SI heavyweights are expected to sustain growth in Europe and America. The domestic market has also entered the next development phase, while the markets in Southeast Asia are recovering. Continued development in emerging markets and proactive advancement in next-gen communication technologies will fuel growth under new trends.

(3) Analysis of financial income and expenses, and profitability:

(In Thousands of New Taiwan Dollars)

Item		2022	2023	Ratio of increase (decrease)
Financial income and expenses	Net revenue	438,242	649,097	48.11%
	Gross profit	240,564	446,054	85.42%
	Net operating (loss) profit	14,509	193,270	1232.07%
	Interest income	4,029	15,525	285.33%
	Interest expenses	1,248	1,822	45.99%
Profitability	Return on assets (%)	6.60	17.01	157.73%
	Return on equity (%)	8.13	23.55	189.67%
	Ratio of net profit before tax to paid-in capital (%)	11.76	43.49	269.81%
	Net margin (%)	15.38	30.76	100.00%
	Earnings per share (NT\$)	0.95	3.00	215.79%

(4) R&D status:

In response to industry trends, the Company has always been focusing on the spirit of R&D; the R&D funding invested in 2023 was NT\$152,224 thousand, representing an increase of NT\$17,509 thousand (approximately 13%) from the R&D amount in 2022.

(In Thousands of New Taiwan Dollars)

Item	Year	
	2022	2023
Research and development expenses	134,715	152,224
Net revenue	438,242	649,097
Ratio to net revenue	31%	24%

From May 2019 to March 2024, equipment successfully developed by the Company is as follows:

May 2018	Completed the R&D of Loop-O9500R PTN/SDH/SONET/PDH IMAP and added PTN10G Interface Card to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
June 2018	Loop-AM3440 Access DCS-MUX passed the Alstom Systems India Private Limited Type Test and Factory Acceptance Test. Loop-iNMS Integrated Network Management System supported the Loop-O9500R PTN10G card MPLS VPLS/VPWS circuit management module.
July 2018	Loop-inet Intelligent Network Element Management System (EMS) supported the TDM circuit diagnosis and management module.
August 2018	Completed the R&D of Loop-AM3430 Access DCS-MUX. Completed the R&D of Loop-O9400R PTN/SDH/SONET ADM/TM and added PTN10G Interface Card to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
September 2018	Completed the R&D of Loop-AM3440 ABRA card and added the support for the Voice Bridge function. Completed the R&D of Loop-AM3440 Access DCS-MUX and added the support for the MQT1 board function. Completed the Loop-G7860A mPTN MPLS/CE Packet Transport Network to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
October 2018	Completed the R&D of Loop-AM3440 ABRA card for combination use with OCUDP card and added the support for the Data Bridge (MJU) function. Completed the R&D of Loop-AM3440 ABRA for combination use with 12FXSA card and added the support for the Voice Conference function. Loop-inet Intelligent Network Element Management System (EMS) supported the Loop-O9500R PTN10G card MPLS VPLS circuit management module.

November 2018	Completed the R&D of Loop-O9500R and added the support for the 4C37SFP LS-Fiber Optical interface card. Completed the R&D of Loop-O9500R and added the support for the 8-port Gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9500R 6UDTEA interface card and added the support for the Mode 5 RS422 interface and Local Loopback/Remote Loopback functions. Loop-O9500R passed the phase 1 plant acceptance test procedures for the RY MUX project of Taipower Company.
December 2018	Completed the R&D of Loop-AM3440-E IP/TDM DCS-MUX.
January 2019	Completed the R&D of Loop-O9610S-GE Gigabit Ethernet Electrical/Optical Converter.
February 2019	Completed the R&D of Loop-AM3440 CCPA Packet controller module with two Combo gbe (SFP/RJ45) interfaces for Dome uplink. Completed the R&D of Loop-G7820 L2/L3 Intelligent Switch. Loop-iNMS Integrated Network Management System supported the Loop-O9400R PTN10G card MPLS VPLS/VPWS circuit management module.
March 2019	Completed the R&D of Loop- IP6820 and added the support for the I4GEPOE+ interface, including 4 gbe ports, 2 dry contact ports, and IEEE802.3at poe + over 8 LAN ports.
April 2019	Loop-IP6704A TDMoEthernet passed the Alstom Systems India Private Limited Type Test and Factory Acceptance Test. Completed the R&D of Loop-O9400R and added the support for the 8-port Gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9400R PTN10G card and added the support for the L3 function.
May 2019	Loop-IP6810, Loop-IP6820, and Loop-O9500R passed the Kenya Power & Lightning Co. Ltd. Factory Acceptance Test. Completed the R&D of Loop-O9400R and added the support for the 8-port Gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9400R PTN10G card and added the support for the L3 function. Loop-iNET Intelligent Network Element Management System (EMS) supported the Loop-O9500R PTN10G card MPLS VPWS circuit management module and Loop-AM3440 TTA card Protection Profile.
June 2019	Completed the R&D of Loop-AM3440 and added the support for the VoIPGA interface card. Completed the R&D of Loop-O9550 and added the support for the VoIPGA interface card. Loop-iNET Intelligent Network Element Management System (EMS) supported the Loop-O9500R PTN10G card MPLS VPLS circuit management module.
July 2019	Completed the R&D of Loop-O9400R and added the support for the PTnext interface card.
March 2020	Completed the R&D of the new model Loop-O9150S SDH STM-1 TM/ADM.
April 2020	Completed the R&D of the new product Loop-WDM1800 Wavelength Division Multiplexing Multi-Service Platform.
June 2020	Completed the R&D of the new Loop-O9500R-8GES16SWA board.
August 2020	Completed the R&D of Loop-IP6704A and added support for the M4E1 and ODP interface cards.
December 2020	Completed the R&D of new model Loop-IP6704A-DACS (Digital Access Cross Connect System (DACS)).
December 2020	Completed the R&D of Loop-AM3440 8EMA/12FXSA/12FXOA/12MAGA OCUDP and supported the TELCO50 interface.
April 2021	Completed the R&D of new product Loop-AM3430 Access DCS-MUX.
June 2021	Completed the R&D of the new generation model of Loop-AM3440, including the new CCPB, supported Dome, TDMoIP and TDMoMPLS functions, and accommodated the interface cards of older models.
July 2021	Completed the R&D of Loop-iNMS, added the support for the Pseudowire Circuit Management (PWCKT), and provided Loop PTN networking management solutions.
December 2021	Completed the R&D of the new model Loop-G7820-24S and supported 8 x 1/10gbesfp+ports 24x1 Gbe SFP ports and 8 x 10/100M/1gberj45 ports.

January 2022	Completed the R&D of the new product Loop-WDM1800; the WDM module includes the following cards/boards: Transponder Modules Wavelength Division Multiplexing (Mux/Demux) Modules Optical Link Protection Modules Amplifier Modules Dispersion Compensation Modules (DCM) Optical Time-Domain Reflectometer (OTDR) Modules
May 2022	Completed the R&D of the new generation Dry Contact type C board, which may be used with Loop-O9500R PTN/SDH/SONET/PDH IMAP products.
September 2022	Completed the R&D of the new generation model of Loop-AM3440, including the new CCPB-8gehsa, supported Dome, TDMoIP and TDMoMPLS functions, and accommodated the interface cards of older models. <ul style="list-style-type: none"> • Packet controller module • Support cross-connect function • 4 x Gbe and 4 x FE/Gbe SFP interface with built-in L2 switch • Supports SAToP, CESoPSN, and MEF-8 • Up to 64 pseudowires • Supports SyncE
September 2022	Completed the R&D of the new product Loop-AM3440-E IP/TDM DCS-MUX MPLS-TP/CE SWITCH.
January 2023	Completed the R&D of the new board Muxponder, which can be used with Loop-WDM1800.
May 2023	Completed the R&D of Loop-G7820 L2/L3 Intelligent Switch that supports Layer 3 functions.
May 2023	Completed the R&D of Loop-G7860A mptn MPLS/CE Packet Transport Network equipment that supports 6 port DS3 interface cards.
July 2023	Completed the R&D of Loop-AM3430 Access DCS-MUX product, which can be used with 8SRU interface cards.
October 2023	Completed the R&D of the 12FXS02 and 12FXS03 audio interface card product, which can be used with the Loop-AM3440 Access DCS-MUX product.
October 2023	Completed the R&D of the new product Loop-G7800 PTN MPLS/CE Packet Transport Network interface that supports high-speed 100G/10G/1G Ethernet, and accommodated the AM3440/O9500-PTN series interface cards.
October 2023	Completed the R&D of the new CCPA02 control card for the Loop-O9500R PTN/SDH/SONET/PDH IMAP.
January 2024	Completed the R&D of the Loop-AM3440 CCPB- 8gehsa and added support for MPLS-TP and CE functions.

The R&D Department completed a total of 10 brand-new and derived new products during the year, with products primarily focusing on inet, iNMS, IP, PDH, SDH, MPLS, and Dome. Apart from iNMS, G7860A, O9400R-PTN10G, O9500R-PTN10G and other series products, Loop-G7800 is the future development focus. In accordance with the market demand, the Company will continue to develop new products and new technologies to satisfy customers' requirements.

Current status of existing products and new products of the Company and future sales application and development are as follows:

Access multiplexer series products:

Loop-AM3440 of the Company is widely adopted worldwide, including the power system, transportation, governmental and military communication network, and other markets in Taiwan. Its high reliability, stability, various access interfaces, and the application cards developed based on customers' application requirements allow Loop-AM3440 to continue to maintain the leading position in the access multiplexer market.

Broadband packet backbone networks have become popular; however, the tradition TDM access service for end equipment is still generally being used. In response to the actual requirements of the market, the Company developed cards that carry TDM via packet transport network by using the self-owned FPGA technologies to allow AM3440 to satisfy the point-to-point communication of access to TDM and IP-mixed networks. Meanwhile, we also tested and verified that AM3440 is able to satisfy the stringent requirements in terms of delay of the end operations in the packet networking environment with large-scale international companies. The outstanding performance and reliable quality will make it an indispensable access multiplexer for the new generation NG-SDH and PTN backbone network.

Optical communication equipment:

For optical communication equipment, the Company primarily provides transmission communication equipment, telecommunication broadband products, optical fiber network access equipment, local end equipment, and other products; at present, the Company's optical communication transmission equipment continues to maintain its mainstream position.

The Company's optical communication transmission equipment continues to maintain its mainstream position. Loop-O9100, Loop-O93XX, Loop-O9400R, Loop-O9400S, Loop-O9500R, Loop-O9400 PTN10G, Loop-O9500 PTN10G, and other products will become the main force of the Company in the market. In addition, the development of optical communication products in recent years has turned from bottom speed, high speed, to high speed and large bandwidth. FOM products of low threshold are low speed. STM-16 products are high speed up to 2.5Gbps. Loop-O9400R and Loop-O 9500R will improve from STM-4 (a speed of 622Mbps) to STM-16 (a speed of 2.5Gbps) to align with the SDH international standards for optical fiber transmission equipment and packet transport network (PTN) with high speed and large bandwidth of up to 10Gbps. (PTN: Packet Transport Network). Furthermore, LOOP-AM 3440, one of the major sales products, was redesigned, and the SDH/SONET interface was added, and it became Loop-O 9550, the new generation SDH and IP-mixed equipment. Apart from this, the Company has completed the development of the new product PTN10G card for the Loop-O9500 PTN10G and O9400 PTN10G series products.

PTN transport equipment possesses a transfer capacity of up to 100G, is equipped with automated path routing ability, and provides multiple service integration platform interfaces that are organized based on customers' requirements for applications. The connection of optical fiber interfaces will be adopted to form the transmission relay to comprehensively integrate and accommodate various service interfaces and various functions for satisfying customers' requirements. This will allow the product lines of optical communication transmission equipment of the Company to become more comprehensive and allow it to provide total solutions as an optical communication transmission equipment supplier.

IP transmission equipment series products:

The Company has launched Loop-IP6704A/IP6702A/AM3440-E TDMoIP that can transmit T1, E1, and Voice signals on IP networks and Loop-IP 6416 Inverse Mux that can transmit IP data and Voice signals on PDH network. For Loop-IP 6704A products, we have successfully developed the increase in multiple different interface channels and added TDMoIP function cards for Loop-AM 3440 and Loop-O 9500. The Company directly developed TDM over Ethernet; under the segregation of adding the FPGA design, it maintained its advantages through maintaining the upgrades of product functions, uniqueness of customization, and the timeliness of time to market. The Company has always been attaching its attention to the development of new products. For the TDM over Ethernet product and equipment market, it is confident that it can develop products that compete with large-scale international companies; by doing so, it hopes to bring up the trend for the R&D capacity of the communication system industry in Taiwan to make further breakthroughs, and to secure a seat as a top-tier large-scale international company. In addition, the design of LOOP-IP6750 is the first network equipment of the Company that combines PDH E1, TDMoIP, Gigabit Ethernet, and IEEE 1588 V2 functions. The development of IP6750 not only satisfies the functional requirements of the third-generation ED. With our R&D experience accumulated over two decades, we decided to introduce the FPGA design to improve the flexibility for customization and functional upgrades of products in the future, which is the segregation with the design of large-scale companies at present. Due to the introduction of the FPGA design, we possess mobility, timeliness, and uniqueness of customization for the R&D of new functions in the future to satisfy the requirements of customers in the market. The Company

focused on the R&D of CO-end and CPE-end equipment. For the R&D segregation, apart from placing the standardized IC into the design, as the existing standards and protocols are not sufficient for the application of actual circuits and functions, peripheral circuit designs and the innovation of FPGA system functions are required to be introduced. The Company adopted the existing standards as the foundation and introduced the peripheral circuit design to create new functionality and innovation breakthroughs.

Corporate grade network management and integration solution:

With the booming development of network technologies and the constant new development of network management technologies, the heterogeneity, diversification, and complexity of network systems have gone far beyond the level that can be understood by network management professionals in the past. The third-generation network management system of the Company provides integrated smart network management solutions. Based on the logical layer network management structure formulated by ITU-T, the iNMS flagship network management system supports the newly launched MPLS-TP and PTN-10G innovative products and equipment, provides point-to-point operation planning, remote route building, built-in diagnosis, and other automated functions that can significantly reduce the costs of users generating from operating expenses and effectively improve the business execution efficiency. In addition, the developing inet network management system has low coupling and high integration features. We were contracted for the metro network management integration of Orlando and Tampa airports in the U.S., the parallel integrations of NEC train marks, and the CCTV safety control monitoring systems in Taiwan, providing comprehensive turnkey solutions for customers. The Company is the OEM/ODM network equipment and network management system supplier of GE in the U.S. (power applications account for approximately 50% of the total turnover of the Company). Apart from actively participating in material domestic and foreign power system projects leveraging its network management system, the Company has been selected as the supplier for the network management solutions of material transportation constructions (i.e., metro in Singapore and metro in Indonesia). For network element management, in response to the market trends, the Company has launched brand-new graphical network management setting tools to replace local craft terminal (LCT) setting tools in the form of orders in the past, providing convenient and friendly user experiences and operating environments for customers. Adhering to its reputation and faith as the top brand of network communication equipment in Taiwan, the Company seeks advances in the field of network management and has been actively pursuing the improvement in the awareness of Taiwan in the international market.

4G LTE base station transmission equipment:

Customers of the Company are mostly from developing countries (i.e., India, Southeast Asia, and the Middle East); countries in such regions have an increasing demand for the communication equipment of the Company at present. Furthermore, the Company is actively developing smart network equipment management systems and IP transmission equipment to satisfy the requirements of the future market. Currently, the development of the MPLS-TP 10G carrier Ethernet equipment we invested in is completed, and we continue to explore relevant product lines. In the future, the Company will also make arrangements for the design of 5G communication products.

2. Summary of the Business Plan of the Year (2024)

(1) Business policy

The consolidated revenue in 2024 Q1 was NT\$113,879 thousand, revenue decreased by 25% compared to the same period in the previous year, and the earnings per share was NT\$0.63. The profit margin of Loop Telecommunication has been maintained stably above 50% since 2019, which is a relatively outstanding performance in the network and communication industry. With the effects achieved through focusing on the market in Taiwan and the continual growth in different regions, Loop Telecommunication has adopted global sales and arrangements, and the regional ratio of the overall revenue will become more comprehensive. In addition, we maintained favorable performance in terms of financial structure, solvency, accounts receivable turnover, and other financial indicators. With the stabilization of the pandemic, it is likely to maintain the growth in the European and American region as in prior years, and the development of the market in Southeast Asia and different regions has also recovered. Loop Telecommunication has long been cooperating with large-scale international SI companies to develop markets and new products, which is deemed as the market driver under the trend of the new norms.

(2) Estimated sales volume and its basis, and material production and marketing policy

Due to the transition in the industry pattern of Loop, it will achieve the objectives of low costs and high performance, leveraging its product R&D capacity accumulated for nearly 30 years and through effective resource management. In recent years, we have promoted the use of MCC (Mission Critical Communication) in particular application fields, and there was a breakthrough reflected in our profit margin and overall performance.

For the business, there are 30 countries worldwide having business dealings with the Company. Benefiting from the recovery plan in Europe and the infrastructure act in the U.S., export sales accounted for approximately 80% of our revenue throughout the year. By industry, the power market accounts for 40%, and governmental agencies account for 30% of the total revenue. In the first quarter of 2024, 80% of our revenue was from 13% of countries having dealings with us. Among all 32 product lines, 80% of the revenue was from 10% of the sales products.

3. Future development strategies

The Company's key development project this year is the flagship Loop-G7800, a next-generation PTN high-bandwidth multi-functional transmission access equipment. It is a major highlight of Loop's strong entry into the MCC market. The Loop-G7800 is based on The Company's years of accumulated and continuously innovative technology. At the same time, the Company has invested heavily in developing a source code management integrated automated testing platform to enhance quality management in every stage from R&D to production. In addition to serving as a backbone node, the G7800 also supports over a dozen types of interface cards that accommodate multiple rates of service. This enables support for a range of network interfaces from traditional low-speed 64K circuits to next-generation critical mission backbone requirements of 100G packet transmission networks, all within a single system. Furthermore, configurations can be tailored according to customer applications. The comprehensive feature allows customers to have more flexibility for network planning in the future; regardless of phased budgeting projects increased based on requirements or the new era overall transmission network solutions that wish to be settled at one go, the Loop-G7800 product line will be able to satisfy such customers. At present, multiple partners have been actively inquiring about the launch of G7800.

Except for the major backbone and access network product series used worldwide, Loop has explored Information Security System (ISS), Artificial Intelligence (AI), iNMS-Big Data Analysis/AI, automatic system diagnosis and repair, inet-Circuit Creation/Auto-Diagnostic, corporate new era office network, corporate 5G private network, and other new technologies in recent years to expand into new markets of corporate and governmental information safety network overall solution development. In recent years, due to frequent information security events, the requirements for information of corporations and the government have been increasing. Loop has obtained the ISO27001 information security certification and performed a firmware upgrade for different products catering to the MCC market to support FIPS 140-3. Meanwhile, the Company also plans to launch the Loop-ISS2150 mission-critical network firewall and Loop-ISS2110 government configuration baseline network setting management system to assist customers in establishing the optimized MCC information safety protection environment.

Looking into the year ahead, the Company will continue to launch the following products and services

1. Primarily used in the MCC market

- High-bandwidth multi-functional transmission access equipment G7800:
- Features electronic circuit simulation functions. Circuit switching matrix card G7800-XCU interface card with STM-64/OC-192 capacity
- G7800-CC4 main control card with 600G-level switching capability
- The GFEO 10G interface card supports L2 link-layer and L2.5/L3 end-to-end encryption transmission technologies
- The GFE-poe Ethernet power sourcing equipment (PSE) interface card supports specifications such as poe/poe+/poe++
- The B2G5-2eos interface card supports the conversion of Ethernet packets from SDH/SONET to PTN protocols
- The MXP-10GADM interface card supports OTN optical channel grooming capability
- The TE1-CEM interface card supports high-port density E1/DS1 circuit emulation
- The TE3-CEM interface card supports high-port density E3/DS3 circuit emulation

2. Solutions primarily used in the conversion for TDM transmission and packet switching transmission
 - The O9500R-8GES16SWA interface card supports the functionality of multiple virtual connection groups
 - The O9500R-PTN100G interface card has a switching capability at the 400G level
 - The O9500R-XGEO interface card supports multi-port 10G expansion capability with encryption transmission support
 - Inet network management system - Circuit management and diagnostic module
 - Solutions primarily used in exclusive MCC's 5G for enterprises
 - MCC 5G CPE corporate and core network service
3. Information security solutions primarily used in new-generation corporate offices
 - INMS and inet network management systems - AI intelligent network management operation framework
 - Next Generation Enterprise LAN Solution ISS2180 Next Generation Secured
 - Office Networking Solution
 - Iiot and video monitoring equipment iot0510 outdoor sensors
 - OT operating technology information security equipment ISS2150 MCC-FW
 - Government Configuration Baseline Security Management System ISS2110 GCB-NE, GCB-Linux

For strategies in the future market, the MCC market is enormous and requires customized overall solutions. At present, many countries have initiated dedicated acts for major infrastructure. Loop's network transmission equipment and solutions are highly competitive. With the Company's international partners and local system integration suppliers, it occupies a leading position in the MCC overall solution market. The next step is to expand the Company's market presence by actively participating in major communication exhibitions held worldwide and organizing product seminars. Through showcasing the performance and features of new Loop products, the Company aims to increase exposure and enhance brand visibility.

Regarding the marketing strategy for sharing the experience of the successful new backbone transmission case of Loop Telecommunications with the international society, it may develop new customers and spare no effort in creating critical new customer groups. In the MCC business, annual service revenue is also one of the main sources of income alongside product/solution sales. Loop Telecom's team will develop a vertical integration strategy to target international customers for maintenance service revenue. This is expected to generate more orders for the company and boost its operational performance. Combining the MCC networking product portfolio will enhance its utilization of automated testing systems under the new business. The niche of integrating the new G7800 with various products will create a globally leading product, which is likely to become the growth focus for operations in the future. At present, Loop Telecommunication is one of the top three companies for MCC solutions around the world. Based on the existing foundation, the Company continues to reinforce its management and makes constant efforts by adhering to the philosophy of continuing to develop new products and explore new markets. In the future, the Company will become a leader, grasp business opportunities, create excellent performance, and continues to strive for the maximized operating performance for all shareholders.

4. Effects of the external competitive environment

During the period of uncertain prospects due to the sluggish economy in the external environment, the Company continued to strive to achieve its objective of annual growth for different operations. In 2023, 80% of the revenue came from the 9% of countries having dealings with the Company. Among all 27 product lines, 80% of the revenue was from 12% of the sales products. Adhering to the continuous development of new products and new markets is the way to maintain competitive. In terms of market and industry, we have achieved the effects of dispersed revenue and healthy development in regions worldwide. Certain competitors within the industry exited the market successively, and the dependence of existing customers on Loop has increased instead of decreased.

5. Effects of the regulatory environment and macroeconomic environment

The management team has been keeping abreast of policies and laws, and regulations that may affect the business and operations of the Company. In 2023, changes in relevant laws and regulations had no material effect on the Company's operations.

We wish you, ladies and gentlemen,
Good health and the best of luck.

Chairman: Yeh Maw-Lin

President: Yeh Maw-Lin

Chief Accountant: Chang Xiao-Ling

(II) Company Profile

1. Establishment Date

December 3, 1991

Address and phone number of headquarters, branch offices and plants

Headquarter: 6F, No.8, Xin'an Road, Hsinchu Science Park

Tel.: (03) 5787696

Plant: 7F, No.8, Xin'an Road, Hsinchu Science Park

Tel.: (03) 5787696

Taipei Office: 6F, No.36, Alley 38, Lane 358, Ruiguang Road, Neihu District, Taipei City

Tel.: (02) 26590399

Tainan Office: 10F, No.88, Zhongshan Road, West Central District, Tainan City

Tel.: (06) 2226860

2. Company History

Year/month	Milestone
July 1991	With the approval of the Science Park Bureau, the preparatory office of the Company applied with the Bureau to invest in the establishment of "Loop Telecommunication International, Inc." in May 1991.
December 1991	Rented a plant at 1F, No.11, Gongye East 9th Road, Hsinchu Science Park. Formally established Loop Telecommunication International, Inc.. The registered capital was NT\$225 million. The paid-in capital was NT\$56.25 million.
February 1992	Performed a capital increase in cash of NT\$9.9 million.
April 1992	Formally commenced feeding and pilot production.
November 1992	The "general and private line user telemetering maintenance terminator" received innovative technology research plan subsidies from the Park Bureau.
February 1993	Performed a capital increase in cash and from technology contribution of NT\$53.85 million.
April 1993	The "network access equipment" received crucial part and component R&D product subsidies from the Park Bureau.
November 1993	Rented a plant at 2F, No.22, Zhangye 2nd Road, Hsinchu Science Park.
December 1993	The "subtitle telephone and multi-function front-end processor" received innovative technology research plan subsidies from the Park Bureau.
June 1994	The "smart high-speed digital network service system" received innovative technology research plan subsidies from the Park Bureau. The "second generation digital wireless CT2 base and handphone" received the crucial par and component R&D product subsidies from the Park Bureau.
August 1994	The "T-2200 network access equipment" produced by the Company passed the production capacity inspection of the Telecommunications Bureau in Taiwan.
September 1994	The "high-speed T1/E1 digital network access equipment" produced by the Company won the Innovative Product Award from the Science Park in 1994.
February 1995	Our phone telemetering interface processors obtained a patent from the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs.
March 1995	FT1 CSU/DSU 100/200 won the Excellence Award from the Ministry of Economic Affairs.

Year/month	Milestone
May 1995	The testing method of our high-speed data transmission machine obtained a patent from the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs.
June 1995	Passed the ISO-9001 quality assurance certification.
August 1995	The "frame-relay transmission network equipment with data compression functions" received the crucial par and component R&D product subsidies from the Park Bureau.
April 1997	The "European high-speed symmetric user line transmission equipment" received innovative subsidies.
August 1997	The "IDSL high-speed multiplexer" received innovative subsidies.
September 1997	Performed a capital increase in cash and from technology contribution of NT\$75 million, and the paid-in capital became NT\$195 million.
December 1997	Became a public company.
May 1998	Re-elected Directors and supervisors, and Mr. Jin Shi-Tian was newly elected.
July 1998	Completed the R&D of "European E1 secured communication transmission equipment" and obtained innovative technology subsidies from the Park Bureau.
November 1998	E1200 obtained the CE168X and BABT certifications.
January 1999	The Ministry of Economic Affairs approved investments in Tianjin Xingtong and Hangzhou Xingtong in Mainland China via a business in a third-party region.
July 1998	Completed the R&D of the "multi-media consolidation time slot exchanger" and received the SME R&D promotion product subsidies from the Ministry of Economic Affairs.
June 1999	The registered capital was NT\$365 million. The "corporate Internet telephone and data system" received the dominating new product development subsidies from the Industrial Development Bureau, Ministry of Economic Affairs.
September 1999	Performed a capital increase in cash and from technology contribution of NT\$30 million and a capital increase from earnings in 1998 of NT\$65 million, and the paid-in capital became NT\$290 million. Entered into a plant construction contract with Futsu Construction Co., Ltd.; the Company possesses a self-built plant of 2,200 pings.
November 1999	Received the Rising Star Award from the Asia Pacific Industry Research and Development Fund. Received the mentoring program subsidiaries for the "CE label" of industrial products from the Industrial Development Bureau, Ministry of Economic Affairs. Rated as a "level A" company in terms of technology management and financial position by the Ministry of Economic Affairs.
December 1999	LOOP-4200 products won the Excellence Award from the Ministry of Economic Affairs.
March 2000	The Ministry of Economic Affairs approved investments in Zhejiang Quark Software Co., Ltd. In Mainland China via a business in a third-party region
April 2000	The Ministry of Economic Affairs approved investments in Tianjin Xingtong Smart Instruments Co., Ltd. In Mainland China via a business in a third-party region.
May 2000	The registered capital was NT\$471.6 million.
August 2000	The SFC approved the shares of the Company to be traded on the Taipei Stock Exchange. Performed a capital increase from earnings in 1999 of NT\$101.65 million, and the paid-in capital became NT\$391.65 million.
September 2000	Received the 9th National Award of Outstanding smes. The self-built plant of 2,200 pings was completed.
December 2000	IMAP passed the NEBS certification of the U.S..

Year/month	Milestone
February 2001	Our shares were listed on tpex.
March 2001	The "Loop-V 4200-9" obtained the EN60950, UL1950, and CSA22.2 certifications.
April 2001	The "data and digital audio message identification method" obtained a certification from the United States Patent and Trademark Office.
June 2001	The "Loop-V 4200-28" obtained the NEBS: GR-63-Core/ESU certification.
August 2001	The "Loop-V 4200-28" obtained the NEBS: GR-1089-CORE / Telecom, GR-63-CORE / ESU, and EMC certifications.
September 2001	Performed a capital increase from earnings in 2000 of NT\$130.35 million, and the paid-in capital became NT\$522 million.
October 2001	The "Loop-H3900" obtained the India Interface Approval Certificate. Loop-V 4200-28 IMAP won the 8th Taiwan smes Innovation Award. Won the 9th Industrial Technology Advancement Award from the Ministry of Economic Affairs. Won the Excellent Company Innovative Product Award of the Science Park The "network access equipment with IP-VPN" received innovative technology subsidies from the Park.
December 2001	Loop-V 4200-28 IMAP won the Innovative Product Award of the Science Park in 2001.
June 2002	The Ministry of Economic Affairs approved investments in Suzhou Loop Co., Ltd. In Mainland China via a business in a third-party region.
August 2002	The SFC approved the shares of the Company to be transferred from the Taipei Stock Exchange to the Taiwan Stock Exchange for trading.
November 2002	The "high-density optical fiber time slot exchange equipment" received the Innovative Technology R&D Award from the Hsinchu Park Bureau.
September 2003	Issued the first tranche of secured domestic convertible corporate bonds.
November 2004	The "EFM access network system and crucial module vertical integration technology development project" obtained funding and subsidies under the science R&D project of the Ministry of Economic Affairs.
June 2006	Completed the R&D of the second generation C5500 Mizar Controller and obtained the certification from Chunghwa Telecom.
December 2006	Completed the development of Loop-H 3308-4 multi-wire ultra-broadband to transmit 10/100 M Ethernet/IP and a patent application had been made for the technology, which is the first in Taiwan.
June 2007	Purchased the Taipei Neihu Plant of a total of 448m2 to establish the second R&D center.
August 2007	Purchased the 6th floor of the building of a total of 3,129m2 to expand the production capacity.
December 2007	Acquired the equity of Tianjin Loop Electron Technology Co., Ltd. From the initial shareholders, and the equity held increased from 50% to 75%. Issued the second tranche of employee stock options in the amount of 2,000 thousand shares. Sold 649 thousand treasury shares to employees.
August 2009	The Loop-O 9400-6R STM-16/OC-48 high-speed interface has a speed of up to 2.5Gbps, and the product won the "Hsinchu Science Park 2009 Product Innovation Award."
October 2009	Completed the Integrated Network Management System (iNMS).
June 2000	The Loop-O 9340 LEAPS product won subsidies from the "Hsinchu Science Park Foundation Solidification and Advancement Research Project Subsidized by the National Science and Technology Council, Executive Yuan." Chairman Jin Shi-Tian's term of office expired, and the Board elected Mr. Yeh Maw-Lin as the new Chairman.

Year/month	Milestone
January 2011	Completed the R&D of Loop-AM 3440 and added the 1FOMA interface. Completed the R&D of Loop-W 8220 2.5/3.5ghz Outdoor wimax CPE. Completed the R&D of Loop-ACC-RSSI-Meter Receiver signal strength indicator tool.
February 2011	Completed the R&D of Loop-IP 6702 to adopt the use of IP to transmit traditional E1/T1 communication signals.
March 2011	Completed the R&D of Loop-O 9500 and added the MAG interface. Completed the R&D of Loop-W 8140 wifi integration wireless system that supports the IEEE 802.11a/b/g/n standards.
April 2011	Completed the R&D of the second generation Loop-IP 7920 Gbps Ethernet demarcation equipment. The Loop-IP 7920 Gbps Ethernet demarcation equipment ring application equipment and development plan received the subsidies under the "Small-scale Enterprise Innovative R&D Project of the Ministry of Economic Affairs."
May 2011	Completed the R&D of Loop-ACC RSSI Meter.
July 2011	Completed the R&D of Loop-AM 3440 and added the PLM card.
July 2011	Completed the R&D of Loop-V 4200-9 and added the PLM card.
September 2011	Completed the R&D of Loop-G 1701 Powerline 500M Wall Plug Ethernet Bridge.
October 2011	Completed the R&D of Loop-C 5600 and added the H3304RA card.
October 2011	Completed the R&D of Loop-H 3310 2BRH interface.
February 2012	Completed the R&D of Loop-W 8210 wimax 3.5G Outdoor BS/SS.
March 2012	Completed the R&D of Loop-IP 6820 Self-Healing Ring NTU.
April 2012	Completed the R&D of Loop-IP 7920 Optical Bypass Module.
May 2012	Completed the R&D of Loop-O 9150S SDH STM-1 TM/ADM.
June 2012	Completed the R&D of Loop-AM 3440 and added the 8UDTE card. Completed the R&D of Loop-W 8150 wifi integration wireless system that supports the IEEE 802.11a/b/g/n standards.
July 2012	Completed the R&D of Loop-W 8210 wimax 5.8G Outdoor BS/SS. Completed the R&D of Loop-inet web-based intelligent network management system.
August 2012	Completed the R&D of Loop-O 9500 and added the 8DBRA card. Completed the R&D of Loop-IP 6510-LN Multiple WAN Router. The Ministry of Economic Affairs approved an indirect capital increase in Chongqing Loop Technology Co., Ltd. In Mainland China via a business in a third-party region, and the share capital increased from US\$2.1 million to US\$2.4 million.
September 2012	Completed the R&D of Loop-AM 3440-8UDTEA card.
November 2012	Completed the R&D of Loop-V 4150 high capacity DS0 Cross Connect System. Completed the R&D of Loop-V 4150 Relay Protection Shelf that supports 1:N board protection.
March 2013	Completed the R&D of Loop-O 9500 and added the 3E1 card.
April 2013	Completed the R&D of Loop-IP 6702 and added the IP optical port transmission of E1/T1 communication signals. Completed the R&D of Loop-E 15002S and added the 8-channel Alarm Input interface.
May 2013	The Loop-G 7860 (general label PTN project) received "subsidies under the Dominating New Product Development Project" of the Institute for Information Industry.

Year/month	Milestone
May 2013	Completed the R&D of Loop-IP 6820 Self-Healing Ring NTU and added the DTE (RS232/RS422/RS485) interface.
	Completed the R&D of Loop-inet web-based intelligent network management system that supports traditional Chinese and simplified Chinese interfaces.
	Completed the R&D of Loop-O 9500 and added the CONF card.
June 2013	Completed the R&D of Loop-IP 7925 Carrier Ethernet Transport with CFM & ERPS.
July 2013	Completed the R&D of Loop-V 4150 and added the 3 port T3 card with MX3 functions.
August 2013	Completed the R&D of Loop-O 9500 and added the 8UDTE card.
	Completed the R&D of Loop-O 9550 SDH/SONET IMAP.
	Completed the R&D of Loop-W 8171 2.4G wifi Module.
	Completed the R&D of Loop-inet web-based intelligent network management system that supports the File Transfer Tool to provide users with convenient equipment software and equipment backup with an upgraded interface.
September 2013	Completed the R&D of Loop-O 9500 and added the DC 48V~125V power module.
	Completed the R&D of Loop-inet web-based intelligent network management system that supports Graphical Cross Connection Tool to provide users with convenient graphical interface settings and circuit inquiries.
October 2013	Purchased the Tainan Plant of a total of 940.43m2 to use as an R&D center.
November 2013	Completed the R&D of Loop-AM 3440 and added the Echo Canceller (ECA) card.
	Completed the R&D of Loop-AM 3440 8UDTE card and added the Terminal Server and Omnibus functions.
December 2013	Completed the R&D of Loop-inet web-based intelligent network management system that supports network system backup and protection functions.
	Completed the R&D of Loop-IP 6610 that supports the industry-grade working temperature of -40oc~70oc.
	Completed the R&D of Loop-IP 6763 to maximize the support for 512 Pseudowires.
	Completed the R&D of Loop-O 9550-CGC 3U Chassis.
	Completed the R&D of Loop-ACC-RPT Radio Planning Tool.
February 2014	Completed the R&D of Loop-V 4150 3 port T3 card and added the 1:1 protection functions.
March 2014	Completed the R&D of Loop-AM 3440 and added the V.110 card.
	Completed the R&D of Loop-iNMS integrated network management system that supports the Pseudowire Circuit Management function.
	Completed the R&D of Loop-O 9550-CGD 2U Chassis.
	Completed the R&D of Loop-O 9400R-CHAA 6U Chassis that supports up to 2.5G Mbps mapping bandwidth and the new card 4GESW.
April 2014	Completed the R&D of Loop-O 9550 and added the Fiber Optical (FOM) card.
May 2014	Completed the R&D of Loop-AM 3440 and added the Analog Bridge (ABRA) card.
	Completed the R&D of Loop-inet integrated network management system that supports NE Firmware Upgrade and Configuration Upload/Download functions and Auto Discovery functions.

Year/month	Milestone
July 2014	Completed the R&D of Loop-AM 3440 and added the Mini LS-Fiber Optical (M1C37) card.
	Completed the R&D of Loop-AM 3440 and added the ixc3440 Craft GUI Mapping Tool.
	Completed the R&D of Loop-AM 09400R and added the 4GESW card.
September 2014	Completed the R&D of Loop-O 9550 and added the Mini LS-Fiber Optical (M1C37) card.
	Completed the R&D of Loop-V 4150 and added the STM-1/OC3 (B155) card.
November 2014	Completed the R&D of Loop-W 8140 and added the Router function and the built-in Iperf Throughput Diagnostic function.
	Completed the R&D of Loop-inet integrated network management system that supports Cross Connect Mapping Export/Import functions.
December 2014	Completed the R&D of Loop-IP7930 Ethernet Demarcation Device (EDD).
	Completed the R&D of Loop-inet integrated network management system that supports ecfm functions and Log Server functions.
January 2015	Completed the R&D of Loop-O9170 SDH STM-1 MUX system.
February 2015	Completed the R&D of Loop-AM3440 8UDTE card to support Half Duplex mode under the Terminal Server and Omnibuse functions.
	Completed the R&D of Loop-IP6320 L2/L3 Intelligent Switch.
	Completed the R&D of Loop-W8150 802.11 a/n and b/g/n Wireless Device.
March 2015	Completed the R&D of Loop-IP6830 Industrial Ethernet Device.
	The Tainan R&D Center is formally put into use.
April 2015	Completed the R&D of Loop-AM3440 and added the 3T1 card.
May 2015	Completed the R&D of Loop-inet integrated network management system that supports the Loop-IP6320 management functions and provides Loop-O9170 Graphical Cross connection tool.
	Completed the R&D of the introduction tools for the Loop-inet integrated network management system for users to carry out circuit marker and Performance management.
	Completed the R&D of the full introduction of the Loop-inet integrated network management system to the loopview network management System.
June 2015	Completed the R&D of Loop-O9170 SDH STM-1 MUX and added RS232/RS485 and FXS/FXO/E&M interfaces to the TG4/TG5 expansion card slot.
	Completed the R&D of Loop-AM3440 and added the SDA-24Vdc/-48Vdc (-18 to -75 Vdc) 150W power module.
	Completed the R&D of Loop-IP6330 gbe Intelligent Switch.
July 2015	Completed the R&D of Loop-AM3440 Dome card and added the MEF8 function.
	Completed the R&D of Loop-O9550 and added the 6-channel RS232 with V.110 encoding (6RS232A) card.
August 2015	Completed the R&D of Loop-O9400R Fanless CHAA Chassis.
	Completed the R&D of Loop-O9400R and added the tdmog card.
	Completed the R&D of Loop-O9500R and added the STM-1/4/16 (OC-3/12/48) Controller (CC16).
October 2015	Completed the R&D of Loop-G7860 mptn MPLS/CE Packet Transport Network equipment.

Year/month	Milestone
November 2015	<p>Completed the R&D of Loop-AM3440 and added the Mini Quad E1/T1 (4-channel E1/T1 interfaces) card (M4TE).</p> <p>Completed the R&D of Loop-iNMS Integrated Network Management System and added the Pseudowire Circuit Management Subsystem, including Pseudowire Circuit for TDMoIP, Dome and MPLS-TP.</p>
December 2015	Completed the R&D of IP7930-B and added 2 pairs of Ethernet Bonding ports.
January 2016	Completed the R&D of Loop-AM3440 and added the Transfer Trip card (TTA).
February 2016	Completed the R&D of Loop-O9500R and added the Fanless CHAA Chassis.
April 2016	<p>Completed the R&D of Loop-O9500R and added the 6-channel UDTEA (6UDTEA) card.</p> <p>Completed the R&D of Loop-G7860 and added Two port 10gbe cards with SFP+ interfaces (2XG).</p> <p>Completed the R&D of Loop-O9400R and added the Multiplex Section-Shared Protection Rings (MS-springs) function.</p>
May 2016	Completed the R&D of Loop-W8230 Packet Microwave Radio equipment.
June 2016	<p>Completed the R&D of Loop-G7860 and added the STM-1/OC3 or STM-4/OC12 interfaces (B16) card.</p> <p>Completed the R&D of Loop-inet and added the TDM tools.</p> <p>Completed the R&D of Loop-iNMS, added the Pseudowire management tools, and provided the Loop-G7860 PTN product integration management platform.</p>
July 2016	<p>Completed the R&D of Loop-AM3440 and added the 6-channel G.703 (6CDA) card. Supported Co-directional and Contra-directional models.</p> <p>Completed the R&D of Loop-AM3440 6-channel UDTEA (6UDTEA) cards and added X.21, RS422, RS232, and V110 sub-rate interfaces.</p> <p>Completed the R&D of Loop-IP6702A TDMoEthernet equipment.</p> <p>Completed the R&D of Loop-O9400R and added the STM16/OC-48 Interface Module (B2G5) card.</p>
August 2016	Completed the R&D of Loop-inet and added the third-party equipment connection interface; the Intrusion Alarm System (IAS) utilizes an alert to trigger CCTV; when an alert occurs, the image of CCTV will immediately show on the CCTV management interface.
September 2016	Completed the R&D of Loop-O9340S Multi-Services Gigabit FOM that complied with the information safety requirements of Chunghwa Telecom and passed the tests of the Chunghwa Telecom laboratories.
October 2016	Completed the R&D of Loop-O9500R SDH/SONET IMAP that supports 4 port gbe card (4GESW).
November 2016	Completed the R&D of Loop-G7860 mptn MPLS/CE Packet Transport Network that supports 8 port gbe/FE card with SFP interfaces (8SFP)
December 2016	<p>Completed the R&D of Loop-LCT Graphical Configuration Tool.</p> <p>Completed the R&D of Loop-IP7930T Ethernet Demarcation Device that supports the real-time packet monitor functions.</p>
January 2017	<p>Completed the R&D of Loop-AM3440 3E1 card and added E1 1+1 protection functions.</p> <p>Completed the R&D of Loop-AM3440 6-channel UDTEA (6UDTEA) card and added V54 Loopback functions to V.35/V.36/EIA530/RS449 interfaces.</p>

Year/month	Milestone
	Completed the R&D of Loop-AM3440 8-channel Data Bridge Card (6UDTEA) card and added the UART interface.
	Completed the R&D of Loop-AM3440 12FXOA Voice Card.
	Completed the R&D of Loop-G7860 mptn MPLS/CE Packet Transport Network equipment that supports fan-free designs and complies with the hardening temperature specifications (-20 to 55 °c).
	Completed the R&D of Loop-IP6320A L2/L3 Intelligent Switch.
	Completed the R&D of Loop-O9500 that supports the Transfer Trip Card (TTA).
	Completed the R&D of Loop-O9550 that supports the Quad FXSA Voice Card (QFXSA).
	Completed the R&D of Loop-O9550 that supports the Quad E&M Voice Card (QEMA).
February 2017	Completed the R&D of Loop-IP6702A TDMoEthernet and added the T1 interface.
	Completed the R&D of Loop-IP6704A TDMoEthernet and added T1, Quad FXSA (QFXSA), and Quad FXO (QFXO) Voice interfaces.
April 2017	Completed the R&D of Loop-inet, which supports Language Localization Tools to provide multiple language translation tools.
	Completed the R&D of Loop-O9500 and added the 6-channel G.703 (6CDA) card.
	Completed the R&D of Loop-O9500 and added the 6-channel UDTEA (6UDTEA) card.
July 2017	Completed the R&D of Loop-LCT Graphical Configuration Tool to provide simple graphical management tools.
	Completed the R&D of Loop-O9500 and added the B2G5 STM16/OC-48 card.
August 2017	Completed the R&D of Loop-AM3440 and added the 4-port Magneto (QMAGA) card.
	Completed the R&D of Loop-IP6750 Service Aggregation & Access Device. Including E1/T1 and Gigabit Ethernet tributary that supports MEF-8 ceseoth, synce and IEEE1588v2 Precision Timing, G.8031 Ethernet Linear Protection Switching, and a RFC2544 built-in traffic generator, and passed the CE 1.0 MEF certification.
	Completed the R&D of Loop-inet that supports IP6750 equipment and provides management method of point-to-point and point-to-multiple points.
September 2017	Completed the R&D of Loop-AM3440 and added the CCB.
	Completed the R&D of Loop-O9400R SDH/SONET ADM/TM and added the CHPA frame and CCPA to support the PTN10G board and accommodate older boards.
	Completed the R&D of Loop-O9500R PTN/SDH/SONET/PDH IMAP and added the CHPA frame and CCPA to support the PTN10G board and accommodate older boards.
October 2017	Completed the R&D of Loop-IP6340 24 Giga+4 1000 SFP Ports Smart Managed Switch.
	Completed the R&D of Loop-O9500R PTN/SDH/SONET/PDH IMAP and added the Transfer Trip Card (TTA).
	Completed the R&D of Loop-O9550 SDH/SONET IMAP and added the 6-port Universal Data Interface Card (6UDTEA).
	Completed the R&D of Loop-O9550 SDH/SONET IMAP and added the Transfer Trip Card (TTA).
December 2017	Completed the R&D of Loop-AM3440 and added the TDMoEa Interface Card.
January 2018	Completed the R&D of Loop-AM3440 and added the 12 port Magneto Interface Card (12MAGA).

Year/month	Milestone
	Completed the R&D of Loop-AM3440 TTA and added the support for the multiplex of all four inputs into one 64k channel function.
March 2018	Completed the R&D of Loop-IP6820 and added the I4DTEISO Card that supports 4 DTE (RS232) ports with isolated circuit, RJ45 interfaces and 2 Dry Contact ports
April 2018	Completed the R&D of Loop-AM3440 6UDTEA card and added the support for the Through Clock function. Completed the R&D of Loop-AM3440 ABRA card and added the support for the Data Bridge function.
May 2018	Completed the R&D of Loop-IP6704A and added support for the MEF8 and synce functions. Completed the R&D of Loop-O9500R PTN/SDH/SONET/PDH IMAP and added PTN10G Interface Card to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
June 2018	Loop-AM3440 Access DCS-MUX passed the Alstom Systems India Private Limited Type Test and Factory Acceptance Test. Loop-iNMS Integrated Network Management System supported the Loop-O9500R PTN10G card MPLS VPLS/VPWS circuit management module.
July 2018	Loop-inet Intelligent Network Element Management System (EMS) supported the TDM circuit diagnosis and management module.
August 2018	Completed the R&D of Loop-AM3430 Access DCS-MUX. Completed the R&D of Loop-O9400R PTN/SDH/SONET ADM/TM and added PTN10G Interface Card to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
September 2018	Completed the R&D of Loop-AM3440 ABRA card and added the support for the Voice Bridge function. Completed the R&D of Loop-AM3440 Access DCS-MUX and added the support for the MQT1 board function. Completed the Loop-G7860A mptn MPLS/CE Packet Transport Network to support MPLS-TP and Carrier Ethernet for Packet Transport Network (PTN) services.
October 2018	Completed the R&D of Loop-AM3440 ABRA card for combination use with OCUDP card and added the support for the Data Bridge (MJU) function. Completed the R&D of Loop-AM3440 ABRA for combination use with 12FXSA card and added the support for the Voice Conference function. Loop-inet Intelligent Network Element Management System (EMS) supported the Loop-O9500R PTN10G card MPLS VPLS circuit management module.
November 2018	Completed the R&D of Loop-O9500R and added the support for the 4C37SFP LS-Fiber Optical interface Card. Completed the R&D of Loop-O9500R and added the support for the 8-port gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9500R 6UDTEA interface card and added the support for the Mode 5 RS422 interface and Local Loopback/Remote Loopback functions. Loop-O9500R passed the phase 1 plant acceptance test procedures for the RY MUX project of Taipower Company.
December 2018	Completed the R&D of Loop-AM3440-E IP/TDM DCS-MUX.
January 2019	Completed the R&D of Loop-O9610S-GE Gigabit Ethernet Electrical/Optical Converter.
February 2019	Completed the R&D of Loop-AM3440 CCPA Packet controller module with two Combo gbe (SFP/RJ45) interface for Dome uplink. Completed the R&D of Loop-G7820 L2/L3 Intelligent Switch. Loop-iNMS Integrated Network Management System supported the Loop-O9400R PTN10G card MPLS VPLS/VPWS circuit management module.

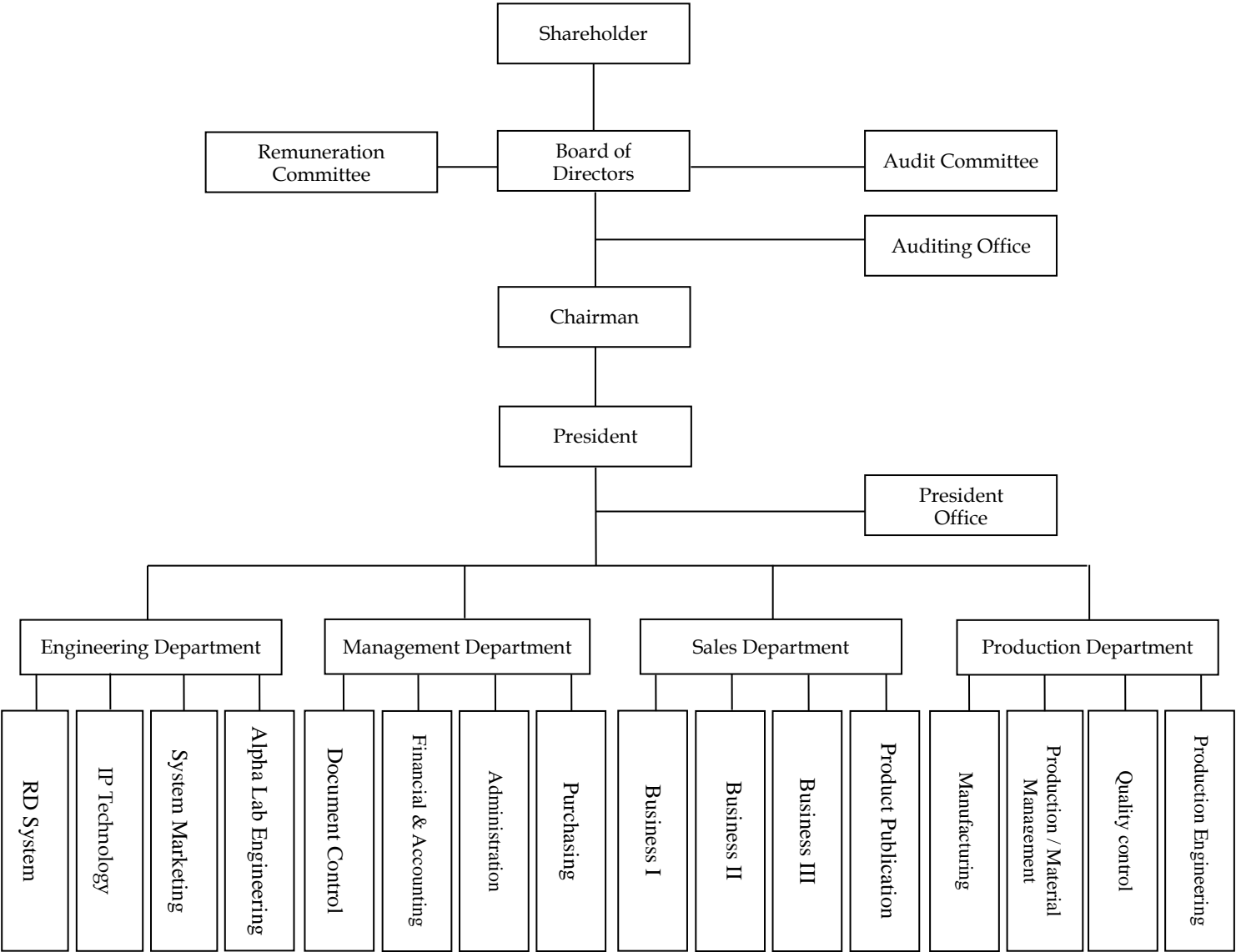
Year/month	Milestone
March 2019	Completed the R&D of Loop- IP6820 and added the support for the I4GEPOE+ interface, including 4 gbe ports, 2 dry contact ports, and IEEE802.3at poe + over 8 LAN ports.
April 2019	Loop-IP6704A TDMoEthernet passed the Alstom Systems India Private Limited Type Test and Factory Acceptance Test. Completed the R&D of Loop-O9400R and added the support for the 8-port gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9400R PTN10G card and added the support for the L3 function.
May 2019	Loop-IP6810, Loop-IP6820, and Loop-O9500R passed the Kenya Power & Lightning Co.Ltd Factory Acceptance Test. Completed the R&D of Loop-O9400R and added the support for the 8-port gbe over SDH/SONET Interface Card with Switch (8GESW) interface card. Completed the R&D of Loop-O9400R PTN10G card and added the support for the L3 function. Loop-inet Intelligent Network Element Management System (EMS) Support Loop-O9500R PTN10G card MPLS VPWS circuit management module and Loop-AM3440 TTA card Protection Profile.
June 2019	Completed the R&D of Loop-AM3440 and added the support for the voipga interface card. Completed the R&D of Loop-O9550 and added the support for the voipga interface card. Loop-inet Intelligent Network Element Management System (EMS) supported the Loop-O9500R PTN10G card MPLS VPLS circuit management module.
July 2019	Completed the R&D of Loop-O9400R and added the support for the ptnext interface card.
March 2020	Completed the R&D of the new model Loop-O9150S SDH STM-1 TM/ADM.
April 2020	Completed the R&D of the new product Loop-WDM1800 Wavelength Division Multiplexing Multi-Service Platform.
June 2020	Completed the R&D of the new Loop-O9500R-8GES16SWA board.
August 2020	Completed the R&D of Loop-IP6704A and added support for the M4E1 and ODP interface cards.
December 2020	Completed the R&D of new model Loop-IP6704A-DACS (Digital Access Cross Connect System (DACS)).
December 2020	Completed the R&D of Loop-AM3440 8EMA/12FXSA/12FXOA/12MAGA/OCUDP And supported the TELCO50 interface.
April 2021	Completed the R&D of new product Loop-AM3430 Access DCS-MUX.
June 2021	Completed the R&D of the new generation model of Loop-AM3440, including the new CCPB supported Dome, TDMoIP and TDMoMPLS functions, and accommodated the interface cards of older models.
July 2021	Completed the R&D of Loop-iNMS, added the support for the Pseudowire Circuit Management (PWCKT), and provided Loop PTN networking management solutions.
December 2021	Completed the R&D of the new model Loop-G7820-24S and supported 8 x 1/10gbesfp+ports 24x1 Gbe SFP ports and 8 x 10/100M/1gberj45 port.
January 2022	Completed the R&D of the new product Loop-WDM1800; the WDM module includes the following cards/boards: Transponder Modules Wavelength Division Multiplexing (Mux/Demux) Modules Optical Link Protection Modules Amplifier Modules Dispersion Compensation Modules (DCM)

Year/month	Milestone
	Optical Time-Domain Reflectometer (OTDR) Modules
May 2022	Completed the R&D of the new generation Dry Contact type C board, which may be used with Loop-O9500R PTN/SDH/SONET/PDH IMAP products.
September 2022	Completed the R&D of the new generation model of Loop-AM3440, including the new CCPB-8gehsa, supported Dome, TDMoIP and TDMoMPLS functions, and accommodated the interface cards of older models. <ul style="list-style-type: none"> • Packet controller module • Support cross-connect function • 4 x gbe and 4 x FE/gbe SFP interface with built-in L2 switch • Supports satop, cesopsn, and MEF-8 • Up to 64 pseudowires • Supports synce
September 2022	Completed the R&D of the new product Loop-AM3440-E IP/TDM DCS-MUX MPLS-TP/CE SWITCH.
January 2023	Completed the R&D of the new board Muxponder, which can be used with Loop-WDM1800.
May 2023	Completed the R&D of Loop-G7820 Intelligent Switch that supports Layer 3 functions.
May 2023	Completed the R&D of Loop-G7860A mptn MPLS/CE Packet Transport Network equipment that supports 6 port DS3 interface cards.
July 2023	Completed the R&D of Loop-AM3440 Access DCS-MUX product, which can be used with 8SRU interface cards.
October 2023	Completed the R&D of the 12FXS02 and 12FXS03 audio interface card product, which can be used with the Loop-AM3440 Access DCS-MUX product.
October 2023	Completed the R&D of Loop-G7800 PTN MPLS/CE Packet Transport Network that supports that supports high-speed 100G/10G/1G Ethernet interface, and accommodates the AM3440/O9500-PTN series of interface cards.
October 2023	Completed the R&D of the new CCPA02 control card for the Loop-O9500R PTN/SDH/SONET/PDH IMAP.
January 2024	Completed the R&D of the Loop-AM3440 CCPB- 8gehsa and added support for MPLS-TP and CE functions.

(III) Corporate Governance Report

1. Organization

(1) Organizational chart



(2) Scope of Business of Major Departments

Shareholders' meeting

- A. Establishing and amending the Articles of Incorporation.
- B. Determining the capital increase/reduction of the Company.
- C. Auditing and ratifying the reports of the Board and the Audit Committee.
- D. Electing Directors.
- E. Other permissions authorized under laws and regulations

Board of Directors meeting

- A. Reviewing and determining material rules and regulations of the Company.
- B. Determining the business policy.
- C. Determining budgets and final accounts.
- D. Formulation of earning distribution.
- E. Formulation of the capital increase/reduction.
- F. Determining material candidates of the Company.
- G. Determining adjustments to the organization and other material matters of the Company.
- H. Preparation and review of annual business reports.
- I. Determining material matters of joint ventures.
- J. Other permissions authorized under the Company Act and the shareholders' meeting.

Audit Committee

- A. Investigation of the Company's financial position.
- B. Audit of the Company's accounts and books.
- C. Inquiring about the operating status of the Company.
- D. Monitoring the execution of operations by the Company's employees and correcting violations of laws and dereliction of duty.
- E. Other permissions authorized under the Company Act and the shareholders' meeting.

Remuneration Committee

- A. Reviewing the remuneration of Directors and managers.

Managerial officer

- A. The President shall execute its duties by adhering to the orders of the Board and the Chairman.
- B. Managers of all levels shall execute their duties by adhering to the orders of the President.

President's Office

- A. Strategical planning.
- B. Operating analysis.
- C. Investigating and evaluating the healthiness, reasonableness, and effectiveness of the Company's internal control system and various management systems.
- D. Matters for the affairs of Board meetings and shareholders' meetings, issuance of shares, and public offerings.

Audit Office

- A. Responsible for the planning of the internal audit operations and the follow-up on execution and improvement achievements.

Management Department

- A. Coordinating general affairs, human affairs, safety, plant affairs, and administration.
- B. Preparation of the data on capital allocation, budgets, final accounts, receipt and pay-out, accounting, calculation of costs, and handling of accounting affairs.
- C. Procurement of raw materials and machinery, and equipment.
- D. Bonded operations, accounting handling and import/export, and freight operations.
- E. Planning and management of the information system of the entire Company.

Engineering Department (digital transmission, communication network, users' end, and system integration)

- A. R&D of new products.
- B. Introduction of new technologies.
- C. Formulation of the material list of procedures and products.
- D. Improving production technologies, providing service technologies, and improving procedures.
- E. Control and management of engineering data.

Production Department

- A. Intake quality and finished good testing, analysis, and processing.
- B. Testing and follow-up for the reasons for returned products.
- C. Promoting the quality activities of the entire Company (i.e., ISO9001 and ISO14001).
- D. Collecting materials and investing personnel and machinery, and equipment to produce products according to the production plan.
- E. Repair of returned products.
- F. Improvement recommendations for procedures.
- G. Production scheduling and planning and supplies requirement determination.
- H. Warehouse management, raw material and finished goods preservation, and account handling.
- I. Raw material distribution and shipping and packaging of finished goods.

Sales Department

- A. Studying domestic and foreign business sales and markets and understanding new product trends.
- B. Formulating production and marketing activity strategies, promotional advertisements, and expanding markets.
- C. Transportation, storage, and promotion of products, collection of payments for goods, and contact for domestic and foreign distribution operations.
- D. Operation management of subsidiaries.

2. Data on Directors, President, Vice Presidents, Assistant Vice Presidents, and directors of departments and branches

(1) Data on Directors

April 26, 2024

Title	Nationality or Place of Registration	Name	Gender	Date elected (appointed)	Tenure	Date initially elected	Shareholding when elected		Current shareholding		Current shareholding of spouse and underage children		Shares held in the name of other persons		Major career achievements (academic background)	Concurrent duties in the Company and other companies	Other directors of departments, Directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Yeh Maw-Lin	Male	2022.06.29	3 years	1991.10.28	7,268,230	10.25%	5,625,844				None	None	Bachelor's degree in telecommunication, National Chiao Tung University Ph.D. In electrical engineering, The University of Notre Dame; Senior management, NYNEX	Chairman and President, Loop Telecommunication International, Inc. Director, Chongqing Loop Technology Co., Ltd. Director, Tianjin Loop Technology Co., Ltd.	Director	Chen Hua-Ling	Wife	(Note 1)
Director	Republic of China	Chen Hua-Ling	Female	2022.06.29	3 years	2022.06.29	1,888,922	2.66%					None	None	Department of Public Administration, National Chung Hsing University	None	Chairman	Yeh Maw-Lin	Husband	
Director	Republic of China	Fan Zheng-Chun	Male	2022.06.29	3 years	2013.06.25	243,000	0.34%					None	None	Institute of Business Management, Tatung University	Director, Jiin Yeh Ding Enterprise Corp. Independent Director, Hantic precision technology, Inc Director, Tianjin Loop Electron Technology Co., Ltd.	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Date elected (appointed)	Tenure	Date initially elected	Shareholding when elected		Current shareholding		Current shareholding of spouse and underage children		Shares held in the name of other persons		Major career achievements (academic background)	Concurrent duties in the Company and other companies	Other directors of departments, Directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Chiu Dong-Sheng	Male	2022.06.29	3 years	2022.06.29	370,607	0.52%					None	None	Department of Business Administration, Doshisha University	Director of the management department, Shimamura Co., Ltd.	None	None	None	
Independent director	Republic of China	Huang Yun-Ming	Male	2022.06.29	3 years	2022.06.29	None	None	None	None	None	None	None	None	1. AT&T Consultant, 2007-2016 2. Quintum Technology Director of Engineering, 2000-2007 3. Lucent Technology Technical Manager 1994-2000	None	None	None	None	
Independent director	Republic of China	Jiang Min-Shiung	Male	2022.06.29	3 years	2022.06.29	None	None	None	None	None	None	None	None	1. Assistant manager, Quan Ya Computer Co., Ltd. 2. Chairman, Acrosser Technology Co., Ltd.	None	None	None	None	
Independent director	Republic of China	Chang Guo-Hua	Male	2022.06.29	3 years	2022.06.29	None	None	None	None	None	None	None	None	Co-fotmder, CTO VP Engineering System Quality Architect.	None	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Date elected (appointed)	Tenure	Date initially elected	Shareholding when elected		Current shareholding		Current shareholding of spouse and underage children		Shares held in the name of other persons		Major career achievements (academic background)	Concurrent duties in the Company and other companies	Other directors of departments, Directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Independent director	Republic of China	Ko Shu-Mei	Female	2022.06.29	3 years	2022.06.29	None	None	None	None	None	None	None	None	1. Chief of the finance section, United Fiber Optic Communication Inc. 2. Associate vice president of the management section, Aquaoptics Corp.	None	None	None	None	

Note 1 : If the Chairman and the President or an equivalent position (senior management) of the Company are the same person, spouse, or relatives within the first degree of kinship, the information related to the reason, reasonableness, necessity, and countermeasures (i.e., increasing the number of Independent Directors and having over half of the Directors who are not concurrently employees or managers) shall be specified. The Chairman is concurrently the President of the Company to improve the operating efficiency and decision-making enforcement. To reinforce the independence of the Board, the Company intends to plan for improving the Board's functions and enhancing the supervisory functions in the future. Substantial measures are as follows:

- (1) The current Independent Directors possess expertise in finance and accounting and the communication industry field and are able to exert their duties of supervision.
- (2) Independent Directors may have comprehensive discussions at different functional committee meetings and provide professional recommendations to the Board for reference to implement the specifications of corporate governance.
- (3) Over half of the Board members are not concurrently the Company's employees or managers.

A. Major shareholder of a corporate shareholder: None.

B. Major shareholder of a corporate shareholder major shareholder who is a corporation: None.

C. Do Directors or supervisors possess five years of working experience required for business, law, finance, or corporate operations and comply with the following circumstances:

1. Disclosure of professional qualification of Directors and supervisors and independence of Independent Directors:

(1) Professional qualification of Directors Name	Professional qualifications and experience (Note 1)
Chairman Yeh Maw-Lin	Bachelor's degree in telecommunication, National Chiao Tung University; Ph.D. In electrical engineering, The University of Notre Dame; Senior manager, NYNEX. Currently, he is the Chairman and the President of the Company; he is familiarized with the development trends in the communication and semiconductor industries. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.
Director Fan Zheng-Chun	Institute of Business Management of Tatung University. He used to be a director of Jiin Yeeh Ding Enterprise Corp. And an independent director of Hantic precision technology, Inc, and he possesses the working experience required for business, law, finance, accounting, and corporate operations and complies with the following circumstances. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.
Director Chen Hua-Ling	Department of Public Administration of National Chung Hsing University Possess the working experience required for business, finance, and corporate operations. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.
Director Chiu Dong-Sheng	Department of Business Administration, Doshisha University. He used to be the director of the management department of Shimamura Co., Ltd., and he possesses the working experience required for business, law, finance, and corporate operations and complies with the following circumstances. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.
Independent director Huang Yun-Ming	He possesses a master's degree and Ph.D. In metallurgy and materials engineering from The University of Notre Dame. He is the convener of the Remuneration Committee of the Company and possesses the working experience required for business and corporate operations. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist. None of the government, corporation, or its representative is elected.
Independent director Jiang Min-Shiung	National Taipei Institute of Technology. He used to be the assistant manager of Quan Ya Computer Co., Ltd. And the chairman of Acrosser Technology Co., Ltd.. Possess the working experience required for finance, accounting, business, and corporate operations. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist. None of the government, corporation, or its representative is elected.
Independent director Chang Guo-Hua	Master's degree from National Chiao Tung University and Arizona State University. He used to be starvox Comm. Inc. (U.S.A) Co-founder, CTO VP Engineering and Centrify Corp. (U.S.A) System Quality Architect. He possesses the working experience required for business, law, finance, and corporate operations. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.
Independent director Ko Shu-Mei	Department of Business Administration, Providence University. Used to be the chief of the finance section of United Fiber Optic Communication Inc. And the associate vice president of the management section of Aquaoptics Corp.. Possess the working experience required for finance, accounting, business, and corporate operations. Circumstances specified in Subparagraphs of Article 30 of the Company Act do not exist.

(2) Condition disclosures for the independence of Independent Directors	Number of concurrent duties as an independent director at a public company	Independence (Note 2)
Name		
Independent director Huang Yun-Ming Jiang Min-Shiung Chang Guo-Hua Ko Shu-Mei	0	<p>Compliant with the independence specifications before being elected and during the term of office:</p> <ol style="list-style-type: none"> 1. Not an employee of the company or any of its affiliates. 2. Not a Director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any person set out in the three preceding subparagraphs. 5. Not a director, supervisor, or employee of a corporate shareholder who directly holds over 5% of the total issued shares of the Company, or has top five ranking in shareholding, or is a representative appointed as the Director or supervisor of the Company according to paragraph 1 or paragraph 2, Article 27 of the Company Act. 6. If over half of the number of employees or shares with voting rights of the Company and another company are held by the same person, not a director, supervisor, or employee of another company. 7. If the Chairman, President, or equivalent positions of the Company or another company or institution are the same person or spouses, not a director, supervisor, or employee of another company or institution. 8. Not a Director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. 9. Not a proprietor, partner, director, supervisor, manager, or its spouse of a professional, proprietorship, partnership, company, or institution that provides audit services to, or receives an accumulated compensation of over NT\$0.5 million within the most recent two years through providing business, legal, finance, accounting, and relevant services to the Company or its affiliates.

Note 1 : Professional qualification and experience: Describe the professional qualifications and experience of the individual Directors and supervisors. For members of the Audit Committee with accounting or financial expertise, the accounting or financial backgrounds and working experience shall be specified. In addition, the existence of any circumstances set out in subparagraphs under Article 30 of the Company Act shall be specified.

Note 2 : For an Independent Director, specify their independence status, including but not limited to whether the Independent Director, its spouse, or relatives within the second degree of kinship is a Director, supervisor, or employee of the Company or its affiliates, the number of shares held by the Independent Director, its spouse, or relatives within the second degree of kinship (or held in the name of others) and the ratio, whether the Independent Director is a director, supervisor, or employee of a company with particular relationships with the Company (please refer to subparagraphs 5 to 8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), and the compensation received in the most recent two years for providing business, legal, financial, and accounting services to the Company or its affiliates.

2. Board diversification and independence:

Board diversification:

To implement Board diversification, the Company clearly stated in Article 19 of its "Corporate Governance Best Practice Principles" that diversification shall be considered for the composition of Board members, an appropriate diversification policy shall be formulated based on its operations, operating patterns, and long-term development requirements, and members shall possess knowledge, skills, and literacy required to execute their duties.

To achieve the ideal objective of corporate governance, the overall Board shall possess the following abilities:

- I. The ability to make judgments about operations.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Leadership ability.
- VIII. Decision-making ability.

The Company also adheres to the principles of meritocracy when selecting members of the Board with reference to gender, age, nationality, culture, and other diverse aspects. The implementation status is as follows:

Core of diversification Name		Basic composition							Professional background			Expertise and skills							
		Nationality	Gender	Concurrently an employee	Age			Term of office and seniority of Independent Director (Less than 3 years)	Financial accounting	Industry experience	Technology	The ability to make judgments about operations	Accounting and financial analysis	Business management ability	Crisis management ability	Industry knowledge	Cosmopolitan market view	Leadership	Decision-making ability
					<60	61-70	>70												
Director	Yeh Maw-Lin	Republic of China	Male	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Chen Hua-Ling		Female			✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	
	Chiu Dong-Sheng		Male		✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Fan Zheng-Chun		Male			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent director	Huang Yun-Ming		Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Jiang Min-Shiung		Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Chang Guo-Hua		Male			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Ko Shu-Mei		Female		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Name(Note 1)	Possession of over five years of working experience and the following professional qualification			Independence (Note 1)												Number of concurrent duties as an independent director at a public company
	Positions above lecturers in business, law, finance, accounting, or relevant departments required for corporate operations at a public or private university or college.	Judges, prosecutors, lawyers, accountants, or other professionals and technicians passing national exams with certificates required for corporate operations.	Possess the working experience required for business, law, finance, accounting, business, and corporate operations.	1	2	3	4	5	6	7	8	9	10	11	12	
Yeh Maw-Lin	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓	-	✓	✓	None
Fan Zheng-Chun	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chiu Dong-Sheng	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Hua-Ling	-	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	None
Huang Yun-Ming	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Jiang Min-Shiung	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang Guo-Hua	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ko Shu-Mei	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1 : If a Director or supervisor complies with the following conditions two years before being elected and during the term of office, please check "✓" in the space below.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a Director or supervisor of the Company or any of its affiliates (however, this shall not include the concurrent position of independent directors of its parent company, subsidiaries, or subsidiaries of the same parent company established according to the Act or local laws and regulations of the countries).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any person set out in the three preceding subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds over 5% of the total issued shares of the Company, or has top five ranking in shareholding, or is a representative appointed as the Director or supervisor of the Company according to paragraph 1 or paragraph 2, Article 27 of the Company Act (however, this shall not include the concurrent position of independent directors of its parent company, subsidiaries, or subsidiaries of the same parent company established according to the Act or local laws and regulations of the countries).
- (6) If over half of the number of employees or shares with voting rights of the Company and another company are held by the same person, not a director, supervisor, or employee of another company (however, this shall not include the concurrent position of independent directors of its parent company, subsidiaries, or subsidiaries of the same parent company established according to the Act or local laws and regulations of the countries).
- (7) If the Chairman, President, or equivalent positions of the Company or another company or institution are the same person or spouses, not a director, supervisor, or employee of another company or institution (however, this shall not include the concurrent position of independent directors of its parent company, subsidiaries, or subsidiaries of the same parent company established according to the Act or local laws and regulations of the countries).
- (8) Not a Director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (however, if a specified company or institution holds over 20% (but less than 50%) of the Company's total issued shares, this shall not include the concurrent position of independent directors of its parent company, subsidiaries, or subsidiaries of the same parent company established according to the Act or local laws and regulations of the countries).
- (9) Not a proprietor, partner, director, supervisor, manager, or its spouse of a professional, proprietorship, partnership, company, or institution that provides audit services to, or receives an accumulated compensation of over NT\$0.5 million within the most recent two years through providing business, legal, finance, accounting, and relevant services to the Company or its affiliates. However, this shall not apply to members of the Remuneration Committee, acquisition review committee, or special merger committee who exercise their powers according to the Securities and Exchange Act, the Business Mergers and Acquisitions Act, or other relevant laws and regulations.
- (10) Not a spouse or a relative within the second degree of kinship of another Director.
- (11) Note having any circumstances specified in subparagraphs of Article 30 of the Company Act.
- (12) No government, corporation, or its representative who is not an employee of the Company or its affiliates is elected according to Article 27 of the Company Act.

(2) Data on President, Vice Presidents, Assistant Vice Presidents, and directors of departments and branches

April 26, 2024

Title	Nationality	Name	Gender	Date elected (appointed)	Shareholding		Shareholding of spouse and underage children		Shares held in the name of other persons		Major career achievements (academic background)	Concurrent duties in the Company and other companies	Managers who are spouses or relatives within the second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Chairman and President	Republic of China	Yeh Maw-Lin	Male	1991.10.28	5,625,844	9.92%	1,218,337	2.15%	-	-	Bachelor's degree in telecommunication, National Chiao Tung University Ph.D. In electrical engineering, The University of Notre Dame Senior manager, NYNEX	Director, Chongqing Loop Technology Co., Ltd. Director, Tianjin Loop Technology Co., Ltd.	None	None	None	(Note 1)
Vice President, Sales Department	Republic of China	Ceng Qing-Lin	Male	2006.08.07	21,938	0.04%	-	-	-	-	Master's degree in physics, Fu Jen Catholic University President, SDO Communications Corp.	None	None	None	None	
Vice President, Engineering Department	Republic of China	Liu Dong-Jie	Male	2005.02.14	-	-	-	-	-	-	Master's degree in electrical machinery, University of Southern California Assistant manager, Syncom Networks Inc.	Supervisor, Tianjin Loop Electron Technology Co., Ltd.	None	None	None	
Director of the Finance and Accounting Department	Republic of China	Chang Xiao-Ling	Female	2021.03.25	149	0%	-	-	-	-	Bachelor's degree in accounting, Fu Jen Catholic University Chief accountant, Taiwan Mobile Co., Ltd. Financial accounting	None	None	None	None	
Chief of corporate governance	Republic of China	Cai Xing-Juan	Female	2023.03.28	9,679	0.02%	-	-	-	-	Bachelor's degree in International Business, Tunghai University Procurement, Fujitsu Taiwan Director	None	None	None	None	

Note 1 : If the Chairman and the President or an equivalent position (senior management) of the Company are the same person, spouse, or relatives within the first degree of kinship, the information related to the reason, reasonableness, necessity, and countermeasures (i.e., increasing the number of Independent Directors and having over half of the Directors who are not concurrently employees or managers) shall be specified.

The Chairman is concurrently the President of the Company to improve the operating efficiency and decision-making enforcement. To reinforce the independence of the Board, the Company intends to plan for improving the Board's functions and enhancing the supervisory functions in the future. Substantial measures are as follows:

- (1) The current Independent Directors possess expertise in finance and accounting and the communication industry field and are able to exert their duties of supervision.
- (2) Independent Directors may have comprehensive discussions at different functional committee meetings and provide professional recommendations to the Board for reference to implement the specifications of corporate governance.
- (3) Over half of the Board members are not concurrently the Company's employees or managers.

(3) Remunerations of the Directors, Supervisors, President, and Vice Presidents

A. Remunerations of the Directors

December 31, 2023 (In Thousands of New Taiwan Dollars)

Title	Name	Directors' remuneration								Total remuneration (A+B+C+D) as a % of net profit after tax		Remuneration for concurrent duty as an employee								Total Remuneration (A+B+C+D+E+F+G) as a % of the Net Income		Remuneration received from an investee other than a subsidiary or from the parent company
		Compensation (A)		Disability retirement benefits (B)		Directors' compensation (C) (Note 1)		Fees for professional practice (D)				Salary, bonus, and special reimbursement (E)		Disability retirement benefits (F)		Employee compensation (G) (Note 1)						
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	
Amount in cash	Amount in shares															Amount in cash	Amount in shares					
Chairman and President	Yeh Maw-Lin	0	0	0	0	2,243	2,243	0	0	2,243 1.12%	2,243 1.12%	7,450	7,450	0	0	355	0	355	0	10,048 5.03%	10,048 5.03%	None
Director	Fan Zheng- Chun	0	0	0	0	1,122	1,122	0	0	1,122 0.56%	1,122 0.56%	0	0	0	0	0	0	0	0	1,122 0.56%	1,122 0.56%	None
Director	Chen Hua- Ling	0	0	0	0	1,122	1,122	0	0	1,122 0.56%	1,122 0.56%	0	0	0	0	0	0	0	0	1,122 0.56%	1,122 0.56%	None
Director	Chiu Dong- Sheng	0	0	0	0	1,122	1,122	0	0	1,122 0.56%	1,122 0.56%	0	0	0	0	0	0	0	0	1,122 0.56%	1,122 0.56%	None
Independent director	Huang Yun- Ming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent director	Jiang Min- Shiung	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent director	Chang Guo- Hua	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent director	Ko Shu-Mei	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None

- Please describe the policy, system, standards, and structure of the remuneration of Independent Directors and describe the linkage of duties and risks assumed, time invested, and other factors to the amount of remuneration: The Company refers to the results of Directors' performance evaluation for the remuneration of Independent Directors. In addition, according to Article 31 of the Articles of Incorporation, to provide incentives to Directors for their active participation in the Company's operations, the Board is authorized to determine the remuneration of Independent Directors based on their level of participation and the value of contributions with reference to domestic and foreign standards within the industry.
- Except for the disclosures in the table above, compensation received by Directors of the Company by providing services (i.e., being a non-employee consultant of the parent company/all companies in the financial report/investee): None.

Note 1 : The Company recorded earnings after tax in 2023; the proposal for earning distribution is to be resolved at the shareholders' meeting on June 25, 2024.

B. Remunerations of the President and Vice Presidents

December 31, 2023 (In Thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Disability retirement benefits (B)		Bonus and allowance (C)		Employee compensation (D) (Note 1)				Total remuneration (A+B+C+D) as a % of net profit after tax		Remuneration received from an investee other than a subsidiary or from the parent company
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
Chairman and President	Yeh Maw-Lin	5,993	5,993	0	0	1,457	1,457	355	0	355	0	7,805 3.91%	7,805 3.91%	None
Other supervisors	Lai Yong-Zan (Note 2)	1,305	1,305	4,966	4,966	400	400	147	0	147	0	6,818 3.41%	6,818 3.41%	None
Vice president	Liu Dong-Jie	2,370	2,370	0	0	539	539	179	0	179	0	3,088 1.55%	3,088 1.55%	None
Vice president	Ceng Qing-Lin	2,343	2,343	0	0	2,787	2,787	203	0	203	0	5,333 2.67%	5,333 2.67%	None

Note 1 : The Company recorded earnings after tax in 2023; the proposal for earning distribution is to be resolved at the shareholders' meeting on June 25, 2024.

Note 2 : Vice President Lai Yong-Zan retired on July 31, 2023, and transitioned to Vice President-level advisor position on August 1, 2023.

C. Names of managers who distribute employee remuneration and the distribution status

December 31, 2023 (In Thousands of New Taiwan Dollars)

	Title	Name	Amount in shares	Amount in cash (Note 1)	Total	Total as % of net profit after tax
Managerial officer	Chairman and President	Yeh Maw-Lin	0	355	355	0.18
	Other supervisors	Lai Yong-Zan (Note 2)	0	147	147	0.07
	Vice president	Liu Dong-Jie	0	179	179	0.09
	Vice president	Ceng Qing-Lin	0	203	203	0.10

Note 1 : The Company recorded earnings after tax in 2023; the proposal for earning distribution is to be resolved at the shareholders' meeting on June 25, 2024.

Note 2 : Vice President Lai Yong-Zan retired on July 31, 2023, and transitioned to Vice President-level advisor position on August 1, 2023.

D. Remuneration of senior management with the top five remunerations of the listed company (disclosure of name and remuneration individually)

December 31, 2023 (In Thousands of New Taiwan Dollars)

December 31, 2023 (in thousands of New Taiwan Dollars)

Title	Name	Salary (A)		Disability retirement benefits (B)		Bonus and allowance (C)		Employee compensation (D) (Note 1)				Total remuneration (A+B+C+D) as a % of net profit after tax		Remuneration received from an investee other than a subsidiary or from the parent company
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
Chairman and President	Yeh Maw-Lin	5,993	5,993	0	0	1,457	1,457	355	0	355	0	7,805 3.91%	7,805 3.91%	None
Other supervisors	Lai Yong-Zan (Note 2)	1,305	1,305	4,966	4,966	400	400	147	0	147	0	6,818 3.41%	6,818 3.41%	None
Vice president	Liu Dong-Jie	2,370	2,370	0	0	539	539	179	0	179	0	3,088 1.55%	3,088 1.55%	None
Vice president	Ceng Qing-Lin	2,343	2,343	0	0	2,787	2,787	203	0	203	0	5,333 2.67%	5,333 2.67%	None

Note 1 : The Company recorded earnings after tax in 2023; the proposal for earning distribution is to be resolved at the shareholders' meeting on June 25, 2024.

Note 2 : Vice President Lai Yong-Zan retired on July 31, 2023, and transitioned to Vice President-level advisor position on August 1, 2023.

(4) The comparison of total remuneration, as a percentage of net profit after tax, as paid by the Company and by all other companies included in the consolidated statements during the most recent two years to Directors, supervisors, President, and Vice Presidents, and description of the remuneration policies, standards, and packages, the procedures for determining remunerations, and its linkage to operating performance and future risks

	Ratio of total remuneration to net income in 2022 (%)		Ratio of total remuneration to net income in 2023 (%)		Description
	The Company	The Company	The Company	All companies within the financial statements	
Director (Note)	12.09	12.09	6.71	6.71	<p>1. If the Company has net income for the period after the final account of the year, it shall compensate cumulative losses (including the adjustments to undistributed earnings), appropriate 10% as the legal reserve according to the law; however, this shall not apply when the legal reserve has reached the paid-in capital of the Company. Then, it shall appropriate or reverse the special reserve according to the requirements under laws and regulations and of the competent authority. The Company shall appropriate no less than 10% and no more than 5% of the net profit before tax of the period before deducting remuneration of employees and remuneration of Directors as the remuneration of employees and remuneration of Directors, respectively; however, if the Company has cumulative losses (including adjusted undistributed earnings), it shall preserve the compensation amount.</p> <p>2. Remuneration paid to Directors is the remuneration of Directors appropriated based on the requirements of the Articles of Incorporation. Remuneration paid to the President and Vice Presidents is distributed based on their individual performance.</p> <p>3. According to the above, the remuneration of Directors, President, and Vice Presidents is implemented based on the existing specifications of the Company, which has no material effect on the operating risks of the Company in the future.</p> <p>4. Except for collecting reasonable remuneration from the Company, the Directors, President, and Vice Presidents of the Company had not collected any remuneration from other companies in the consolidated statements.</p> <p>5. Major changes in the remuneration of Directors, President, and Vice Presidents were due to the increase in net profit in 2023.</p>
Supervisor	0.42	0.42	-	-	
President and vice president	24.41	24.41	11.54	11.54	

Note: Include President and Vice Presidents who are concurrently employees.

3. Corporate governance implementation

(1) Operation of the Board:

Four Board meetings were held in the most recent year, and there were four meetings for the 12th session; the attendance/presence of Directors and supervisors is as follows:

Title	Name	Number of attendance (presence)	Number of attendance by proxy	Attendance (presence) rate (%)	Remarks
Chairman	Yeh Maw-Lin	4	0	100	
Director	Fan Zheng-Chun	4	0	100	
Director	Chiu Dong-Sheng	4	0	100	
Director	Chen Hua-Ling	4	0	100	
Independent director	Huang Yun-Ming	4	0	100	
Independent director	Chang Guo-Hua	4	0	100	
Independent director	Jiang Min-Shiung	4	0	100	
Independent director	Ko Shu-Mei	4	0	100	

Other matters to be recorded:

I. In the event of any of the following in a Board of Directors meeting, the dates of meeting, session, contents of motions, the opinions of independent directors, and the Company's response to the opinions should be specified:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: None.

(II) Any objections or qualified opinions raised by an Independent Director against a Board resolution with records or written statements other than the abovementioned matters: None.

II. For the execution status regarding the recusal of Directors for proposals of conflict of interests, describe the name of the Director, the content proposals, the reason for the recusal for conflict of interests, and voting status.

Meeting title	Date	Name of Director	Motion content	Recusal for the conflicts of interest and voting status
The 4th meeting of the 12th session of the Board.	2023.03.28	Director Yeh Maw-Lin	1. Proposal for the remuneration of managers and Directors. 2. Proposal for the remuneration of other managers.	Director Yeh Maw-Lin recused himself from the venue due to the conflicts of interests and consigned the Board to elect Director Huang Yun-Ming to host the meeting for the discussion of the proposal; the proposal was approved by the remaining attending Directors with no dissenting opinion. The same as the above

III. A company listed on TWSE or tpex shall disclose information on the Director's self-evaluation (or peer evaluation) in terms of the cycle, period, scope, method, and content and shall complete the Questionnaire of Self-Performance Evaluation of Board Members in the table enclosed.

Evaluation periodicity	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once each year	2022.01.01~ 2022.12.31	1. Board of Directors meeting 2. Individual Directors 3. Remuneration Committee and Audit Committee	Internal self-evaluation of the Board Self-evaluation of Director	1. Performance evaluation of the Board 2. Performance evaluation of individual Directors 3. Performance evaluation of functional committees

(I) Functional objectives of the Board

1. To implement corporate governance and improve the functions of the Board, the Company has established the "Regulations for the Performance Evaluation of the Board" to reinforce the functions of the Board.
2. The Company regularly arranges for Directors to participate in professional continuing education programs to maintain their core values, professional advantages, and abilities.

(II) Execution evaluation:

1. The Company established its Remuneration Committee in 2011 to assist the Board in executing its duties.
2. The Company immediately uploads material resolutions to MOPS after Board meetings to protect shareholders' interests. It has established a spokesperson system to ensure timely and adequate disclosures of material information for shareholders and stakeholders to refer to information related to the finance and business of the Company.

IV. Targets (i.e., establishing the Audit Committee and improving information transparency) to improve the functions of the Board and the execution evaluations for the year and the most recent year.

(I) Board meetings of the Company comply with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to realize corporate governance.

(II) The Company established its "Remuneration Committee" in 2011, and the composing members are Huang Yun-Ming, Chang Guo-Hua, Jiang Min-Shiung, and Ko Shu-Mei; member Huang Yun-Ming is the convener.

(2) Operation of the Audit Committee

A. The Audit Committee of the Company was established on June 29, 2022. Information on members:

Criteria Identity / Name		Professional qualifications and experience	Independence	Number of concurrent duty as a Remuneration Committee member at a public company
Convener	Huang Yun-Ming	Ph.D. In differential dynamical, University of Minnesota. Used to be a consultant for AT&T and a chief engineer for Quintum. Possess the working experience required for business and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director				
Independent director	Jiang Min-Shiung	National Taipei Institute of Technology. Used to be the chairman of Acrosser Technology Co., Ltd.. Acrosser Technology Co., Ltd. Possess the working experience required for finance, accounting, and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director	Chang Guo-Hua	Bachelor's degree from Chiao Tung University and a master's degree from Arizona State University. Used to be the co-founder of starvox and The engineering vice president of CTO. Possess the working experience required for business and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director	Ko Shu-Mei	Department of Business Administration, Providence University. Used to be the assistant vice president of the management section of aquaoptics. Acrosser Technology Co., Ltd. Possess the working experience required for finance, accounting, and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0

B. Term of office of members of the 1st session: The term of office from June 29, 2022 to June 28, 2025 for a total of 4 persons. The 4 meetings were held for the 1st session of the Audit Committee in the most recent year; the attendance/presence of Independent Directors is as follows:

Title	Name	Number of Attendance (B)	Number of attendance By proxy	Attendance rate (%) (B/A)	Remarks
Independent director	Huang Yun-Ming	4	0	100	
Independent director	Chang Guo-Hua	4	0	100	
Independent director	Jiang Min-Shiung	4	0	100	
Independent director	Ko Shu-Mei	4	0	100	

Other matters to be recorded:

- I. If any of the following circumstances occurs to the operations of the Audit Committee, the date of the Audit Committee meeting, session, content of proposals, opposing opinions or qualified opinions of Independent Directors, or the content of material recommendations, resolutions of the Audit Committee, and the Company's response to the opinions of the Audit Committee shall be specified.
 - (I) Matters specified in Article 14-5 of the Securities and Exchange Act.
 - (II) Any other proposals not approved by the Audit Committee that were approved by two-thirds of all Directors other than the abovementioned matters.
- II. For the execution status regarding the recusal of Independent Directors for proposals of conflict of interests, describe the name of the Independent Director, the content of the proposal, reason for the recusal for conflict of interests, and voting status: None.
- III. Communication between Independent Directors and the chief audit and cpas:
 - (I) The internal auditor of the Company regularly communicates with Independent Directors regarding the results of the audit report and carries out internal audit reporting at the quarterly Board meetings; if there is any special circumstance, the chief auditor will immediately notify Independent Directors. The communication between Independent Directors and the chief auditor is healthy.
 - (II) Independent Directors carry out communications regarding the financial position in person or in writing with cpas as they deem necessary.

C. Disclose the 2023 date of meetings, content of proposals, resolutions, and the Company's response to the Audit Committee's opinion

Audit Committee	Content of proposals and the Subsequent response	Resolution	Company's handling of the audit committee's opinions
2023.03.28	<ol style="list-style-type: none"> 1. Reviewed and discussed the 2022 consolidated financial statements, parent company only financial statements and business report. 2. Evaluation of the independence and competence of the Company's certifying accountant. 	Approved by all members of the Audit Committee	Proposed to the Board and approved by receiving the consent of all attending Directors
2023.05.11	<ol style="list-style-type: none"> 1. Reviewed and discussed the 2023 Q1 consolidated financial statements. 	Approved by all members of the Audit Committee	Proposed to the Board and approved by receiving the consent of all attending Directors
2023.08.10	<ol style="list-style-type: none"> 1. Reviewed and discussed the 2023 Q2 consolidated financial statements. 	Approved by all members of the Audit Committee	Proposed to the Board and approved by receiving the consent of all attending Directors
2023.11.09	<ol style="list-style-type: none"> 1. Reviewed and discussed the 2023 Q3 consolidated financial statements. 2. Establishment of the "Financial Statement Preparation Process Management Regulations". 	Approved by all members of the Audit Committee	Proposed to the Board and approved by receiving the consent of all attending Directors
2024.03.12	<ol style="list-style-type: none"> 1. Reviewed and discussed the 2023 consolidated financial statements, parent company only financial statements and business report. 2. Evaluation of the independence and competence of the Company's certifying accountant. 	Approved by all members of the Audit Committee	Proposed to the Board and approved by receiving the consent of all attending Directors

(3) Implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/tpex Listed Companies and the reasons therefor

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/tpex Listed Companies?	✓		The Company has established the following according to the "Corporate Governance Best Practice Principles for TWSE/tpex Listed Companies": 1. Procedures for the Acquisition or Disposal of Assets. 2. Procedures for Loans to Others. 3. Regulations for Endorsements/Guarantees. 4. Rules and Procedures of Shareholders' Meeting. 5. Rules of Procedure of Board Meetings. 6. Regulations for the Election of Directors and Supervisors. 7. Code of Ethical Conduct. 8. Procedures for Handling Material Inside Information. 9. Code of Conducts or Ethics of Employees. 10. Charter of Remuneration Committee. 11. Regulations for Employees' Complaints. 12. Regulations for the Performance Evaluation of the Board. The items above have been placed under corporate governance in the investor section on the Company's website for stakeholders to refer to.	None
II. The Company's equity structure and shareholder equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations and implemented them in accordance with the procedures?	✓		(I) The Company has established a spokesperson system according to the requirements to handle relevant matters; if there is any dispute, the Company will engage the attorney of its attorney's firm for handling.	None
(II) 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?	✓		(II) The professional stock affairs agency is responsible for the list and regular declaration of relevant information according to the requirements. The Company keeps abreast of the shareholding status of Directors, managers, and shareholders with 10% of shareholding or above at all times.	None
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	✓		(III) Apart from the independent operations, if the Company has business dealings with an affiliate, it is deemed as an independent third party. Upholding the principles of fairness and reasonableness, the Company has established the Regulations for Monitoring and Control of Subsidiaries and established appropriate risk control systems and firewalls.	None

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	✓		(IV) The Company has established its Procedures for Handling Material Inside Information, Code of Conduct or Ethics of Employees, Code of Ethical Conduct, and Regulations for Employees' Complaints according to laws and regulations. It provides educational training to Directors, managers, and employees upon the establishment of relevant laws and regulations and provides educational training to new Directors, managers, and employees in due course. Please refer to Attachments 1, 2, 3, and 4 of the handbook.	None
III.Composition and responsibilities of the Board of Directors				
(I) Is a diversification policy formulated and implemented for the composition of Board members?	✓		(I) Seven Directors (including Independent Directors) of the Company possess operating experience or academic experiences; stringent procedures are adopted for the nomination of members, with their expertise taken into consideration. The election of the Directors of the Company adheres to the diversification policy according to the "Regulations for the Election of Directors and Supervisors," including professional knowledge and skills: professional background (i.e., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experiences.	None
(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the company voluntarily set up other functional committees?	✓		(II) The Company has established its "Remuneration Committee" and established its duties in accordance with the spirit of the Securities and Exchange Act for operations. In the future, it will establish other functional committees according to laws and regulations and the operating scale of the Company.	None
(III) Has the Company established its Rules for Performance Evaluation of Board of Directors and the evaluation methods, conducted regular performance evaluation each year and provided the results to the Board as the reference for individual Directors' remuneration and nomination for re-appointment?	✓		(III) The Company has established Regulations for the Performance Evaluation of the Board and periodically carries out the performance evaluation each year according to the law. It has also amended the provisions of Article 31 of the Articles of Incorporation and established the Regulations for the Performance Evaluation of Directors and Supervisors and intended to periodically evaluate Board performance at the end of each year, regularly examine the efficacy of the Board, and report to the Board.	None

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
(IV) Has the Company regularly evaluated the independence of cpas?	✓		(IV) The Company regularly evaluates the independence of cpas each year and reports to the Board regarding the evaluation results. 1. The evaluation system is as follows: Regularly evaluate the independence of cpas and obtain the Statement of Independence issued by cpas each year. 2. The evaluation results are as follows: The Company has executed the independence and adequacy evaluation of cpas. On March 12, 2024, The Board has approved the resolution that cpas are not related parties of the Company and that there was no interest between them and the Company and has obtained the Statement of Independence issued by cpas.	None
IV. Has the Company allocated an appropriate number of qualified persons and appointed a chief of corporate governance in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by Directors and supervisors, assisting Directors and supervisors to comply with laws, handling matters relating to Board meetings and shareholders' meetings according to laws, and preparing minutes of Board meetings and shareholders' meetings)?	✓		<p>The Company's Board of Directors has approved the resolution to appoint New Business Development Department Assistant Vice President Cai Xing-Juan (attached to the President's Office Secretariat) to concurrently act as Chief of corporate governance. The Assistant Vice President of the New Business Development Department has served as a managerial officer in charge of corporate governance affairs in a public company for more than three years. The following affairs are handled by the Chief of corporate governance:</p> <ol style="list-style-type: none"> 1. Board of Directors meeting and Shareholders' meeting. 2. Meeting minutes for Board of Directors meeting and Shareholders' meeting. 3. Assisting Directors in their appointment and continued education. 4. Providing Directors with the information necessary to perform their duties. 5. Assisting Directors in complying with regulations. 6. Report to the Board of Directors the examination results of whether the qualifications of independent directors comply with relevant laws and regulations during the nomination, election, and tenure. 7. Manage affairs related to Director changes. 8. Other matters stipulated in the Company's Articles of Incorporation or contracts, etc. <p>The Chief of corporate governance has executed relevant operations regarding the above responsibilities in 2023 and completed 18 hours of continuing education during that year. For details on the continuing education, please refer to page 109 of this year's Annual Report.</p> <p>The Management Department of the Company is responsible for handling and assisting in legal affairs, legal compliance, company registration, and alteration registration of the Company, and all relevant registration documents require the Finance Department to sign for approval.</p>	None

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a section for stakeholders on its corporate website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	✓		The Company has established a spokesperson system that is dedicated to handling relevant matters. For suppliers, customers, banks, investors, and other stakeholders, the Company has established appropriate communication channels and set up a stakeholder section on its website.	None
VI. Has the company appointed a professional stock affairs agency to handle matters for shareholder meetings?	✓		The Company engages the Register & Transfer Agency Department of Yuanta Securities.	None
VII. Public disclosure of information				
(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?	✓		(I) The Company has established an English website and updated the latest product information and relevant information at all times, and disclosed information on finance and business regularly according to relevant requirements.	None
(II) 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.)?	✓		(II) The Company has disclosed relevant finance and business information on MOPS regularly or from time to time according to the requirements of the TWSE, established an English website that discloses the latest product information, and established and implemented a spokesperson system that is responsible for providing services to investors.	None
(III) Has the Company published and declared its annual financial statements within two months from the end of the fiscal year and published and declared its Q1, Q2 and Q3 financial statements along with the monthly business performance statements before the prescribed deadline?	✓		(III) The Company declared its Q1, Q2 and Q3 financial statements, along with the monthly business performance statements, before the prescribed deadline and intended to announce and declare its annual financial statements within two months from the end of the fiscal year.	None
VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employees' interest, employee care, investor relations,	✓		(I) Employees' interest: The Company has been protecting employees' legal interests according to the Labor Standard Act and treated employees with integrity. (II) Employee care: We have established a healthy relationship of mutual trust with employees through improving the benefits system that stabilizes employees' life and a favorable educational training system. (i.e., subsidies for employees' club	None

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
supplier relations, stakeholder rights, continuing education of Directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for Directors and supervisors)?			<p>activities, provision of cultural, entertainment, and health inspection subsidies, and parking lot.)</p> <p>(III) Investor relations: There is a spokesperson in place who is dedicated to handling shareholders' recommendations.</p> <p>(IV) Supplier relations: The Company has maintained healthy relations with suppliers.</p> <p>(V) Stakeholders' interest: Stakeholders may have communication with and recommendations to the Company to protect their legal interest.</p> <p>(VI) Directors' continuing education: Directors of the Company possess industry and professional backgrounds and experiences in operating and management practices.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company has established its Procedures for Handling Material Inside Information, Code of Conduct or Ethics of Employees, Code of Ethical Conduct, Regulations for Employees' Complaints, and Procedures for the Protection of Personal Data; please refer to Attachments 1, 2, 3, 4, and 5 of the handbook.</p> <p>(VIII) Implementation of customer policies: The Company maintains stable and healthy relationships with customers to create its profits.</p> <p>(IX) Purchase of liability insurance for Directors of the Company: The Company has purchased liability insurance for Directors.</p> <p>(X) Post-employment benefit plan</p> <ol style="list-style-type: none"> 1. Defined contribution plan: The pension system under the "Labor Pension Act" applicable to the Company is a defined contribution plan managed by the government, and the Company appropriates 6% of the monthly salaries of employees to the personal accounts with the Bureau of Labor Insurance. 2. Defined benefit plan: The pension system, organized in accordance with the "Labor Standards Act" of Taiwan, is a defined benefit plan managed by the government. The payment of an employee's retirement pension is calculated based on the service seniority and average wages during the six months before the approved retirement date. The Company appropriates 2% of the total monthly salaries of employees as the pension for the Supervisory Committee of Labor Retirement Reserve to deposit in the account with the Bank of Taiwan in the name of the Committee. At the end of the year, if it is estimated that the balance of the account is not sufficient to make the payments for laborers who are estimated to fulfill the retirement conditions in the following year, the Company will appropriate the difference in a lump sum by the end of March in the following year. The Bureau of Labor Funds, 	

Evaluation Items	Implementation status			Deviations from the Corporate Governance bestpractice Principles for TWSE/tpex Listed Companies And the reasons
	Yes	No	Summary description	
			Ministry of Labor, is entrusted with the management of the account, and the Company has no right to affect the investment and management strategies.	

IX. Please explain improvements that have been made based on the latest results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporation Governance Center, and propose matters and measures for matters not yet improved.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Protect shareholders' interest and treat shareholders fairly	Has the Company reported the remuneration collected by Directors at the annual shareholders' meeting (including the remuneration policy, individual remuneration content, and amount)?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Does the company establish written regulations for financial transactions between related parties? The content should include management procedures for transactions such as purchases, sales of goods, acquisition, or disposal of assets, and significant transactions should be approved by the Board of Directors and agreed upon by the shareholders' meeting or reported?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the annual shareholders' meeting been attended by over half of the Directors (including at least one Independent Director) and the convener of the Audit Committee (or at least one supervisor)? Has the list of attendance been disclosed in the meeting minutes?	Yes	Execute according to relevant specifications.
	Has the Company convened its annual shareholders' meeting by the end of May?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company uploaded the meeting handbook and supplementary information for the shareholders' meeting 30 days before the annual shareholders' meeting?	Yes	Execute according to relevant specifications.
	Has the Company uploaded the annual report 18 days before the annual shareholders' meeting?	Yes	Execute according to relevant specifications.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Protect shareholders' interest and treat shareholders fairly	Has the Company uploaded the English meeting notice, meeting handbook, and supplementary information 30 days before the annual shareholders' meeting?	No	The Company's operating scale is relatively small, and the foreign investment ratio is relatively low; therefore, the English meeting notice is not provided at present.
	Has the Company uploaded the English annual report sixteen days before the annual shareholders' meeting?	Yes	Execute according to relevant specifications.
	Has the Company established and disclosed the internal specifications on its website regarding the prohibition of trading securities by Directors, employees, or other insiders by using information undisclosed to the market that includes (but is not limited to) the prohibition of trading shares by Directors during the lock-up period 30 days and 15 days before the announcement of the financial statements and quarterly financial statements) and specify the implementation status?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Does the company's shareholders' meeting adopt live online broadcasting, or upload uninterrupted audio and video recordings of the entire meeting after the shareholders' meeting?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
Strengthen the Board's structure and operation:	Has the Company formulated its Corporate Governance Best Practice Principles that are approved by the Board?	Yes	The Company has established relevant corporate governance policies; please refer to the corporate governance implementation in the annual report and the regulations of the Company under corporate governance on its Chinese website.
	Has the Company established the diversification policies of its Board members and disclosed the substantial management objectives and implementation status of the diversification policies on its website and in the annual report?	No	Four Directors and four Independent Directors of the Company possess operating experience or academic experiences; stringent procedures are adopted for the nomination of members, with their expertise taken into consideration. The Company will continue to promote relevant diversification policies according to the Regulations for the Performance Evaluation of the Board.
	Are the Chairman and President or a position of the same level (top-level manager) the same person, or a spouse or a relative within the first degree of kinship?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company established the succession plan for Board members and the important management and disclosed the operations on its website or in the annual report?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company disclosed the qualification and experience of members of the Audit Committee, the annual working highlight, and operating status?	Yes	The Company has established the Audit Committee according to the law; for the qualification and experience of members of the Audit Committee, the annual working highlight, and operating status, please refer to the corporate governance implementation in the annual report.
	Has the Company established a Nomination Committee, Risk Management Committee, Sustainable Development Committee, or other functional committees not specified by the law with a number of members no less than three persons, over half of the members being Independent Directors, and one member or above possessing the professional ability required by the committee, and disclosed the composition, duties, and operating status?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Strengthen the Board's structure and operation:	Has the Company disclosed the separate communication status (i.e., communication methods for the financial statements and the finance and business status of the Company, matters, and results) between Independent Directors with the chief auditor and cpas on its website?	Yes	The Company has disclosed the communication status between Independent Directors with the chief auditor and cpas under the Board of corporate governance in the investor section on its Chinese website.
	Has the Board of the Company regularly (at least once a year) evaluated the independence and qualifications of cpas according to Audit Quality Indicators (aqis) and duly disclosed the evaluation procedures in its annual report?	Yes	Execute according to relevant specifications.
	Has the Company regularly performed internal performance evaluations of functional committees (at least including the Audit Committee and the Remuneration Committee) each year and disclosed the implementation status and evaluation results on its website or in the annual report?	Yes	The Company has regularly performed internal performance evaluations of functional committees and disclosed the implementation status and evaluation results in the annual report please refer to the corporate governance operation in the annual report.
	Is the Company's chief of corporate governance a full-time position? Has the Company specified its scope of powers and continuing education status on its website and in the annual report?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Does the company have a functional committee at the level of the audit committee or board of directors (such as a risk management committee) to oversee risk management, and does it establish risk management policies and procedures approved by the board of directors, disclose the organizational structure of risk management, risk management procedures, and their operation, and report to the board of directors at least once a year?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Regulations for the Performance Evaluation of the Board formulated by the Company been approved by the Board and stated that it shall execute an external evaluation at least every three years? Has the Company executed the evaluations in the year under evaluation or the past two years and disclosed the implementation status and evaluation results on its website or in the annual report?	Yes	The Company has established Regulations for the Performance Evaluation of Directors and Supervisors and intends to periodically evaluate Board performance at the end of each year regularly examine the efficacy of the Board, and report to the Board.
	Have Independent Directors of the Company completed the continuing education based on the number of hours specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and tpex Listed Companies"?	No	The Company has encouraged Independent Directors to participate in relevant continuing education programs; however, it is subject to their own decisions.
	Has the Company established an intellectual property management plan that is linked to the operating objectives, disclosed the implementation status on its website or in the annual report, and reported to the Board at least once a year?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Is there at least one person among the company's internal auditors who possesses the certificate as a CIA or CISA, or has passed the CPA examination by holding a qualification certificate?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
Improve information transparency	Has the Company concurrently issued material information in English?	Yes	Execute according to relevant specifications.
	Has the Company announced its annual financial statements audited and certified by cpas within two months from the end of a fiscal year?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company uploaded the English annual financial statements sixteen days before the annual shareholders' meeting?	Yes	The Company has provided English annual financial statements in 2023 according to relevant specifications.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Improve information transparency	Has the Company disclosed its English interim financial statements within two months after the declaration deadline for the Chinese interim financial statements?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Does the company upload to the MOPS the information on changes in shareholding of insiders for the previous month before the 10th day of each month?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company disclosed the substantial and accurate dividend policy in its annual report?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company voluntarily disclosed the individual remuneration of Directors and supervisors in its annual report?	Yes	The Company has disclosed the individual remuneration of Directors according to relevant specifications.
	Has the Company disclosed the linkage between the performance evaluation and remuneration of Directors and managers in its annual report?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Does the Company website disclose information related to finance, business, and corporate governance?	Yes	Execute according to relevant specifications.
	Has the Company established an English website that includes information related to finance, business, and corporate governance?	Yes	Execute according to relevant specifications.
	Has the Company been invited (initiated) to convene at least two investor conferences? Is the gap between the first and the last investor conferences during the year under evaluation over three months?	No	The Company will decide in accordance with relevant specifications based on the operating status of the Company.
	Has the Company voluntarily disclosed the individual remuneration of the President and Vice Presidents in its annual report?	Yes	The Company has disclosed the individual remuneration of the President and Vice Presidents in its annual report according to relevant specifications.
Promote sustainable development	Has the Company established a dedicated (concurrent) department for sustainable development to carry out risks assessments for environmental, social, or corporate governance issues related to the Company's operations based on the principle of materiality and establish relevant risk management policies or strategies with the Board monitoring the promoting status of sustainable development, and disclosed them on its website and in the annual report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company established a dedicated (concurrent) department for ethical corporate management to be responsible for the formulation and supervision of ethical corporate management policies and preventive plans? Has the Company described the operation and implementation status of the department established on its website or in the annual report and reported to the Board at least once a year?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company regularly disclosed the substantial plans and implementation achievements of ESG on its website, or in the annual report or Sustainability Report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company prepared its Sustainability Report in accordance with the GRI standards issued by the GRI and uploaded it to MOPS or its website before the end of September?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Sustainability Report prepared by the Company been verified by a third-party certifying institution?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Promote sustainable development	Has the Company established policies and substantial management plans to protect human rights with reference to the International Bill of Human Rights and disclosed policies and implementation status on its website or in the annual report?	Yes	The Company has disclosed the protection policies related to working environments and personal safety under the declaration of human rights protection of corporate governance in the investor section on its Chinese website. Indicator Category Content of indicator Whether any improvement is made Descriptions of matters not yet improved
	Promote sustainable development Has the Company uploaded the English Sustainability Report on MOPS and its website?	No	The Company's scale is relatively small, and the foreign investment ratio is relatively low, and the Company will make additions based on the circumstances in the future.
	Has the Company established policies to appropriately reflect operational performance or results in employee compensation, and disclose this on the Company's website or in the annual report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company disclosed various employee benefit measures, retirement systems, and the implementation status on its website and in the annual report?	Yes	The Company has disclosed the employee benefit measures, retirement systems, and implementation status in the annual report.
	Has the Company disclosed the annual emissions of ghgs, water consumption, and the total weight of wastes in the past two years?	No	At present, the Company has no sufficient internal/external resources to evaluate the emissions of CO2 or other ghgs, and it will make additions according to laws, regulations, and policies in the future.
	Has the Company established management policies for GHG reduction or water consumption, or other waste reduction (including the reduction objective, promoting measures, and the achievement)?	No	At present, the Company has no sufficient internal/external resources to evaluate the emissions of CO2 or other ghgs, and it will make additions according to laws, regulations, and policies in the future.
	Has the Company obtained ISO 14001, ISO50001, or similar environmental or energy management system verification?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company disclosed the identification of stakeholders, issues of concern, communication channels, and response methods on its website or in the annual report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Does the company's website or annual report disclose the ethical corporate management policy approved by the board of directors, which clearly specifies specific practices and preventive measures against dishonest conduct, and explains the implementation status?	Yes	Execute according to relevant specifications.
	Has the Company established and disclosed the details of the whistleblowing system for illegal (including corruption) and unethical conduct of internal and external personnel on its website?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company disclosed the supplier management policies it formulated that require suppliers to comply with relevant specifications on environmental protection, occupational safety and health, or labor rights issues on its website or in the annual report or the Sustainability Report and described the implementation status?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.

Category of indicator	Content of indicator	Whether any improvement is made	Descriptions of matters not yet improved
Promote sustainable development	Has the Company disclosed the governing status, strategies, risk management, indicators, objectives, and relevant information regarding risks and opportunities related to climate based on the TCFD structure?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Does the company invest in environmentally sustainable machinery and equipment related to energy conservation or green energy, or invest in domestic green energy industries (such as renewable energy power plants), or issue or invest its funds in sustainable development financial products with substantive benefits in green or social impact investment projects, and disclose its investment situation and specific benefits?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company established diversification policies or promoted gender equity policies, and disclosed the implementation status?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the Company assessed risks or opportunities to the community and taken corresponding measures, and disclosed its specific measures and implementation effectiveness on the Company's website, annual report, or sustainability report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.
	Has the company allocated resources to support domestic cultural development, and disclosed its methods of support and outcomes on the Company's website, annual report, or sustainability report?	No	The scale of the Company is relatively small, and the Company will make additions based on the circumstances in the future.

(4) If the Company has established its Remuneration Committee, the composition, responsibilities, and operations of the Committee shall be disclosed:

A. Information on members of the Remuneration Committee

Identity	Name	Criteria	Professional qualifications and experience	Independence	Number of concurrent duty as a Remuneration Committee member at a public company
Convener	Huang Yun-Ming		Ph.D. In differential dynamical, University of Minnesota. Used to be a consultant for AT&T and a chief engineer for Quintum. Possess the working experience required for business and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director					
Independent director	Jiang Min-Shiung		National Taipei Institute of Technology. Used to be the chairman of Acrosser Technology Co., Ltd.. Acrosser Technology Co., Ltd. Possess the working experience required for finance, accounting, and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director	Chang Guo-Hua		Bachelor's degree from Chiao Tung University and a master's degree from Arizona State University. Used to be the co-founder of starvox and The engineering vice president of CTO. Possess the working experience required for business and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0
Independent director	Ko Shu-Mei		Department of Business Administration, Providence University. Used to be the assistant vice president of the management section of aquaoptics. Acrosser Technology Co., Ltd. Possess the working experience required for finance, accounting, and corporate operations.	<ol style="list-style-type: none"> 1. The person, his spouse, or his second-degree relatives do not serve as directors, supervisors or employees of the Company. 2. No share of the Company is held by the person, spouse, or relatives within the second degree of kinship (or in others' name). 3. Not a director, supervisor, or employee of a company which has a specific relationship with the Company. 4. No compensation is received for providing business, legal, financial, accounting, and other services to the Company or its affiliates for the most recent two years. 	0

B. Information on the operation of the Remuneration Committee

a. **The Company's Remuneration Committee comprises four members.**

b. **Term of office of members of the 5th session:** The term of office from June 29, 2022 to June 28, 2025. Two meetings were held for the 5th session of the Remuneration Committee in the most recent year, and the qualification and attendance of members are as follows:

Title	Name	Number of attendance (B)	Number of attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Huang Yun-Ming	2	0	100	
Committee member	Jiang Min-Shiung	2	0	100	
Committee member	Chang Guo-Hua	2	0	100	
Committee member	Ko Shu-Mei	2	0	100	
Other matters to be recorded: I. If the Board does not adopt or amend the recommendations from the Remuneration Committee, the date, session, content of proposals, resolution of the Board, and the Company's response to the recommendations of the Remuneration Committee shall be specified (if the remuneration approved by the Board is more favorable than the recommendation of the Remuneration Committee, the differences and reasons shall be specified): None. II. For any objections or qualified opinions raised by a member of the Remuneration Committee against a resolution with records or written statements, the date of the Remuneration Committee meeting, session, content of proposals, opinions of all members, and the Company's response to the opinions of members shall be described: None.					

C. Disclose the 2023 date of meetings, content of proposals, resolutions, and the Company's response to the Remuneration Committee's opinion

Remuneration Committee	Content of proposals and the subsequent response	Resolution	Company's handling of the remuneration committee's opinions
2023.08.10	1. Review and discussion of the proposal for the distribution of employee remuneration and Director remuneration in 2022 2. Proposal for the remuneration policy for the Chairman and Directors 3. Proposal for the remuneration policy of managers 4. Proposal for the remuneration policy of other managers 5. Proposal for the working plan in 2024	Approved by all members of the Remuneration Committee	Proposed to the Board and approved by receiving the consent of all attending Directors
2024.03.12	1. Review and discussion of the proposal for the distribution of employee remuneration and Director remuneration in 2023 2. Proposal for the remuneration of the Chairman and managers 3. Proposal for the remuneration of other managers	Approved by all members of the Remuneration Committee	Proposed to the Board and approved by receiving the consent of all attending Directors

(5) Implementation of promoting sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies and the reasons therefor

Implementation Items	Implementation status			Deviations from the Sustainable Development Best Practice Principles For TWSE/tpex Listed Companies And the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development?		✓	Has the board of directors authorized senior management to handle related matters under the supervision of the board?	The Company has not established a governing structure for the promotion of sustainable development or a dedicated (concurrent) department.
II. The Company will establish the governing structure for the promotion of sustainable development or the dedicated (concurrent) department based on the actual requirements in the future. II.	✓		The Company has established evaluations of environmental, social and corporate governance issues related to the Company's operations and relevant risk management policies or strategies, and the environmental, social and corporate governance issues have no material effect on investors and other stakeholders of the Company. The Company complies with relevant labor regulations and respects basic labor human rights principles generally recognized internationally, protects the legal interest of employees, and has established relevant management rules and systems.	None
III. Environmental Issues (I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	✓		The Company has established the ISO14001 environmental management system. Measurement of operating environments: The Company implements measures for factors in operating environments every six months to ensure the health of employees. The measurement items include noise, air quality, lead operations, and illuminance. All measurement items shall comply with the requirements under laws and regulations, or improvement measures shall be adopted. The Company has established emergency management measures: The Company has established emergency management measures to ensure the reduction of the possibility of impacts and hazards on the environment and safety upon the occurrence of emergencies and the immediate response upon the occurrence of any disaster. The Company also cooperates with the fire control exercise once every six months of the building and appoints personnel to join the program according to the management committee of the building.	None
(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	✓		Saving water and electricity resource: To effectively utilize limited water resources in Taiwan, the Company promotes the water-saving concept with employees at all times and changes to water-saving faucets to avoid wasting water resources. For electricity, apart from installing automated power factor adjustment equipment, high power is the key condition for selecting power consumption equipment to improve power consumption efficiency. We maintain sufficient lighting for the operating areas. For non-operating areas, turn off or only keep lighting that will not affect the safety of personnel; personnel shall turn off the light to save power consumption when leaving. The A/C of offices and meeting rooms shall maintain the setting of an appropriate temperature; when there are fewer persons or when they leave, the temperature of A/Cs shall be appropriately adjusted or turned off.	None

Implementation Items	Implementation status			Deviations from the Sustainable Development Best Practice Principles For TWSE/tpex Listed Companies And the Reasons
	Yes	No	Summary description	
(III) Has the Company evaluated the potential risks and opportunities of climate change to the Company at present and in the future and adopted countermeasures for related issues?	✓		For waste management and recycling, in response to the energy-saving and carbon dioxide reduction policies for the achievements of sustainable use of resources, the Company prioritizes the reduction of garbage volume for the management waste, followed by the consideration for outsourced reutilization. To duly grasp the flow of waste, we carefully selected the waste clearing supplier and confirmed the certifications, on-site operations, and the traffic route to ensure all wastes are duly processed or reused legally, avoiding a second time of pollution to the environment.	None
(IV) Has the Company made statistics on ghgs emissions, water consumption, and the total weight of wastes for the past two years and formulated policies for ghgs emissions reduction, water consumption reduction, or other waste management?	✓		The Company is a network equipment solution supplier, and major potential risks, including the increase in raw material costs and exchange rate fluctuations, may cause impacts and affect its operations. However, in terms of recycling efficacy, the Company encourages employees to recycle waste paper for reuse, save electricity, and reduce water consumption to minimize operating costs. Saving water and electricity resource: To effectively utilize limited water resources, the Company promotes the water-saving concept with employees at all times and changes to water-saving faucets to avoid wasting water resources. For electricity, apart from installing automated power factor adjustment equipment, high power is the key condition for selecting power consumption equipment to improve power consumption efficiency. We maintain sufficient lighting for the operating areas. For non-operating areas, turn off or only keep lighting that will not affect the safety of personnel; personnel shall turn off the light to save power consumption when leaving. The A/C of offices and meeting rooms shall maintain the setting of an appropriate temperature; when there are fewer persons or when they leave, the temperature of A/Cs shall be appropriately adjusted or turned off to achieve energy-saving and carbon dioxide reduction and reduce damage to climate and environments.	None
IV. Social Issues				
(I) Has the Company formulated relevant management policies and procedures in accordance with relevant regulations as well as the International Bill of Human Rights?	✓		The Company complies with relevant labor regulations and respects basic labor human rights principles generally recognized internationally, protects the legal interest of employees, and has established relevant management rules and systems.	None
(II) Has the Company established reasonable employee welfare measures (including remuneration, vacations, and other benefits), and appropriately reflect operational performance or results in employee remuneration?	✓		The Company has established relevant employee welfare measures in accordance with the Labor Standards Act, and conducts regular annual assessments based on the Company's annual operational performance, issuing project and performance bonuses annually to share the results of success with employees.	None

Implementation Items	Implementation status			Deviations from the Sustainable Development Best Practice Principles For TWSE/tpex Listed Companies And the Reasons
	Yes	No	Summary description	
(III) Does the Company provides employees with a safe and healthy working environment and regularly organize safety and health education for employees?	✓		<p>According to the requirements under labor safety and health regulations, the Company provides standard operating environments, performs environmental factor tests for CO2, lead operations, and illumination regularly according to the requirements, and tests drinking water regularly according to the requirements to comply with the requirements under regulations; it also organizes safety and health education regularly for employees.</p> <p>Relevant labor safety personnel of the Company have participated in educational training, and there are a total of 16 persons who have obtained certificates related to labor safety and health.</p>	None
(IV) Has the Company established an effective career development training program for employees?	✓		<p>The Company has a comprehensive employee training plan and organizes diverse educational training based on different duties, expertise, and requirements. Meanwhile, it assists in the functional development of employees, improves their professional literacy, and provides secondary specialty development plans in due course to enrich employees' careers.</p> <p>Internal and external educational training of ethical corporate management organized by the Company: In 2023, regarding the internal and external educational training of ethical corporate management organized (including compliance with ethical corporate management regulations, occupational safety and health management, information safety incident identification and handling, accounting system, internal control, and other relevant programs), the number of participants was 286, with a total number of man-hour reaching 209,066 hours.</p>	None
(V) Has the Company complied with relevant regulations and international standards with regard to customer health and safety, customer privacy, marketing, and labeling of products and services, and established relevant policies to protect the interests of consumers or customers and complaint procedures?	✓		In 2006, in response to the Restriction of Hazardous Substances (rohs) of the EU and the requirements of customers regarding hazardous substance management, the Company continued to implement the management plans for suppliers' environmental protection, safety, and health and linked them with the sustainable indicators of three major factors of environmental protection, social responsibility, and risk management.	None
(VI) Has the Company formulated supplier management policies that require suppliers to comply with relevant specifications on environmental protection, occupational safety and health, or labor rights issues?	✓		What is the implementation status? The Company has established the non-corruption commitment terms and procurement order contract terms for suppliers to provide specifications related to issues of direct or indirect offering, bribery, commission provision, rebates, or other inappropriate measures. If any violation occurs, the Company may directly terminate or cancel orders or all contracts, and suppliers shall compensate all damages and expenses that occurred thereof.	None

Implementation Items	Implementation status			Deviations from the Sustainable Development Best Practice Principles For TWSE/tpex Listed Companies And the Reasons
	Yes	No	Summary description	
V. Has the Company referred to international reporting standards or guidelines in its preparation of the sustainability report and other reports which disclose the Company's non-financial information? Has the Company obtained the assurance or certification of a certifying institution for the reports above?		✓	The Company's scale is relatively small, and the Company will make additions based on the circumstances in the future.	The Company will establish a dedicated (concurrent) department for corporate social responsibility based on the actual requirements in the future.
VI. If the Company has adopted its own Sustainable Development Best Practice Principles based on the Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies, please describe any differences from the principles in the Company's operations: The Company has always been complying with laws and regulations and spared no effort in environmental protection and public safety; however, it has not established the "Sustainable Development Best Practice Principles for TWSE/tpex Listed Companies"; it will establish such principles as soon as possible according to laws and regulations.				
VII. Other important information to facilitate a better understanding of the Company's promotion of sustainable development: For details, please refer to pages 58 to 61 of the handbook.				

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

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The company regularly reports to the board of directors and conducts quarterly control of the schedule for greenhouse gas inventory and verification planning. As of June 2022, the company has appointed one full-time (or part-time) employee as a facilities personnel and has established the following schedule for greenhouse gas inventory and verification planning: Inventory planning: Scheduled for October 2026 Verification planning: Scheduled for October 2027
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	In the future, the company will develop in accordance with international sustainability standards and regulations, and, based on the specific circumstances of the industry and the company, will continuously assess the potential impact of climate risks on its operations. The company will gradually identify relevant climate risks and establish corresponding management actions and strategies.
3. Describe the financial impact of extreme weather events and transformative actions.	
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The company has not yet implemented scenario analysis assessments. In the future, it will consider whether to adopt such assessments based on its specific circumstances to enhance resilience in facing climate change risks.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The company has not yet formulated a transition plan for managing climate-related risks. In the future, it will conduct detailed risk assessments and planning based on its specific circumstances to mitigate climate-related risks.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The company has not yet used internal carbon pricing as a planning tool.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (recs) are used to achieve relevant targets, the source and quantity of carbon credits or recs to be offset should be specified.	In response to climate change, the company has implemented an office energy-saving plan, starting with reducing energy consumption in the office and among employees to minimize harm to the climate and environment. In the future, the company will follow the reference guidelines and relevant regulations issued by the competent authorities to carry out greenhouse gas inventory and verification plans.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan	The company's paid-in capital has not reached NT\$5 billion. According to the Financial Supervisory Commission's directive No. 11103849344, the disclosure of the greenhouse gas inventory and assurance should be completed starting from 2026 and 2028, respectively. The company will continue to manage the completion of the greenhouse gas inventory and verification disclosure schedule according to the reference guidelines and relevant regulations issued by the competent authorities.

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

Evaluation Items	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies and the Reasons
	Yes	No	Summary description	
I. Formulate ethical corporate management policy and plan				
(I) Does the Company have an ethical corporate management policy approved by its Board, and bylaws and publicly available documents addressing its policy and measures of ethical corporate management, and commitment regarding active implementation of such policy from the Board and the senior management?	✓		The Company has established terms of ethical conduct in contracts entered into with external parties due to business activities. For those with records of unethical conduct, the Company may perform a demotion, cease their rights, or exclude them from the list of qualified suppliers; the Company has established its "Ethical Corporate Management Best Practice Principles," which was implemented after being approved by the shareholders' meeting in 2015. The Company has formulated its working rules and regulations for rewards and punishments and implements educational training for new employees.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Management Department reviews contracts to prevent the risk related to the violation of laws of contracts entered into, and the Audit Office audits and continues to follow up on the implementation status from time to time.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(III) Has the Company clearly set the operating procedures, behavior guidelines, and punishment and complaint system for violations in its unethical conduct prevention program, implemented it, and regularly reviewed and revised it?	✓		The Company has established the "Ethical Corporate Management Best Practice Principles," which states that persons shall not have any private business conduct with companies having dealings with the Company or accept gifts, rebates, or other illegal benefits leveraging their duties or engage in other conducts that damage the Company's interest.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
II. The implementation of ethical corporate management				
(I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	✓		The Company duly evaluates the credit of customers to avoid engaging in transactions with those with unethical conduct, and it has established the "Ethical Corporate Management Best Practice Principles," which was implemented after being approved by the shareholders' meeting in 2015 and disclosed in the corporate governance section on its website.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies

Evaluation Items	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies and the Reasons
	Yes	No	Summary description	
(II) Has the Company set up a dedicated department that is subordinated to the Board to promote ethical corporate management, and does it regularly (at least once a year) report to the Board on its ethical corporate management policy and unethical conduct prevention program and monitor their implementation?	✓		If there are any matters related to the promotion of ethical corporate management, the Management Department is responsible for the promotion, and it shall report to the Board regarding the policies of ethical corporate management, plans for preventing unethical conduct, and supervisory and implementation status at the end of each year.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(III) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		The Company has established and implemented its "Ethical Corporate Management Best Practice Principles," which mentioned the recusal of stakeholders.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(IV) Has the Company established effective accounting and internal control systems in place for the implementation of ethical corporate management? Has the internal audit department formulated relevant audit plans based on the assessment results of unethical conduct risk to perform audits on compliance with the unethical conduct prevention program or engage cpas to perform such audits?	✓		To ensure the implementation of ethical corporate management, the Company has established an effective accounting system and internal control system. In addition, our internal auditors regularly perform audits on compliance with the abovementioned system and communicate with cpas for the performance of improvement plans.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(V) Does the Company provide internal and external education and training in ethical corporate management on a regular basis?	✓		The Company will keep abreast of the development of specifications related to ethical management, examine and amend relevant specifications of the Company, and promote to employees and announce for general acknowledgment.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
III. The operation of the Company's whistleblower reporting system				
(I) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels and designate responsible individuals to handle the complaints received?	✓		The Company has established its "Regulations for Employees' Complaints" (please refer to Attachment 4); after the initial circumstances were verified for the opinion or complaint of employees, the Company will make arrangements based on the working rules or regulations for rewards and punishments.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies

Evaluation Items	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies and the Reasons
	Yes	No	Summary description	
(II) Has the Company established its SOP for investigating the complaints received, subsequent measures to be adopted, and the related confidentiality system after the investigation?	✓		The "Code of Ethical Conduct" states that the Company has established relevant procedures or systems and allowed employees to acknowledge the safety protection of whistleblowers without suffering from any revenge.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
(III) Has the Company adopted proper measures to protect whistleblowers from inappropriate disposals due to whistleblowing?	✓		The "Code of Ethical Conduct" states that the Company has established relevant procedures or systems and allowed employees to acknowledge the safety protection of whistleblowers without suffering from any revenge.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies
IV. Enhance Information Disclosure Has the Company disclosed the content and implementation results of its Ethical Corporate Management Best Practice Principles on its website and MOPS?		✓	The Company has disclosed the content of its "Ethical Corporate Management Best Practice Principles," and the promotional achievements shall be arranged subject to the requirements under laws and regulations in due course.	Disclosures will be made based on the actual requirements in the future
V. If the Company has adopted its own Ethical Corporate Management Best Practice Principles based on the Ethical Corporate Management Best Practice Principles for TWSE/tpex Listed Companies, please describe any differences from the principles in the Company's operations: The Company has established its "Ethical Corporate Management Best Practice Principles," which was submitted to and approved by the shareholders' meeting and implemented in June 2015. Disclosed as above, and there is no supplementary disclosure at present.				
VI. Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management (i.e., the examination and modification to the Ethical Corporate Management Best Practice Principles established by the Company): The Company complies with the Company Act, relevant specifications of TWSE/tpex, and relevant laws and regulations as the foundation of implementing ethical corporate management; for business dealings with external parties, it forbids any counterparty from involving in any unethical conduct.				

(8) The inquiry method for the Corporate Governance Best Practice Principles and relevant rules established by the Company:

[Http://www.looptelecom.com](http://www.looptelecom.com) °

(9) Other important information to facilitate a better understanding of the Company's implementation of corporate governance: None.

(10) Implementation of internal control system

A. Statement of internal control:

Loop Telecommunication International, Inc.

The Statement of Internal Control System

Date: March 12, 2024

The Company makes the following statement according to the self-evaluation conducted of the internal control system for 2023:

- I. The Company acknowledges that it is the responsibility of the Board and managerial officers to establish, implement, and maintain the established internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including profits, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws, where financial records and statements are prepared in accordance with the Insurance Act and relevant requirements with a consistent basis of preparation; this shall serve as a part of the results for the internal control system of financial reporting.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations"). The criteria adopted by the "Regulations" identify five components of internal control based on the process of management control: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; and 5. Monitoring operations. Each key component includes several items. Please refer to the "Regulations" for the aforementioned items.
- IV. The Company has evaluated the design and implementation effectiveness of the internal control system according to the determining items for the internal control system above.
- V. In accordance with the results of the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the overall execution status and legal compliance for operations, financial reporting, and information security) as of December 31, 2023 are effective; apart from the matters set out in the schedule, it can be reasonably assured that the Board and the managers understand that the objectives for operations, financial reporting, and compliance with the relevant guidelines and laws are achieved, and it is considered that the financial records and statements are prepared in accordance with the Insurance Act and relevant requirements with a consistent basis of preparation, and the accuracy is adequate.
- VI. The statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The statement was approved by the Board on March 12, 2024. Among the eight attending Directors, none of them held an opposing opinion, and all of them agreed with the content of the statement, which is hereby issued.

Loop Telecommunication International, Inc.

Chairman: Yeh Maw-Lin

President: Yeh Maw-Lin

B. Where a CPA has been engaged to carry out a project review of the internal control system, the CPA's review report shall be disclosed: None.

(11) If there has been any legal penalty imposed against the Company or its internal personnel, or any disciplinary penalty imposed by the Company against its internal personnel for violation of the requirements under its internal control system, during the most recent year and up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, specify the penalty, the main shortcomings, and condition of improvement: None.

(12) Material resolutions of shareholders' meetings or Board meetings during the most recent year and up to the publication date of the annual report:

A. Material resolutions of the annual shareholders' meeting and the implementation status

Time	Material resolution of the shareholders' meeting:	Execution
2023/06/28	<p>Material resolution of the 2023 annual shareholders' meeting:</p> <p>Report Items</p> <ol style="list-style-type: none"> 1. The 2022 business report 2. 2022 Audit Committee's Review Report 3. The report of the distribution of remuneration of employees and remuneration of Directors and supervisors in 2022 <p>Ratification</p> <ol style="list-style-type: none"> 1. Approved the 2022 business report, consolidated financial statements, and parent company only financial statements 2. Approved the proposal for earning distribution for 2022 <p>Discussion</p> <ol style="list-style-type: none"> 1. Proposal for the discussion of cash dividends distribution from the capital reserve 2. Proposal for the amendment to the "Articles of Incorporation" 3. Proposal for the capital reduction in cash of the Company 	<p>Approved as a resolution. September 3, 2023 was set as the ex-dividend date, and September 15, 2023 was the cash dividends distribution date.</p>

B. Board of Directors meeting

Meeting date (session)	Motion content	Opinions of all Independent Directors and the Company's response to the opinions of Independent Directors
2023/08/10 (The 3rd regular meeting in 2023)	<p>Reviewed and discussed the 2023 Q2 consolidated financial statements and parent company only financial statements.</p> <p>Proposal for the distribution of employee remuneration and Director remuneration in 2022.</p> <p>Proposal for the remuneration of managers and Directors in 2022.</p> <p>Proposal for the remuneration of other managers in 2022.</p> <p>Proposal for the working plan of the Remuneration Committee in 2024.</p> <p>Proposal for the qualification of members appointed for the 5th session of the "Remuneration Committee."</p> <p>The Company intends to apply for the rollover of the comprehensive loan limits with Mega International Bank in the amount of NT\$40 million.</p> <p>The Company intends to apply for the rollover of the pre-purchase/pre-sale forward exchange transactions and currency exchange exposure transaction limits with Mega International Bank in the amount of US\$0.15 million.</p> <p>Cumulative performance for contracting operations of derivatives (pre-sale forward exchange).</p> <p>The Company matters related to the ex-dividend date in 2023.</p> <p>Established the Company's date for the reduction of capital, the base date for the capital reduction, and the plan for the issuance of securities.</p>	Approved by receiving the consent of all attending Directors
2023/11/09 (The 4th regular meeting in 2023)	<p>Reviewed and discussed the 2023 Q3 consolidated financial statements and parent company only financial statements.</p> <p>Proposal for the 2024 annual audit plan of the Company.</p> <p>The Company is undertaking a capital reduction in cash to facilitate the refund of share capital, and is in the process of formulating related matters concerning the issuance of shares subsequent to the capital reduction.</p> <p>The Company established the "Framework for the Preparation and Presentation of Financial Statements".</p> <p>Cumulative performance for contracting operations of derivatives (pre-sale forward exchange).</p>	Approved by receiving the consent of all attending Directors
2024/03/12 (The 1st regular meeting in 2024)	<p>Reviewed and discussed the 2023 consolidated financial statements and parent company only financial statements.</p> <p>Proposal for the 2024 business plan.</p> <p>Proposal for the distribution of employee remuneration and Director remuneration in 2023.</p> <p>Proposal for earning distribution for 2023.</p> <p>Proposal for the remuneration of the Chairman and managers.</p> <p>Proposal for the remuneration of other managers.</p> <p>Proposal for the performance evaluation of the Board in 2023.</p> <p>Proposal for the amendments to the Company's "Regulations Governing the Exercise of Powers by the Audit Committee".</p> <p>Proposal for the amendment to the Company's "Rules of Procedure of Board Meetings".</p> <p>The Company intends to apply for a short-term (secured) loan of NT\$100 million from Yuanta Commercial Bank and continue with two additional short-term comprehensive credit lines of NT\$80 million and NT\$72 million respectively.</p> <p>Cumulative performance for contracting operations of derivatives (pre-sale forward exchange).</p> <p>Evaluation of the effectiveness of the internal control system and the "Statement of Internal Control" in 2023.</p> <p>The Board of Directors meeting to discuss matters pertaining to the 2024 annual shareholders' meeting. Proposal for establishing matters related to the acceptance of shareholders' proposals in 2024. The Company has executed the independence and adequacy evaluation of cpas. Pre-approval of the provision of non-assurance services by the appointed cpas, their firm, and affiliated entities to the company and its subsidiaries.</p>	Approved by receiving the consent of all attending Directors

Meeting date (session)	Motion content	Opinions of all Independent Directors and the Company's response to the opinions of Independent Directors
2024/05/13 (The 2nd regular meeting in 2024)	Reviewed and discussed the 2024 Q1 consolidated financial statements and parent company only financial statements. Cumulative performance for contracting operations of derivatives (pre-sale forward exchange). The report of the acceptance of shareholders' proposals for the 2024 annual shareholders' meeting.	Approved by receiving the consent of all attending Directors

- a. Any objections or qualified opinions raised by an Independent Director against a Board resolution with records or written statements: None.
- b. Implementation status of the recusal of Independent Directors for proposals in which they have interest: None.
- c. Communication between the Independent Directors and chief auditor and cpas (e.g., material matters, methods, and results of communication regarding the Company's financial and business status):
1. The chief auditor and cpas have pre-meetings with particular Independent Directors to discuss the finance and business status before the regular Board meeting each quarter. There was no circumstance above in 2023. The communication between Independent Directors and the chief auditor is healthy.
 2. Cpas and Independent Directors carry our meetings in person regarding the finance and business status of the Company; Independent Directors may have communication via phone calls or e-mails with the Finance Department at all times.
 3. Cpas of the Company report the auditing or reviewing the status of the quarterly financial statements and other communication matters requirements under relevant laws and regulations at Board meetings each quarter; if there is any special circumstance, they will also immediately report to Board members; in 2023, there were no abovementioned special circumstances. The communication between Independent Directors and cpas is healthy.

(13) During the most recent year and up to the publication date of the annual report, where a Director has expressed a dissenting opinion with respect to a material resolution passed by the Board, and the said dissenting opinion with records or written statements, disclose the principal content thereof: None.

(14) A summary of resignations and dismissals of the Company's Chairman, President, chief accountant, chief financial officer, chief internal auditor, chief of corporate governance, and chief of research and development during the most recent year and up to the publication date of the annual report: None.

4. Information on CPA fees

(1) The amount of audit fees and non-audit fees paid to cpas and its firm and affiliates and the content of non-audit services shall be disclosed:

Information on CPA fees

(In Thousands of New Taiwan Dollars)

CPA firm	CPA name	CPA audit period	Audit fee (Note 1)	Non-audit fee					Total	Remarks
				System design	Business registration	Human resources	Others	Subtotal		
Deloitte & Touche Taiwan	Huang Yu-Feng Tseng Jian-Ming	2023/1/1~2023/12/31	3,200	0	0	0	120 (Note 2)	120	3,320	

Note: 1. Audit fees refer to fees paid by the Company to cpas related to the audit, review, re-inspection of financial statements, and the review of financial forecast.

2. Capital reduction verification, taxation certification, assurance, or other financial advisory services.

(2) When the Company changes its CPA's firm and the audit fees paid for the year in which such change took place are lower than those for the preceding year, the amount of the audit fees before and after the change and the reasons shall be disclosed: None.

(3) When the audit fees paid for the current year are lower than those for the preceding year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reasons shall be disclosed: None.

5. Information on replacement of cpas

(1) Former cpas

7) Former cpas

Date of change	From 2021 Q4		
Reason for the change and description	Internal operational rotation of the firm		
Description of whether the Company or cpas terminate or reject the appointment	Party	Cpas	The Company
	Circumstances		
	Propose to terminate the appointment	Not applicable	
	Reject the (continued) appointment	Not applicable	
Opinions in the auditor's report issued other than unqualified opinions within the most recent two years and reason	Not applicable		
Whether cpas have any opinion different from the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or step of audit
			Others
	No		
	Description: None		
Other disclosures (disclosures to be made in accordance with items 1-4 to 1-7, subparagraph 6, Article 10 of the Regulations)			

(2) Successor cpas

CPA firm	Deloitte & Touche Taiwan
CPA name	Huang Yu-Feng and Tseng Jian-Ming
Appointment date	From 2021 Q4
Consultation matters regarding the treating method or accounting principles of particular transactions and opinions that may be issued for the financial statements and results	None
Written opinion of succession cpas for matters With opinions different from the former cpas	None

(3) Response letter of the former cpas regarding matters stated in item 1 and point 2, item 3, subparagraph 6, Article 10 of the Regulations: None.

(4) Evaluation of the Independence and Competence of the Auditor:

The Company evaluates the independence of the signing auditor once a year according to the following standards:

- A. Obtaining a declaration of independence from the signing auditor.
- B. Establishing evaluation items based on quality indicators (AQI) issued by regulatory authorities and referring to the ROC CPA Professional Ethics Standards Bulletin No. 10 "Integrity, Objectivity, and Independence" to compile the evaluation results of the auditor's independence and competence.

After thorough communication with the appointed auditor and individual evaluations of their competence, the Company has not identified any circumstances that might affect the independence and competence of the signing auditor.

The evaluation results for the most recent year were discussed and approved by the Audit Committee on March 12, 2024, and subsequently approved by the Board of Directors on March 12, 2024.

6. The Chairman, President, or managers in charge of financial or accounting matters of the Company working in the CPA's firm or its affiliates in the most recent year: None.
7. Transfer of equity and changes in equity pledges of Directors, supervisors, managers, and shareholders with a shareholding of 10% and above in the most recent year and up to the date of publication of the annual report

Changes in equity of Directors, managers, and major shareholders

Title	Name	2023		Current year as of April 26	
		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
Chairman	Yeh Maw-Lin	0	0	0	0
Director	Fan Zheng-Chun	0	0	0	0
Director	Chiu Dong-Sheng	0	0	0	0
Director	Chen Hua-Ling	(355,000)	0	0	0
Director	Chen Hua-Ling (Note 2)	0	0	(16,000)	0
Independent director	Huang Yun-Ming	0	0	0	0
Independent director	Jiang Min-Shiung	0	0	0	0
Independent director	Chang Guo-Hua	0	0	0	0
Independent director	Ko Shu-Mei	0	0	0	0
Chief of corporate governance	Cai Xing-Juan	12,594	0	0	0
Chief of corporate governance	Cai Xing-Juan (Note 2)	0	0	(8,000)	0
Director of the Finance and Accounting Department	Chang Xiao-Ling	6,437	0	0	0
Director of the Finance and Accounting Department	Chang Xiao-Ling (Note 2)	0	0	(5,000)	0
Vice president	Lai Yong-Zan	(5,000)	0	0	0
Other supervisors	Lai Yong-Zan (Note 1)	(10,000)	0	0	0
Vice president	Liu Dong-Jie	0	0	0	0
Vice president	Ceng Qing-Lin	(48,000)	0	0	0
Vice president	Ceng Qing-Lin (Note 2)	21,058	0	0	0

Note 1 : 2023/08/01 Transitioned to Vice President-level advisor position.

Note 2 : 2023/12/11 Processed the listing of new shares after cash reduction

(1) Information on the transfer of equity: None.

(2) Information on the pledge of equity: None.

8. Information on relationships between shareholders with the top ten shareholdings

Data on shareholders with the top ten shareholdings who are related parties

Name	Shareholding		Shareholding of spouse and underage children		Total shares held in the name of others		The title or name of the top ten shareholders who are spouses or relatives within the second degree of kinship with related parties and their relationship		Remarks
	Shares (thousand shares)	Shareholding ratio	Shares (thousand shares)	Shareholding ratio	Shares (thousand shares)	Shareholding ratio	Name	Relationship	
Yeh Maw-Lin	5,626	9.92%	1,218	2.15%	0	0	Chen Hua-Ling Yeh, Li-Tung	Spouse Father and daughter	
Chen Hua-Ling	1,218	2.15%	5,626	9.92%	0	0	Yeh Maw-Lin Yeh, Li-Tung	Spouse Mother and daughter	
Yeh, Li-Tung	1,051	1.85%	0	0	0	0	Yeh Maw-Lin Chen Hua-Ling	Father and daughter Mother and daughter	
Chang, Shih-Lung	987	1.74%	0	0	0	0	None	None	
Hu, I-Lung	679	1.20%	0	0	0	0	None	None	
Tsai, Ho-Chin	606	1.07%	0	0	0	0	None	None	
Huang, Chueh-Hui	427	0.75%	0	0	0	0	None	None	
Citibank Custody Citigroup Global Markets - Asia Pacific Integrated Equity Finance	326	0.57%	0	0	0	0	None	None	
Lai, Feng-Mei	317	0.56%	0	0	0	0	None	None	
Tsai, Ho-Lu	310	0.55%	0	0	0	0	None	None	

9. The total number of shares held in any single investee by the Company, its Directors, managers, or any companies controlled either directly or indirectly by the Company

Consolidated shareholding ratio

Unit: Share; %

Investee (Note)	Ownership by the Company		Investments of Directors, managers and any companies controlled either directly or indirectly by the Company		Total Ownership	
	Shares	Ownership	Shares	Ownership	Shares	Ownership
Tech-Plan (BVI) Ltd.	4,016,000 shares	100%	0	0	4,016,000 shares	100%
Loop Telecom NA, Inc.	5,000 shares	100%	0	0	5,000 shares	100%

Note: Refer to long-term investments of the Company accounted for by adopting the equity method.

(IV) Capital and shares

1. Capital and shares

(1) Source of share capital

(In New Taiwan Dollars)

Year/ month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Capital paid in by properties other than cash	Others
84.01	NT\$10	22,500,000 shares	225,000,000	12,000,000 shares	120,000,000	-	-	-
86.09	NT\$10	22,500,000 shares	225,000,000	19,500,000 shares	195,000,000	Capital increase	14,550,000	Note 1
88.09	NT\$10	36,500,000 shares	365,000,000	22,500,000 shares	225,000,000	Capital increase	5,587,500	Note 2
88.09	NT\$10	36,500,000 shares	365,000,000	29,000,000 shares	290,000,000	Capital increase from earnings	None	Note 3
89.09	NT\$10	47,160,000 shares	471,600,000	39,165,000 shares	391,650,000	Capital increase from earnings	None	Note 4
90.09	NT\$10	97,320,000 shares	973,200,000	52,200,000 shares	522,000,000	Capital increase from earnings	None	Note 5
91.08	NT\$10	128,000,000 shares	1,280,000,000	63,654,000 shares	636,540,000	Capital increase from earnings	None	Note 6
93.02	NT\$10	128,000,000 shares	1,280,000,000	64,927,266 shares	649,272,660	Convertible corporate bonds	None	Note 7
93.11	NT\$10	128,000,000 shares	1,280,000,000	65,239,998 shares	652,399,980	Convertible corporate bonds	None	Note 7
94.07	NT\$10	128,000,000 shares	1,280,000,000	68,909,100 shares	689,091,000	Convertible corporate bonds	None	Note 8
94.11	NT\$10	128,000,000 shares	1,280,000,000	69,371,204 shares	693,712,040	Convertible corporate bonds	None	Note 8
95.04	NT\$10	128,000,000 shares	1,280,000,000	70,544,948 shares	705,449,480	Convertible corporate bonds	None	Note 8
95.08	NT\$10	128,000,000 shares	1,280,000,000	70,591,158 shares	705,911,580	Convertible corporate bonds	None	Note 8
95.10	NT\$10	128,000,000 shares	1,280,000,000	71,663,242 shares	716,632,420	Convertible corporate bonds	None	Note 8
96.02	NT\$10	128,000,000 shares	1,280,000,000	75,570,735 shares	755,707,350	Convertible corporate bonds and employee stock options	None	Note 9
96.06	NT\$10	128,000,000 shares	1,280,000,000	78,727,983 shares	787,279,830	Convertible corporate bonds and employee stock options	None	Note 9
96.08	NT\$10	128,000,000 shares	1,280,000,000	80,294,832 shares	802,948,320	Convertible corporate bonds and employee stock options	None	Note 9
96.10	NT\$10	128,000,000 shares	1,280,000,000	81,712,562 shares	817,125,620	Convertible corporate bonds and employee stock options	None	Note 9
97.01	NT\$10	128,000,000 shares	1,280,000,000	82,155,298 shares	821,552,980	Convertible corporate bonds and employee stock options	None	Note 9
97.07	NT\$10	128,000,000 shares	1,280,000,000	82,210,750 shares	822,107,500	Convertible corporate bonds	None	Note 9
97.12	NT\$10	128,000,000 shares	1,280,000,000	79,210,750 shares	792,107,500	Cancellation of treasury stock	None	Note 10
98.10	NT\$10	128,000,000 shares	1,280,000,000	78,176,650 shares	781,766,500	Capital reduction through treasury shares	None	Note 11
98.12	NT\$10	128,000,000 shares	1,280,000,000	77,639,650 shares	776,396,500	Cancellation of treasury stock	None	Note 12
99.03	NT\$10	128,000,000 shares	1,280,000,000	78,192,750 shares	781,927,500	Employee stock options	None	Note 13
99.07	NT\$10	128,000,000 shares	1,280,000,000	78,194,750 shares	781,947,500	Employee stock options	None	Note 14
99.09	NT\$10	128,000,000 shares	1,280,000,000	78,209,900 shares	782,099,000	Employee stock options	None	Note 15

Year/ month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Capital paid in by properties other than cash	Others
100.01	NT\$10	128,000,000 shares	1,280,000,000	78,222,550 shares	782,225,500	Employee stock options	None	Note 16
100.12	NT\$10	128,000,000 shares	1,280,000,000	72,885,550 shares	728,855,500	Cancellation of treasury stock	None	Note 17
101.06	NT\$10	128,000,000 shares	1,280,000,000	70,920,550 shares	709,205,500	Cancellation of treasury stock	None	Note 18
112.08	NT\$10	128,000,000 shares	1,280,000,000	56,736,440 shares	567,364,400	Capital Reduction	None	Note 19

Note 1 : 1997/09/30 Capital increase: ordinary shares of NT\$60,450,000 and technology shares of NT\$14,550,000. (1997.10.06 Letter (86)-Yuan-Tou-Zi No.20538)

Note 2 : 1999/09/06 Capital increase: ordinary shares of NT\$24,412,500 and technology shares of NT\$5,587,500. (Letter (88)-Tai-Cai-Zheng-(Yi) No.62181).

Note 3 : 1999/09/06 Capital increase from earnings: ordinary shares of NT\$65,000,000. (Letter (88)-Tai-Cai-Zheng-(Yi) No.62181).

Note 4 : 2000/09/02 Capital increase from earnings: ordinary shares of NT\$101,650,000. (Letter (89)-Tai-Cai-Zheng-(Yi) No.71850).

Note 5 : 2001/09/07 Capital increase from earnings: ordinary shares of NT\$130,350,000. (Letter (90)-Tai-Cai-Zheng-(Yi) No.141585).

Note 6 : 2002/08/12 Capital increase from earnings: ordinary shares of NT\$114,540,000. (Letter (91)-Tai-Cai-Zheng-(Yi) No.0910138722).

Note 7 : 2003/08/15 Issued convertible corporate bonds of NT\$200,000,000 with a conversion price of NT\$13.43; a total of 14,892,833 ordinary shares may be converted into (i.e., NT\$148,928,330). The conversion price of NT\$13.43; 171 bonds were converted in 2004/02, and 42 bonds were converted in 2004/11. (Letter (92)-Tai-Cai-Zheng-(Yi) No.0920134849).

Note 8 : 2004/07/06 The conversion price was reduced from NT\$13.43 to NT\$10.82; 397 bonds were converted in 2005/07, 50 bonds were converted in 2005/11, 127 bonds were converted in 2006/04, 5 bonds were converted in 2006/08, and 116 bonds were converted in 2006/10. (Letter (93)-Zheng-Zai-Zi No.1898).

Note 9 : 2007/02/05 The convertible price of the corporate bonds was NT\$10.82, and 411 bonds were converted. In addition, employee stock options for 109,000 shares were exercised with an execution price of NT\$14.55. 335 corporate bonds were converted, and 61,150 shares of employee stock options were exercised in 2007/06, 155 corporate bonds were converted, and 134,325 shares of employee stock options were exercised in 2007/08, 129 corporate bonds were converted, and 225,500 shares of employee stock options were exercised in 2007/10, 46 corporate bonds were converted, and 17,600 shares of employee stock options were exercised in 2008/01, and 46 corporate bonds were converted, and 55,452 shares of employee stock options were exercised in 2008/07.

Note 10 : 2008/10-11 Repurchased 3,000,000 treasury shares, which were fully canceled on 2008/12/18.

Note 11 : The Company repurchased a total of 1,683,000 treasury shares in 2006 and transferred 648,900 shares to employees in 2007, with 1,034,100 shares left, which were fully canceled in October 2009.

Note 12 : The Company repurchased a total of 537,000 treasury shares in 2009, which were fully canceled in December 2009.

Note 13 : In 2010 Q1, a total of 553,100 shares were subscribed by employees.

Note 14 : In 2010 Q2, a total of 2,000 shares were subscribed by employees.

Note 15 : In 2010 Q3, a total of 15,150 shares were subscribed by employees.

Note 16 : In 2010 Q3, a total of 12,650 shares were subscribed by employees.

Note 17 : The Company repurchased a total of 5,337,000 treasury shares in 2011, which were fully canceled in December 2011.

Note 18 : The Company repurchased a total of 1,965,000 treasury shares in 2012, which were fully canceled in June 2012.

Note 19 : 2023/08/09 Capital reduction: ordinary shares of NT\$141,841,100. (TSEC Letter No. 1121803806).

April 26, 2024 / Unit: shares

April 26, 2024 / Unit. share

Type of equity	Authorized capital stock					Remarks
	Shares outstanding			Unissued shares	Total	
	Listed	Unlisted	Total			
Common shares	56,736,440	0	56,736,440	71,263,560	128,000,000	

Information related to shell registry: Not applicable.

(2) Shareholder structure

April 26, 2024 (Base date)

Shareholder Structure	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Quantity						
Number of people	0	0	125	20,724	34	20,883
No. Of Shares Held	0	0	411,856	54,686,431	1,638,153	56,736,440
Ownership	0%	0%	0.72%	96.39%	2.89%	100%

(3) Diffusion of ownership:Common shares

NT\$10 per share

April 26, 2024 (Note)

Shareholding tier	Number of Shareholders	No. Of Shares Held	Ownership
1 to 999	11,298	1,221,602	2.15%
1,000 to 5,000	8,097	15,522,131	27.36%
5,001 to 10,000	832	6,575,050	11.59%
10,001 to 15,000	205	2,625,641	4.63%
15,001 to 20,000	138	2,508,233	4.42%
20,001 to 30,000	118	3,025,268	5.33%
30,001 to 40,000	64	2,270,325	4.00%
40,001 to 50,000	33	1,515,202	2.67%
50,001 to 100,000	52	3,792,161	6.68%
100,001 to 200,000	27	3,841,495	6.77%
200,001 to 400,000	12	3,245,187	5.72%
400,001 to 600,000	1	427,000	0.75%
600,001 to 800,000	2	1,285,400	2.27%
800,001 to 1,000,000	1	986,764	1.74%
Over NT\$1,000,001	3	7,894,981	13.92%
Total	20,883	56,736,440	100.00%

Note: Refer to the date for the latest equity dispersion provided by the stock affairs agency.

Preferred shares: Not applicable.**(4) List of major shareholder**

Name of major shareholder	Shares	No. Of Shares Held (thousand shares)	Ownership (%)
Yeh Maw-Lin		5,626	9.92%
Chen Hua-Ling		1,218	2.15%
Yeh, Li-Tung		1,051	1.85%
Chang, Shih-Lung		987	1.74%
Hu, I-Lung		679	1.20%
Tsai, Ho-Chin		606	1.07%
Huang, Chueh-Hui		427	0.75%
Citibank Custody Citigroup Global Markets - Asia Pacific Integrated Equity Finance		326	0.57%
Lai, Feng-Mei		317	0.56%
Tsai, Ho-Lu		310	0.55%

(5) Market price, net value, earnings, and dividends per share and the relevant information for the most recent two years

Item		2022	2023	2024 As of March 31 (Note 6)
Market price per share	Highest	NT\$27.85	NT\$58.10	NT\$85.00
	Lowest	NT\$15.70	NT\$19.50	NT\$47.30
	Average	NT\$23.34	NT\$43.08	NT\$67.63
Net value per share (Note 5)	Before distribution	NT\$12.01	NT\$12.68	NT\$15.49
	After distribution	-	-	-
Earnings per share (Note 1)	Weighted average number of shares (thousand shares)	70,921	66,490	56,737
	Earnings per share	NT\$0.95	NT\$3.00	NT\$0.63
Earnings per share (Note 7)	Weighted average number of shares (thousand shares)	71,433	67,141	57,142
	Earnings per share	NT\$0.94	NT\$2.97	NT\$0.62
Dividends per share	Cash dividends	NT\$1.00	NT\$3.20	-
	Stock dividends	Stock dividend from retained earnings	-	-
		Stock dividend from capital surplus	-	-
	Accumulated unpaid dividends		-	-
Investment return analysis	Price-to-earnings ratio (Note 2)		21.61	12.59
	Price-to-dividend ratio (Note 3)		20.53	11.81
	Cash dividend yield (Note 4)		4.87%	8.47%

Note 1 : Earnings per share that are basic earnings after tax.

Note 2 : Price/earnings ratio = average closing price per share for the year/earnings per share.

Note 3 : Price/dividend ratio = average closing price per share for the year/cash dividends per share.

Note 4 : Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 5 : The proposal for the 2023 earning distribution has not been resolved by the annual shareholders' meeting; therefore, it is not presented at present.

Note 6 : As the book closure date period for the shares of the Company is from 2024/04/27 to 2024/06/25, the data in the column only disclosed up to 2024/03/31.

Note 7 : Earnings per share that are diluted earnings after tax.

(6) The Company's dividend policy and implementation:

Dividend policy

To continue to expand its scale and improve profitability with equal considerations given to the capital adequacy ratio, the Company adopts the residual dividend policy. The market where the Company operates is the information and communication industry with high growth. In response to the long-term business development, future capital requirements, and long-term financial planning of the Company, and satisfying the cash inflow requirements of shareholders, if the Company records any earnings from its final account, apart from paying all taxes according to the law, it shall first compensate cumulative losses from prior years. It may appropriate special reserve based on the Company's requirements. Then, the remaining balance shall be combined with the cumulative undistributed earnings from prior years; after retaining partial earnings based on the operating status and for a balanced dividend policy, the Company may make distribution after a resolution is made by the shareholders' meeting based on the following principles:

- A. Remuneration of employees shall be no less than 10%; remuneration of employees may be made in shares or cash; upon the distribution of remuneration of employees, the distribution targets may include employees, who fulfill certain conditions, of subordinated companies; such conditions shall be established by the Board.
- B. Remuneration of Directors shall be no more than 5%.
- C. The remaining shall be shareholders' bonuses.

Based on the capital budget planning of the Company, it distributes share dividends to retain the capital required, and the remaining portion may be distributed in cash dividends. The total cash dividend distribution mentioned above shall not be lower than 10% of the total dividend distribution, in principle. If the Company has no earnings or retained earnings of the year, no dividend or bonus shall be distributed. For earning distribution, the Company distributes cash dividends to shareholders. In 2023, earnings available for distribution was NT\$184,929,476, and the Company intends to distribute NT\$3.2 per share (totaling NT\$181,556,608). The proposal is awaiting approval from the 2024 annual shareholders' meeting. The calculation of cash dividends shall be rounded to NT\$1 based on the distribution ratio; the total fractional amount less than NT\$1 is included in other income of the Company.

Based on the Company Act amended in May 2015 and the amended Articles approved by the shareholders' meeting in June 2016, the Company distribute no less than 10% and no more than 5% of the net profit before tax of the period before deducting remuneration of employees and remuneration of Directors and supervisors as the remuneration of employees and remuneration of Directors, respectively. The proposal for the earning distribution of 2023 is expected to be resolved at the annual shareholders' meeting to be convened in 2024.

Loop Telecommunication International, Inc.

Table of Earning Distribution

2023

(In New Taiwan Dollars)

Item	Amount
Undistributed earnings at the beginning of the period	1,441,158
Net income in 2023	199,659,029
Add: Remeasurement of defined benefit obligation recognized in retained earnings	4,177,916
Amount of net income of the period plus items other than net income of the period	
Included in the undistributed earnings of the year	203,836,945
Less: Legal reserve	(20,383,695)
Add: Reversal of special reserve according to the law	35,068
Earnings available for distribution for the year	184,929,476
Less: Cash dividends of shareholders (Note 6)	(181,556,608)
Undistributed earnings at the end of the period	3,372,868

Remarks:

Remuneration of employees at 10% (NT\$ 28,041,528) was otherwise distributed.

Remuneration of Directors at 2% (NT\$ 5,608,306) was otherwise distributed.

1. After the distribution of the abovementioned dividends, if there are changes in the payout ratio due to changes in the number of outstanding shares, the Company intends to authorize the Board to make adjustments and arrange relevant matters.
2. The abovementioned dividend distribution was reported to and approved by the shareholders' meeting as a resolution. The Company intends to authorize the Board to arrange the date for dividend distribution and other relevant matters based on actual circumstances according to relevant laws and regulations.
3. If changes are required for matters related to the abovementioned dividend distribution due to regulatory requirements, amendments to the approval of the competent authority, or the operating evaluation of the objective environment, the Company intends to authorize the Board to make arrangements based on actual circumstances.
4. Article 29 of the Articles of Incorporation: The Company shall appropriate no less than 10% and no more than 5% of the net profit before tax of the period before deducting remuneration of employees and remuneration of Directors as the remuneration of employees and remuneration of Directors, respectively; however, if the Company has cumulative losses (including adjusted undistributed earnings), it shall preserve the compensation amount.
5. The abovementioned shareholders' dividends and remuneration of employees and Directors are distributed in cash.
6. The cash dividend for this period is calculated based on the outstanding shares as of February 29, 2024, totaling 56,736,440 shares. The dividend payment is NT\$3.2 per share.

(7) Effect of stock grants proposed or at the shareholders' meeting on business performance and earnings per share of the Company: Not applicable.

(8) Remunerations of employees and Directors

A. Based on the percentage or scope of remuneration of employees and Directors stipulated in the Company's Articles of Incorporation:

Based on the distribution policy of remuneration of employees and Directors stipulated in the Articles of Incorporation. If the Company records any earnings from its final account, apart from paying all taxes according to the law, it shall first compensate cumulative losses from prior years. It may appropriate special reserve based on the Company's requirements. Then, the remaining balance shall be combined with the cumulative undistributed earnings from prior years; after retaining partial earnings based on the operating status and for a balanced dividend policy, the Company may make distribution after a resolution is made by the shareholders' meeting based on the following principles:

- a. Remuneration of employees shall be no less than 10%; Remuneration of employees may be made in shares or cash, and the distribution targets may include employees, who fulfill certain conditions, of subordinated companies; such conditions shall be resolved by the Board.
- b. Remuneration of Directors shall be no more than 5%.
- c. The remaining shall be shareholders' bonuses.

B. The estimation basis for the amount of employee and Director remunerations shall be subject to the calculation basis for the number of shares of employee remuneration through stock distribution and the accounting for differences between the actual distribution amount and the estimated amount:

If there is any material change in the distribution amount resolved by the Board before the date on which the consolidated annual financial statements are approved for publication, adjustments shall be made to the consolidated annual expenses initially provided regarding such changes. If there is any change in the amount after the date on which the annual financial statements are approved for publication, it shall be processed as changes in accounting estimation and adjusted and accounted for in the following year. If the shareholders' meeting resolved to distribute employee bonuses in share dividends, the number of shares of share dividends shall be determined by dividing the amount of bonuses resolved by the fair value of shares; the calculation basis of the fair value of shares is the closing price on the day before the day on which a resolution was made by the shareholders' meeting, taking into account the effects of ex-right and ex-dividend.

C. Remuneration distribution approved by the Board:

- a. Amount of remuneration for employees and Directors distributed in cash or shares. If there is any difference from the estimated amount in the year of expense recognition, the difference, reason, and measures adopted in response shall be disclosed: The proposal of the 2023 earning distribution of the Company was approved by the Board as a resolution on March 12, 2024; the intended earning distribution approved by the Board is as follows. Treatment for the amount of differences: None.

Item	Estimated amount in 2023	Approved by the Board for distribution in 2023	Difference
Employee compensation	28,041,528	28,041,528	0
Directors' compensation	5,608,306	5,608,306	0
Total	33,649,834	33,649,834	0

- b. The amount of any employee compensation distributed in shares and the size of that amount as a percentage of the sum of the after-tax net income stated in the unconsolidated financial statements for the current period and total employee compensation: None.
- c. The estimated earnings per share after considering the intended remuneration of employees and Directors to be distributed: In 2008, the Company expensed the remuneration of employees and the remuneration of Directors. In 2008, the Company accounted for the estimation of expenses of remuneration of employees and remuneration of Directors in the financial statements. In 2023, the estimated earnings per share were equivalent to the amount accounted for in the financial statements.

D. The actual distribution of employee and Director remunerations in the preceding year (including the number of shares, the amount distributed, and stock price), and, if there is any difference from the actual distribution and the employee and Director remunerations recognized, the differences, reasons, and handling status shall be described:

- a. Amount of remuneration for employees and Directors distributed in cash or shares. If there is any difference from the estimated amount in the year of expense recognition, the difference, reason, and measures adopted in response shall be disclosed: The proposal of the 2022 earning distribution of the Company was approved by the Board as a resolution on March 28, 2023; the intended earning distribution approved by the Board is as follows. Treatment for the amount of differences: None.

Item	Estimated amount in 2022	Approved by the Board for distribution in 2022	Difference
Employee compensation	9,477,674	9,477,674	0
Directors' compensation	1,895,535	1,895,535	0
Total	11,373,209	11,373,209	0

- b. The amount of any employee compensation distributed in shares and the size of that amount as a percentage of the sum of the after-tax net income stated in the unconsolidated financial statements for the current period and total employee compensation: None.
- c. The estimated earnings per share after considering the intended remuneration of employees, Directors, and supervisors to be distributed: In 2008, the Company expensed the remuneration of employees and the remuneration of Directors and supervisors. In 2008, the Company accounted for the estimation of expenses of remuneration of employees and remuneration of Directors and supervisors in the financial statements. In 2022, the estimated earnings per share were equivalent to the amount accounted for in the financial statements.

(9) Repurchase of shares by the Company: None.

2. Issuance of corporate bonds, conversion of corporate bonds, exchange of corporate bonds, corporate bonds issued under shell registry, and corporate bonds with options: None.

3. Issuance of preferred shares and preferred shares with options: None.

4. Global depository receipts: None.

5. Employee stock options and restricted stock awards:

(1) Employee stock options and restricted stock awards

A. Status of unexpired employee stock options of the Company as of the publication date of the annual report shall be disclosed, and the effects on shareholders' interest: None.

B. Name, acquisition, and subscription status of managers who acquired employee stock options and the top ten employees in terms of the number of shares that may be subscribed based on the options acquired as of the publication date of the annual report: None.

(2) Restricted stock awards:

A. Status of unvested restricted stock awards as of the publication date of the annual report shall be disclosed, and the effects on shareholders' interest: None.

B. Name and acquisition status of managers who acquired restricted stock awards and the top ten employees in terms of the number of shares that may be acquired as of the publication date of the annual report: None.

6. Mergers or receipt of new shares issued by other companies: None.

(1) For any merger or receipt of shares newly issued by other companies completed in the most recent year and up to the publication date, the following matters shall be disclosed:

A. For companies with shares listed on TWSE (the "TWSE-listed companies") or companies with shares approved to be traded at tpex (the "tpex-listed companies") according to the requirements under Article 3 or Article 3-1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the tpex, the evaluation opinion of the underwriter for any merger or receipt of shares newly issued by other companies in the most recent quarter shall be disclosed: None.

B. Except for companies stated in the preceding item, the implementation status in the most recent quarter shall be disclosed; if the implementation progress or the benefit has not achieved the estimated objective, substantially describe the effects on shareholders' interest and the improvement plan: None.

(2) If the Board approved a merger or receipt of shares newly issued by other companies as a resolution in the most recent year and up to the publication date of the annual report, disclose the implementation status and the basic information of the company of the merger or receipt; for any on-going merger or receipt of shares newly issued by other companies, disclose the implementation status and effects on shareholders' interest: None.

7. Implementation status of the capital utilization plan: None.

(V) Operational Highlights

1. Scope of business

(1) Scope of business:

Major content of scope of business:

CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing

I301010 Information Software Services

CC01120 Data Storage Media Manufacturing and Duplicating

I. Research, development, production, manufacturing, and sales of the following products:

1. User remote line disconnectors, protectors and their components.
2. Line reactors and their components.
3. Subtitle phones and their components.
4. Smart network resource management multiplexer, network access equipment (including T1/E1, FT1/FE1 CSU, and CSU/DSU) and its components, PCM carrier terminal (including D4/AD4) and its components, 64K/56Kbps transmission equipment (including DDS) and its components, high-speed digital user transmission systems and their components, and dlcs.
5. LAN/WAN equipment, network management systems, their sub-systems, and their components.
6. Overall service for digital network terminal connectors, their sub-systems, and their components.
7. Convertors, remote controls for cable tvs, and their components.
8. Communication system power supply units and their components.
9. Radio communication systems and their components.

II. Consultation, design, installation and repair related to the abovementioned businesses.

III. Import/export trading operations related to the businesses of the Company.

(2) Industry overview

A. Current status and development of the industry

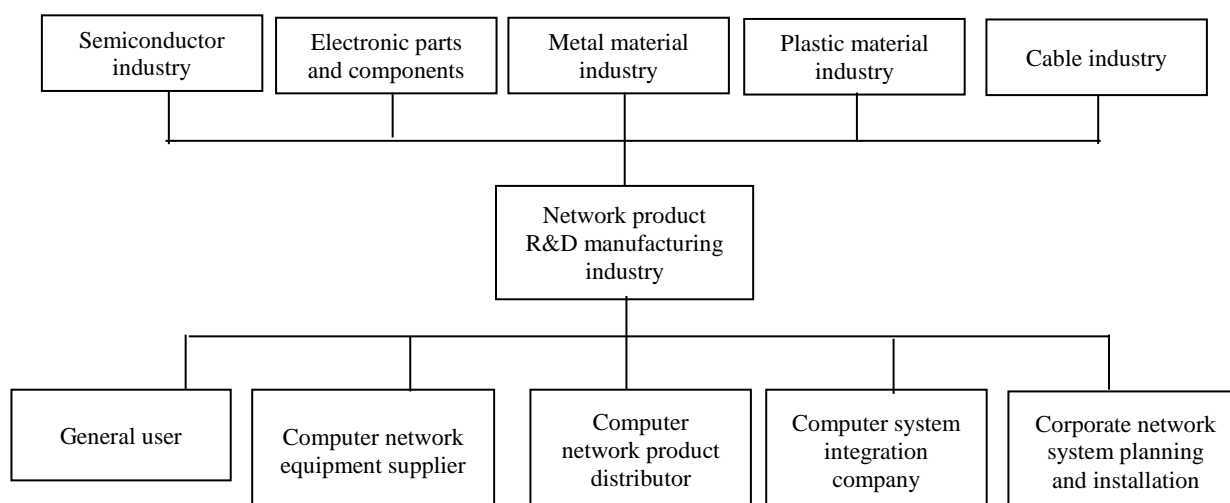
Looking ahead to the performance of Taiwan's telecommunications industry in 2024, with the integration of technologies such as satellite communication, artificial intelligence, Internet of Things, and cloud applications, coupled with rapid development in emerging application areas, the demand for communication equipment market will continue to be driven. It is estimated that the output value of Taiwan's telecommunications industry reached NT\$1.3 trillion in 2023, with a growth rate of 2.4%. Looking ahead to 2024, the output value of Taiwan's telecommunications industry is expected to reach NT\$1.33 trillion, with an annual growth of 1.9%.

In 2024, the development of AI technology will become a new driving force for the ICT industry. It has gradually been widely used in various terminal devices, and the application of artificial intelligence will drive the development of terminal products such as AI pcs, AI smartphones, humanoid robots, and more. It is also foreseeable that AI will have diverse applications in cloud, edge computing, and the collaborative development of the Internet of Things (iot). With the accelerating arrival of the AI era, emphasizing data protection and security regulations tailored for AI becomes increasingly crucial. Ensuring data privacy and legality will be essential issues that AI development must address.

As the global commercial deployment of 5G progresses into the post-5G era, the high-speed and low-latency mobile communication characteristics of 5G, along with support from iot technology, can be applied in diverse fields. Particularly, the development of millimeter wave applications is crucial and is expected to contribute to the growth of the network equipment market.

B. Connectivity between the upstream, midstream, and downstream of the industry

The communication and networking industry utilizes wired or wireless transmission or accepts symbols, signals, text, video, audio, and other messages. The upstream of the industry chain are suppliers who assemble parts and components of various communication terminals, and the downstream are suppliers of various terminal application products.



Source: Compiled by the Company

a. Upstream

The upstream of the communication and networking industry includes network IC chips, microprocessors, GPS and sensor chips, memory, active/passive elements, pcbs, cooling fans and antenna, plastic and metal cover, and other parts and components of relevant communication products that are primarily used in the equipment of the downstream of the communication and networking industry.

Taiwanese companies occupy a material position in the global broadband terminal industry, including the upstream chips and parts and components for xdsl modems, Cable Modem, PON CPE, Wi-Fi routers, LTE CPE, exchanger, and other products, and the downstream brand terminal or foundry businesses. For main chips, wired network chips may be divided into wide area network (WAN) and local area network (LAN) chips. WAN terminals include xdsl, cable modem, and FTTH; the mainstream LAN terminals are PLC and moca.

b. Downstream

The downstream of the communication and networking industry can be divided into network equipment, optical communication equipment, wireless communication equipment, wired communication equipment, and telecommunication service industries.

b-1 Network equipment: Major products are modems, network cards, gateways, routers, and stbs. With the continual popularization of the 4K video and audio content and the fast penetration of iot and mobile devices in markets of all countries, the requirements for 4G LTE modems, wireless modules, VDSL Modem, Cable Modem, PON ONU, and high-end home gateway continued to increase. In addition, the emergence of smart home applications and home network connection video services has driven the shipping of OTT network stbs, smart Wi-Fi routers, broadband power cables, smart speakers, and other smart household end products.

b-2 Optical communication equipment: Major products include optical cable, optical active and passive elements, and optical transmission terminal equipment. Due to the continual increase the global broadband users and the emergence of the cloud calculation industry, telecommunication companies worldwide have been actively providing various integrated services (i.e., network TV, video conference, video surveillance, and smart household applications) to improve the average revenue contributions of users. Internet companies have also accelerated the establishment of global data centers, which brought about the growth in the demand for high bandwidth equipment and allows the global communication industry to attache attention to the development of FTTH and optical communication parts and components. FTTH networks and mobile broadband networks have driven the growth in PON terminals and optical receiver module industries. The demand for intranet and external connection of data centers brought about the development of 40G/100G optical receivers, aocs, and other elements. At the current stage, multiple optical communication companies in Taiwan have invested in active and passive optical elements, and the major products include GPON/EPON terminal products, BOSA on Board, and optical receivers for FTTH, data centers, and mobile stations.

- b-3 Wireless communication equipment: Major products include mobile phones, GPS systems, satellite and micro-communication equipment. The development of hand-held devices will turn to simple and humanized interfaces and integration with back-end application service trends, and application software and content service will be valued. Furthermore, with the complete wireless communication infrastructure and the increase in transmission speed, device and vertical markets turned to network connection and smart iot applications, facilitating the rapid expansion of the scale of the wireless communication equipment market. At present, the mainstream wireless communication equipment is smartphones, and large-scale international companies, including Apple, Huawei, and Samsung, occupy the leading position. Chinese companies, including Xiaomi, Oppo, and Vivo, rose to catch up and have successfully entered the international market; the intense competition continued. In other fields, many Taiwanese companies actively invested in the vehicle information/communication and entertainment market and launched automotive wireless modules, GPS, vehicle video and audio, vehicle sensors, and other equipment.
- b-4 Wired communication equipment: Include analog and Internet telephones, facsimile, and network cameras. Within the scope, major products developed by communication companies in Taiwan include Internet telephones, entire sets of network communication systems (i.e., network telephone exchangers and Internet telephone gateways), online video conference meeting devices, and other user products. Due to the software development of the Internet telephone industry and the popularization of social media communication, large-scale international companies took the lead in the market. The room for the development of relevant domestic hardware producers was compressed, and they are attempting to integrate mobile and social media communication application models to launch new products.
- b-5 Telecommunication industry: As of 2019 Q2, there are 570 telecommunication companies in over 180 countries worldwide that provide 4G LTE commercial network services, and the number of accumulated users reached 3.6 billion, with an annual growth rate of 43%; LET users accounted for 42% of total mobile users, giving rise to over 5,000 user devices. The enormous data flows generated after the high-speed growth of mobile users continued to pose challenges to telecommunication companies in terms of connection speed and transmission quality, and signal optimization systems upon network congestion. Governments in different countries have also opened up for mobile telecommunication companies to introduce commercial small-cell equipment to provide high-quality mobile network services.

C. Development trends of products

In terms of wired broadband service constructions, broadband service providers in different countries are actively carrying out a new wave of high-speed broadband network constructions in response to the broadband popularization policies of governments and the stimulation of competition within the industry by adopting a 1Gbps connection as the target. Overall, telecommunication companies worldwide are focusing on improving the existing communication quality and exploring new application services to satisfy the basic requirements of users for high-speed connection by adopting both fixed network and 4G LTE communication; the new generation smart household services have also been launched and is marketed by using the all-in-one mobile/fixed network packaging service model.

Observing the development trends of the wired broadband market in 2019, for FTTH, three major telecommunication companies were actively making arrangements for fttx and selectively upgrading to 10G PON network in urban areas; European and American telecommunication companies have also followed up in response to the demand in the local markets. For xdsl, AT&T in the U.S., British Telecom, Deutsche Telekom, Chunghwa Telecom, and leading telecommunication companies worldwide have continued to purchase VDSL equipment of G.fast specifications for network upgrades. In terms of cable modems, large-scale wired television broadcasting companies in Europe and America (i.e., Comcast and Liberty Global) continued to expand the procurement of DOCSIS3.1 Cable Modem and network constructions; the advances in technologies and the development trends of Gigabit broadband will bring about the continual growth of the global wired broadband market.

Regarding mobile broadband networks, global telecommunication companies continued to make arrangements for the advanced version of the 4G LTE (LTE-Advanced/LTE-Advanced Pro) network in 2019 and introduced corresponding small-scale stations for enterprises and large indoor/outdoor public areas, giving rise to the demand for mobile communication equipment and parts and components. In addition, the lower power wide area network (LPWAN) has become the new leverage for telecommunication companies to develop iot services; apart from lora and Sigfox successively secured the opportunities for system installation in North America, Europe, and Asia, Vodafone, SK Telecom, T-Mobile, and other major mobile telecommunication companies in Europe and America have also commenced the commercial services by adopting the NB-iot technologies launched by 3GPP in 2017, becoming new business opportunities worthy of attention in the wireless WAN industry.

Lastly, for LAN, Wi-Fi remains the most popular technology. With the continual expansion of the scope of application products, the scale of the overall Wi-Fi market continued to create a new high. Due to the slowdown of shipping of major application products, including smartphones, PC, tablets, smart TV, other home appliance products, and IoT devices used in various smart fields have become the material growing momentum of Wi-Fi. In particular, the market of emerging wearable devices (i.e., smart watches, VR head-wear displays, smart speakers, and other products) recorded favorable performance, which will give rise to the global shipping of Wi-Fi equipment in 2019.

When 5G enters the stage of commercialization, despite the gaps between 5G proprietary technologies and the mobile communication industry in Taiwan, we hope to actively prepare the 5G innovative technologies and product R&D in the future based on relevant R&D experience of wimax/LTE, 3G/4G ODM/OEM experience and ability foundation, and the R&D and manufacturing advantages of parts and components for the semiconductor and information/communication terminal electronics to create innovative application services. In the hope of developing products, systems, sub-systems, elements, and innovative applications with advantages of the Taiwanese industries in the 5G era.

For instance, establish the prototype of proprietary 5G product systems, including mm-wave ultra-high frequency communication system, software virtualization technologies (i.e., small station virtualization, imec, and light vepc) in the initial development period of 5G, make arrangements for crucial technologies of products, and target the improvement of the proprietary technologies of the domestic 5G network communication industry and the arrangements for core patents in Taiwan to support the R&D gaps (i.e., core network and IoT application platform) of the communication industry in Taiwan, and in turn, bring about the entrance into the system integration field of the network communication industry.

D. Product competitive status

Major competitors of the Company worldwide include ABB, Siemens, Nokia (Alcatel-Lucent), Cisco, Huawei, and other major equipment companies. Facing the intense industry competition and market changes, the communication system integration solutions developed, produced, marketed, and established by Loop have spread across Asia, Europe, America, Australia, the Middle East, and other countries, proving that the reliability, stability, and durability are recognized and supported worldwide.

(3) Technology and R&D overview

A. R&D expenses invested and technologies or products successfully developed in each of the most recent five years.

a. R&D expenses invested in each of the most recent five years

Since the establishment of the Company, its R&D strategic target has been focusing on the R&D of the "Local Loop Access" field, and it constantly developed new technologies, new products, new software platforms, and made innovations. The experience of R&D over the years has successfully established the core technologies for digital transmission equipment. Therefore, R&D expenses each year maintain at a certain level.

(In Thousands of New Taiwan Dollars)

Item/year	2018	2019	2020	2021	2022	2023
Net revenue	548,039	544,995	598,096	515,510	438,242	649,097
Research and development expenses	125,973	133,994	139,363	140,729	134,715	152,224
Ratio of R&D expenses to net operating income	23%	24%	23%	27%	31%	24%

b. Technologies or products successfully developed in the most recent five years

b-1 2006-2008

The demand in the global communication industry has recovered to normal from mid-2006, and the regional and product markets with requirements are different from the bubble economy before 2002. The R&D efforts and achievements of the Company during 2002 and 2007 well fit. In particular, Loop-iNMS can help telecommunication companies to more effectively manage the entire network system. The Company will develop more products for the application of Loop-iNMS in the following years to achieve success by way of total solutions, avoiding the vicious cycle of haggling after the popularization of hardware products. In 2007, we successfully developed Loop-IP 6700 and Loop-IP 6416, which can provide transmission IP for copper wire TDM systems and transmission of TDM for IP networks to serve as the connection of new and old networks. Due to the popularization of the Internet and the consideration of installation costs, users mostly connect to their corporate network via Ethernet; therefore, reliable Ethernet line services in line with economic benefits are required. The SDH backbone network operated by operators for years undoubtedly is the most reliable backbone transmission network in line with economic benefits for Ethernet. In recent years, optical communication products have become mainstream, and the Company has developed Loop-O 9100S, Loop-O 9400S, Loop-O 9400R, and Loop-O 9500 in 2008 and upgraded to STM-16/OC-48 and products with a higher speed to align with the international mainstream.

b-2 2008-2010

In the future, the Company will continue to develop new products and reinforce new technologies; it is estimated to have the following series of products:

2.1 Copper family:

Copper wire transmission is no longer the mainstream application in the market at present. Due to the increase in the demand for network bandwidth speed, network transmission has turned from the traditional copper wire to optical communication products (i.e., SDH and IP). However, in the third world, Southeast Asia, and South Asia markets, and for particular users (i.e., military customers), there is potentially enormous market demand. Currently, we majorly focus on overseas and domestic tenders. Due to the product stability, the copper wire transmission products of the Company are the first choices for many telecommunication companies.

In the past, the Company has developed a series of copper wire transmission access products. For example: Loop-H 3900S/H 3900R, Loop-H 3300S/H3300R, Loop-H 3310S/H3310R, Loop-H 3300-3S, and other products. The design is for 1-pair (2 wires) and 2-pair (4 wires) copper wire transmission access products. At present, it develops multi-pair copper cables (4-pair or 8-pair) for point-to-point applications. They can improve the effective transmission bandwidth of Ethernet to 20-40Mbps with a transmission distance of 5km or above. Loop-H 3304R-Eth-2bis is applied to bonding protocol that is developed and designed by us using FPGA; it provides high capacity G.SHDSL (rack cards) and supports Ethernet transmission interfaces.

Future sales and application:

As the demand for optical over copper wire communication has become the mainstream strategy of telecommunication companies worldwide, the ratio of the copper wire access product market has been decreasing on a yearly basis; alongside the matured product technologies, the Company will not invest additional R&D human resources to the series products; at present it focuses on the sales via domestic and foreign tenders. However, if a tender has special functional requirements, the Company will provide additional customized services to satisfy customers' requirements, which is something that general large-scale telecommunication equipment companies are incapable of.

2.2 PDH family:

Multiplexers performing 64K time-slot exchanges by using the E1 interface are extensively used by global telecommunication companies and public utility and private network companies due to multiple low-speed (N x 64K) interface daughter cards and flexible use. The Company developed and designed daughter cards by using FPGA to provide diverse functional interfaces for users to access applications. In the past, the Company has developed low-speed (64K) time-slot exchange multiplexers, such as AM3410, AM3420, AM3420-5U, and AM3440-A/B/C/D. In particular, the AM3440 series can compete with products from large-scale companies (i.e., ALCATEL-LUCENT 1511MAX), and the product functions went even further.

Currently: relevant product series developed by the Company are as follows:

Loop-AM 3440-A: 5U exchange multiplexers with multiple low-speed daughter cards to connect to the interface.

Loop-AM 3440-B: 2.5U exchange multiplexers with multiple low-speed daughter cards to connect to the interface.

Loop-AM 3440-C: 3U exchange multiplexers with multiple low-speed daughter cards to connect to the interface.

Loop-AM 3440-D: 2U exchange multiplexers with multiple low-speed daughter cards to connect to the interface.

Loop-V 4200-9: 1U exchange multiplexers with multiple low-speed daughter cards to connect to the interface.

Loop-V 4200-28: exchange multiplexers with multiple low-speed daughter cards and high-speed (STM-1/DS3/E3) connections to the interface.

Future sales and application:

The revenue from the AM 3440 series products is the main force of the Company currently. It will continue to add cards based on the interface requirements of major customers in the hope of recording continual growth of its revenue, providing customized services for system functions, and improving the core functions of products to fulfill the application-oriented requirements of customers. So far, the development of the Dome interface card (used in Loop-AM 3440-A /B /C) for Loop-AM 3440 is completed, and the development of additional SDH/SONET interface for exchange multiplexers is completed to strengthen the comprehensiveness of system application functions of series products, which will have substantial help for the sales in the global market, create outstanding performance, and stimulate the continual growth of revenue in the future.

The Dome interface allows Loop-AM 3440 series products to become cross-field products that not only support traditional TDM uploading interface (E1/T1) but also support IP uploading interface (TDM data/voice over IP network). In particular, Loop-AM 3440 further provided a mutual protection system between TDM and IP; the material functional innovation allows the field of sales of the series products to spread to the telecommunication market, electricity market, transportation, and other transportation networks.

Based on the market demand, before the backbone of the telecommunication transmission network upgrades to IP, the demand for PDH transmission equipment increased instead of decreased. Also, as large-scale equipment companies were focusing on the development of IP backbone development, the Company grasped the opportunities arising thereof and actively cooperated with large-scale equipment companies, allowing them to provide overall system transmission solutions, and provided ODM services for large-scale companies to secure and grasp additional business opportunities for the Company. Furthermore, for air traffic and electric power communication, the Company also designed customized products for customers in the hope of improving its sales performance.

2.3 Hybrid transmission products:

For transmission and access equipment that can connect to the traditional TDM network and the latest Ethernet, as the traditional TDM network has been used for years, it is unable to fully replace them in a short period of time. The latest Ethernet has features of low costs and high bandwidth that significantly exceed the traditional TDM network. Hybrid transmission products are transmission and access products required for the succession of IP and TDM transmission markets.

The transmission equipment (Loop-IP 6700-TDMoE/IP6716-TDMoE/IP6702TDMoE/A M3440-TDMoE /IP6440-eopdh/IP6416-eopdh) developed by the Company at present allows the existing TDM users to connect to Ethernet or Ethernet users to connect to TDM network, achieving the best economic benefits. The substantial benefits are as follows:

Transmit traditional TDM data (E1/T1/V.35) via Ethernet (Dome); transmit data on Ethernet via TDM network (eopdh-IP inverse multiplexer); Dome (TDM over Ethernet daughter cards); provide hybrid equipment for Loop-AM 3440 to transform from the initial TDM transmission equipment to TDM and IP uploading interface.

Future sales and application:

Ethernet has become the mainstream technology of global telecommunication companies. In the future, the major development of the series products is to transmit traditional TDM data (E1/T1/V.35) via Ethernet (circuit simulation). In the future, the demand in the power and telecommunication markets will be considerable. However, Loop-IP 6716 is currently available for the 16-E1 Dome circuit simulator. In 2011, the Company completed the Loop-IP 6702, which is a 2-E1 Dome circuit simulator with low costs. The development of the product focuses on the 2-E1 Dome circuit simulators required in the markets of developing countries. In 2014, the Company developed Loop-IP 6763, which provides 63E1/STM-1 Dome circuit simulators.

Therefore, the Company is able to provide comprehensive Dome solutions. Moreover, the Company is developing Loop-G 7860, equipment for To10G.

b-3 2010-2014

3.1 IP access:

IP transmission equipment has been the trend in recent years; gigabit service access network products, IP-access demarcation devices, IP-based mobile backhaul, industrial ethernet, and pure optical fiber WDM have been our R&D focuses.

Currently, the Company is actively developing the LOOP OS system that can perform the modulization of the functions required by the IP network. Leveraging the feature, developing modules may be shared; the development system will also be able to effectively shorten the development period of products. For future applications, the development of new IP products will focus on the time to market; therefore, the development of the LOOP OS system is in line with the requirement. In the future, as high-speed Ethernet has become the mainstream access network of global telecommunication companies, the major product development of the series products will focus on the following future applications. (1) Ethernet demarcation device (2) IP mobile backhaul (3) 1G/10Gbps gigabit multi-access platform (4) industrial Ethernet. (5) High-speed 10G L2/L3 industrial Ethernet switch.

3.2 Wireless family:

The Company has been actively developing high-performance wireless access equipment of low price; therefore, apart from developing the 2.4/5.8G, multi-SSID Loop-W 8150 wifi with instant detection of transmission speed, it also developed a built-in function module to respond to the demand for LTE transmission. The launch of LTE provided a new market, and there will be a series of new applications structure based on the LTE 4G network in the following three to five years. As such, the Company invested in the R&D of LTE 4G to respond to the immense business opportunities.

3.3 SDH family:

It is estimated that traditional communication products, including CSU/DSU, MUX, DLC, Channel Bank, and other products, will enter the latter stage of the product lifecycle with an insignificant growth rate, and optical communication equipment will rise. After experiencing the technology bubbles in 2000, the optical communication market showed a stable recovery in recent years. In the long run, the emergence of multi-media applications will stimulate the increase in the demand of household and corporate users for transmission speed; it is estimated that the global optical communication market will maintain a stable growth momentum. According to the estimation of Gartner, a research and survey institution, the number of global optical fiber users will formally exceed 100 million in 2011 and reach 200 million by 2014, giving rise to immense business opportunities.

The Company's optical communication transmission equipment continues to maintain its mainstream position. Loop-O9100, Loop-O93XX, Loop-O9400R, Loop-O9400S, Loop-O9500R, Loop-O9400R PTN, Loop-O9500R PTN, and other products will become the main force of the Company in the market. In addition, the development of optical communication products in recent years has turned from bottom speed, high speed, and to high speed and large bandwidth. FOM products of low threshold are low speed. STM-16 products are high speed up to 2.5Gbps Loop-O9400R and Loop-O 9500R will improve from STM-4 (a speed of 622Mbps) to STM-16 (a speed of 2.5Gbps) to align with the SDH international standards for optical fiber transmission equipment and packet transport network (PTN) with high speed and large bandwidth of up to 10Gbps to provide high-capacity fiber loop backbone applications for Loop-O9400R PTN and Loop-O9500R PTN.

Furthermore, LOOP-AM 3440, one of the major sales products, was redesigned, and the SDH/SONET interface was added, and it became Loop-O 9550, the new generation SDH and IP-mixed equipment. Moreover, the Company has developed

New PTN10G interface cards and provided more ports in ptnext for Loop-O 9500R PTN and O 9400R PTN series products to satisfy customers' requirements and offer flexible applications.

The Loop-O9400R PTN and Loop-O9500R PTN transport equipment possesses a transfer capacity of up to 100G, is equipped with automated path routing ability, and provides multiple service integration platform interfaces that are organized based on customers' requirements for applications. The connection of optical fiber interfaces will be adopted to form the transmission relay to comprehensively integrate and accommodate various service interfaces and various functions for satisfying customers' requirements. This will allow the product lines of optical

communication transmission equipment of the Company to become more comprehensive and allow it to provide total solutions as an optical communication transmission equipment supplier.

3.4 EMS/NMS and iNMS: Integrated Network Management/inet/LCT:

For over 50 communication transmission products developed by the Company and new equipment to be developed in the future, we have completed a set of smart integrated network management software, Loop-iNMS, to concurrently monitor such equipment. Regarding TDM channel equipment, SDH/SONET equipment, and Ethernet (i.e., MPLS-TP) equipment, the feature is that the single system can concurrently manage different types of network, provides smart routing and point-to-point creation functions; the network management integration may also connect to the upper layer OSS/BSS network management system through a northbound interface. The network management system of the Company has been sold to over 50 countries/regions worldwide. The Company is the one and only communication equipment manufacturer in Taiwan that developed smart network equipment management systems. Loop-iNMS successfully drove the sales of the full series products of the Company and became the top seller of Loop; it provides the best solution for network management. The initial user interface of iNMS design was in English (minor parts also in other languages); adhering to the spirit and faith of local products and local services in Taiwan, the Company actively invested in human resources to support the localization of the network management system in traditional Chinese. Our major customers in Taiwan include Chunghwa Telecom, Taipower, and Taiwan Railways (all are installations around the island), and we provide original, local, and professional services and customer-oriented customized solutions.

b-4 2016-2020

With over two decades of R&D experience accumulated, the Company integrated multiple service interfaces of PDH, SDH fiber technologies, Ethernet router technologies, and MPLS technologies as a comprehensive network solution. It included the cross-field and cross-company product integration into the Company's network system to directly face end users (i.e., electric power communication and military network of the government), directly cooperate with large-scale international SI companies (i.e., NEC), and directly cooperate with IoT customers (i.e., power plants, public transport, and governmental agencies) to develop new products in the hope of providing popular products and comprehensive solutions under the trends of the IoT industry.

b-5 2021-2025

In recent years, Loop has commenced its strategic transformation to strongly promote mission-critical communications solutions. Several strategic transformation products have successfully entered multiple domestic and foreign infrastructure markets. The majority of the critical mission backbone network infrastructure, based on SDH/SONET technology, is reaching the end of its life cycle, and must be upgraded to packet transport networks primarily based on MPLS-TP to replace TDM technology of SDH/SONET to meet the high bandwidth demand services. Therefore, it can be anticipated that in the next 5 to 10 years, there will be a new wave of replacements for critical mission backbone networks. To contend with rapidly changing market needs, Loop's product line includes over 30 products, and it has been committed to the R&D of new products such as G7860A, WDM1800, O9400-PTN10G, O9500-PTN10G, and other mixed service multiplexers. This can provide excellent transition plans for customers during the transitional period from old to new backbone transmission communication technologies. At the same time, this enables customers to perform end-to-end circuit management in the new generation packet transmission network through a network management system similar to the concept of TDM networks, potentially saving customers the training costs of maintenance and operation personnel. Meanwhile, the Company also upgraded the access service product line (AM3440-CCPB and IP6704A) and developed proprietary ultra-low latency and zero-packet-loss protection switching technologies to solve two major hindrances such as difficult-to-control latency variations and asymmetrical delays faced by MCC users during the transitional period of backbone technologies. Building upon these innovative technologies, Loop's comprehensive upgrade from backbone transmission to service access and network management systems will provide customers with dozens of MCC backbone network to access end-to-end solutions.

For strategies in the future market, the MCC market is enormous and requires customized overall solutions. At present, many countries have initiated dedicated acts for major infrastructure. Loop's network transmission equipment and solutions are highly competitive. With the Company's international partners and local system integration suppliers, it occupies a leading position in the MCC overall solution market. The next step is to expand the Company's market presence by actively participating in major communication exhibitions held worldwide and organizing product seminars. Through showcasing the performance and features of new Loop products, the Company aims to

increase exposure and enhance brand visibility.

Loop Telecom's team will develop a vertical integration strategy to target international customers for maintenance service revenue. This is expected to generate more orders for the company and boost its operational performance. Combining the MCC networking product portfolio will enhance its utilization of automated testing systems under the new business. The niche of integrating the new G7800 with various products will create a globally leading product, which is likely to become the growth focus for operations in the future. At present, Loop Telecommunication is one of the top three companies for MCC solutions around the world. Based on the existing foundation, the Company continues to reinforce its management and makes constant efforts by adhering to the philosophy of continuing to develop new products and explore new markets. In the future, the Company will become a leader, grasp business opportunities, create excellent performance, and continues to strive for the maximized operating performance for all shareholders.

B. Current plant for the most recent year and new products being developed

The Company's key development project this year is the flagship Loop-G7800, a next-generation PTN high-bandwidth multi-functional transmission access equipment. It is a major highlight of Loop's strong entry into the MCC market. The Loop-G7800 is based on The Company's years of accumulated and continuously innovative technology. At the same time, the Company has invested heavily in developing a source code management integrated automated testing platform to enhance quality management in every stage from R&D to production. In addition to serving as a backbone node, the G7800 also supports over a dozen types of interface cards that accommodate multiple rates of service. This enables support for a range of network interfaces from traditional low-speed 64K circuits to next-generation critical mission backbone requirements of 100G packet transmission networks, all within a single system. Furthermore, configurations can be tailored according to customer applications. The comprehensive feature allows customers to have more flexibility for network planning in the future; regardless of phased budgeting projects increased based on requirements or the new era overall transmission network solutions that wish to be settled at one go, the Loop-G7800 product line will be able to satisfy such customers. At present, multiple partners have been actively inquiring about the launch of G7800.

Except for the major backbone and access network product series used worldwide, Loop has explored Information Security System (ISS), Artificial Intelligence (AI), iNMS-Big Data Analysis/AI, automatic system diagnosis and repair, inet-Circuit Creation/Auto-Diagnostic, corporate new era office network, corporate 5G private network, and other new technologies in recent years to expand into new markets of corporate and governmental information safety network overall solution development. In recent years, due to frequent information security events, the requirements for information of corporations and the government have been increasing. Loop has obtained the ISO27001 information security certification and performed a firmware upgrade for different products catering to the MCC market to support FIPS 140-3. Meanwhile, the Company also plans to launch the Loop-ISS2150 mission-critical network firewall and Loop-ISS2110 government configuration baseline network setting management system to assist customers in establishing the optimized MCC information safety protection environment.

a. Access multiplexer series products

Loop-AM3440 of the Company is widely adopted worldwide, including the power system, transportation, governmental and military communication network, and other markets in Taiwan. Its high reliability, stability, various access interfaces, and the application cards developed based on customers' application requirements allow Loop-AM3440 to continue to maintain the leading position in the access multiplexer market.

Broadband packet backbone networks have become popular; however, the tradition TDM access service for end equipment is still generally being used. In response to market demands, the Company has utilized proprietary FPGA technology to design and develop the new generation control card, AM3440, along with an expansion backplane featuring Ethernet high-speed buses. This enables it to meet the end-to-end service communication requirements for various access services in TDM and packet hybrid networks. Due to differences in transmission characteristics between packet networks and the constant bit rate (CBR) performance of TDM networks, meeting stringent quality requirements such as low latency for critical mission services becomes even more challenging. The Company's self-developed end-to-end packet loss protection algorithm has the capability to meet the latency requirements of end-to-end services in packet network environments, and has been tested and verified by major international companies. Furthermore, to address the cybersecurity requirements of critical mission networks, the Company in 2023 obtained validation for compliance with the United States Federal Information Processing Standards (FIPS) 140-3 security standard for cryptographic modules. Furthermore, the AM3440 platform has development to

support MPLS-TP transport capabilities. The outstanding performance and reliable quality will make it an indispensable access multiplexer for the new generation NG-SDH and PTN backbone network.

b. Optical communication equipment

Due to the development of optoelectronic technologies, optoelectronic cables with high transmission bandwidth with an attenuation of less than 1db each km may be produced in mass. Together with the development of high-order digital multiplex technologies and the development of high-performance "optoelectronic devices," high-speed(), high-capacity optical communication systems with a transmission speed per second reaching 90million "bits," even 400 million "bits" per second have entered the stage of practical use. Light can also generate a series of patterns by flashing (i.e., on and off of the flashlight), which is called the "optical signal." Light possesses greater transmission information capacity than power; that is, light can surely generate shorter pulses and form patterns of high density and abundant information within the same period of time. Under such speed, "stacks" are formed by combining such graphic units to transmit multiple different information within one fiber. This is the reason why "optical fiber" is able to concurrently accommodate much information for transmission.

Advantages of optical fiber communication

A. Long-distance communication with a reduction in costs:

1. If an optical fiber with a 1.3 μ m wavelength for transmission, there is a loss of approximately 0.4-0.5db per km, an optical fiber with a 1.5 μ m wavelength has a low transmission loss of approximately 0.2-0.25db per km.
2. Compared to traditional copper cable transmission systems, the distance between repeaters for optical communication is lengthened to tens of kilometers, and optical communication can significantly reduce the number of repeaters, reducing the costs of communication systems.
3. For example, the distance between Taipei and Keelung is slightly over 20 kilometers; if an optical fiber connection is adopted, the establishment of a large-scale machine room in Keelung is not required. The low transmission loss of optical fibers lengthens the transmission distance between repeaters and reduces the costs and complexity of systems; therefore, optical fibers are more suitable for long-term transmission.

B. Optical fibers are delicate, light, and flexible and may be easily bounded; therefore, when optical fibers are bounded as optical cables for laying and installation, they save room for pipes. Optical fibers effectively improve the use rate of pipes, possess high economic efficiency for allocation rooms, and are suitable for aircraft, satellites, and vessels.

C. Optical fibers possess enormous communication bandwidth reaching 1-2ghz or above. The bandwidth of general cable modems is approximately 330mhz-550mhz; in comparison, optical fibers possess ultra-high signal carrier capacity.

D. Optical fiber materials are generally quartz glass, which has non-corrosive, fire-proof, and water-proof characteristics and long, useful life. In addition, optical fibers have favorable flexibility and adaptability to perfectly protect wrappers and tensile substances, allowing optical fiber transmission to save operating costs.

E. They are not affected by electromagnetic waves, applicable to fields that may be easily stroke by lightning or high power fields, significantly improving the fidelity for communication.

F. With high confidentiality, signals will not radiate outside of optical fibers, which is suitable for military, bank connections, and computer networks.

Due to the abovementioned advantages of optical fiber systems, countries are optimistic about the prospects of optical fiber communication and have invested major capital and human resources in R&D. With the arrival of the information era, communication networks of high capacity, low loss, and favorable reliability are fundamental, and optical fiber communication systems are the best options. Therefore, it is estimated that the majority of the copper cable will be replaced with optical fibers in the near future.

The scope of the overall optical fiber communication industry is relatively extensive, from local end equipment, transmission equipment, parts and components in transmission equipment, and user network equipment have proprietary products of optical fiber communication. Even though there are many diverse products, categorization may be made based on products that can have commercial mass production at present; parts and components can be roughly divided into three categories: optical fibers and optical cables made with optical fibers, active optical elements, and passive optical elements.

Loop-O9500 PTN and Loop-O9400 PTN are also new-generation optical fiber transmission network multiplexers that can concurrently support two transmission networks in one frame. For example, optical fibers synchronize the SDH/SONET transmission network and MPLS-TP packet switching transmission network to use as the applications of transmission backbone, and the equipment possesses add-drop, multiplex and de-multiplex functions that can support low-speed audio/data, Teleprotection interface, and the exchange capacity and other interface signal compilation and multiplexing of the high-speed STM-4/OC-12, STM-1/OC-3, DS3, E1, T1, Ethernet, MPLS-TP PTN for long-term transmission through optical cables. The transmission equipment system possesses protection systems and abilities, such as LSP 1+1/1:1 protection, provides the automated routing function and multi-service integration platform (PDH/SONET/SDH/PTN) to connect services of each point via the optical fiber interface, constituting the transmission repeater to complete, integrate, and accommodate various service interfaces, achieving data exchange requirements of different regions. The transmission equipment protocol and the protection system switching time is less than 50ms, which is fully in compliance with the structural specifications of the International Telecommunication Union (ITU); and in compliance with the framework regulations set by the Internet Engineering Task Force (IETF). It is also in compliance with new generation synchronized transmission equipment technologies; the system provides complete applications for high-capacity optical fiber loop backbone networks and comprehensive solutions and is in line with the MCC market.

With the constant growth in the demand for high bandwidth and transfer capacity, equipment functions, and network management, the trend of optical fiber communication has been formed. Certainly, the Company will actively invest a great amount of R&D personnel to constantly develop new series products (i.e., G7800) and next gen 400G transfer capacity SDH to satisfy the enormous demand for communication equipment for the business opportunities in the market. The optical fiber communication industry is also expected to become a new star industry in Taiwan and the global MCC market.

c. **IP transmission equipment series products**

The Company has launched Loop-IP6704/AM3440-E/G7860A TDMoIP, which can transmit T1, E1, and Voice signals on IP networks and IP6510, which can transmit IP data and Voice signals on PDH networks. For Loop-IP 6704/AM3440-E products, we have successfully developed the increase in multiple different interface channels and added TDMoIP function cards for Loop-AM 3440 and Loop-O 9500. IP6704/AM3440-E DACS products combined the FPGA design, special TDM over Ethernet, and TDM DACS, which increased the design difficulty; however, functional upgrades and customization uniqueness of the product are maintained to achieve the timeliness of time to market, possessing advantages. The Company has always been attaching its attention to the development of new products. For the TDM over Ethernet product and equipment market, it is confident that it can develop products that compete with large-scale international companies; by doing so, it hopes to bring up the trend for the R&D capacity of the communication system industry in Taiwan to make further breakthroughs, and to secure a seat as a top-tier large-scale international company. In addition, the design of LOOP G7860A is the first network equipment of the Company that combines SDH/SONET, PDH E1, TDMoIP, Gigabit, Ethernet, POE/POE+, T3, Stackable, and IEEE 1588 V2 functions. The development of G7860A not only satisfies the functional requirements of 2G/3G/4G/5G telecom. With our R&D experience accumulated over two decades and the market penetration capacity of marketing in markets of over 80 countries, we decided to introduce the FPGA design to improve the flexibility for customization and functional upgrades of products in the future, which is the segregation with the design of large-scale companies at present. Due to the introduction of the FPGA design, we possess mobility, timeliness, and uniqueness of customization for the R&D of new functions in the future to satisfy the requirements of customers in the market. The Company focused on the R&D of CO-end and CPE-end equipment. For the R&D segregation, apart from placing the standardized IC into the design, as the existing standards and protocols are not sufficient for the application of actual circuits and functions, peripheral circuit designs and the innovation of FPGA system functions are required to be introduced. The Company adopted the existing standards as the foundation and introduced the peripheral circuit design to create new functionality and innovation breakthroughs. In addition, 61850 switch products for power are equipped with HSR/PRP modules of high availability and are compliant with the majority of the stringent and redundant requirements to ensure no data packet is lost and guarantee that data packets will arrive at their destination.

The currently planned high-density managed rack-mount L2/L3 61850 switch will provide the flexibility required for applications. Users can choose between different 4/8 port modules and easily customize the device.

This layer 2 or layer 3 switch is designed specifically for substations, supports ipv4 static routing, RIP v1/v2, and ospfv2. It is based on hardware-based IEEE1588v2 (accredited with nanosecond precision), making it one of the most reliable GMC backups. In addition, syncE (Synchronous Ethernet) is embedded, fully supporting the PTP Power Profile.

When configured with high availability HSR/PRP modules, it complies with the strictest redundancy requirements, ensuring no packet loss and guaranteeing GOOSE packets reach their respective destinations. Its high efficiency ensures no data packet loss and provides network redundancy self-recovery mechanisms under full load, allowing for the establishment of a reliable network through almost any redundant ring topology. This switch supports ITU-T G.8032 ERPS Ring, IEEE802.1D-2004 RSTP, STP, and MSTP, enabling network redundancy and providing intelligent features such as Quality of Service (qos), IGMP, Port mirror, etc.

There are two types of power input models available for selection. One is for low DC voltage (redundant 24-120VDC input), and the other is for higher voltage applications commonly found in distribution networks (redundant 110-240VAC, 24-120VDC, or 120-380VDC input). The additional 4x10ge uplink SFP slots make it suitable as the backbone of substations.

d. Corporate grade network management and integration solution

With the flourishing development of network technology, MCC critical mission networks now place greater emphasis on enhancing network resilience and cybersecurity. Besides adopting international standards certifications such as ISO 27001, IEC 62443-4-1, and FIPS 140-3, the Company's network management personnel have also established robust cybersecurity defenses for traditional OT domain customers. Comprehensive solutions have been introduced to improve on DCN management channel single point failures, featuring SPI/IDS/IPS/DPI security gateway devices, and compliant products. Furthermore, the Company's third-generation network management system adheres to the logical layered network management architecture established by ITU-T, which integrates traditional TDM network management while actively incorporating a diverse range of MPLS-TP/IP next-generation network product equipment, such as G7800, G7820, G7860A, O9400R/PTN, O9500R/PTN, and AM3440/CCPB. Covering end-to-end business planning, automated circuit creation, and advanced rapid network diagnostic capabilities, The Company's services provide customers with cost-effective upgrade solutions for existing systems, significantly reducing operational and capital expenditure costs associated with replacement. This comprehensive approach enhances the quality and efficiency of business execution. With the rapid rise of the AI industry chain, the Company has actively invested resources in R&D for developing the AI sector. Building upon the expert system established in the existing network management system, Loop is creating an aiops intelligent operations platform that integrates technologies such as data mining, machine learning, and big data analytics. Through data science analysis tools, this platform tightly integrates increasingly complex operational tasks, providing enhanced visibility for network management, accelerating collaboration mechanisms on the network control plane, and enabling precise predictive analysis for proactive issue response. Based on the practical implementation of the aforementioned cybersecurity solutions, the introduction of AI intelligent technologies, and the comprehensive integration of MPLS products, the Company's network management solutions have garnered high interest and trust from major customers and multiple projects. In the future, Loop Telecom will continue to excel in providing network management solutions for critical infrastructure in transportation, aviation, energy, military, and emergency public safety sectors.

e. 4G LTE base station transmission equipment

Customers of the Company are mostly from developing countries (i.e., India, Southeast Asia, and the Middle East); countries in such regions have an increasing demand for the communication equipment of the Company at present. Furthermore, the Company is actively developing smart network equipment management systems and IP transmission equipment to satisfy the requirements of the future market. Currently, the development of the MPLS-TP 10G carrier Ethernet equipment we invested in is completed, and we continue to explore relevant product lines. Additionally, our company is currently developing 5G CPE equipment, which will allow us to extend our long-standing technical expertise and experience in optical communication networks to 5G wireless transmission networks. This will enable customers to transition existing services to wireless transmission networks and provide new types of service content.

C. Estimated completion progress of the unfinished R&D plan

Project	Estimated completion time
G7860A_POE Phase 1	Estimated to complete the development in April 2024
G7800-B_Backplane	Estimated to complete the development in April 2024
G7800_POE	Estimated to complete the development in April 2024
INMS_V9.03.04 New Feature	Estimated to complete the development in April 2024
G7800 Phase 2-b	Estimated to complete the development in April 2024
G7800_GEDTT	Estimated to complete the development in April 2024
G7800_6RS232i	Estimated to complete the development in April 2024
AM3440_8RS232_02	Estimated to complete the development in June 2024

Other major factors that affect the success of the R&D regarding the R&D plans in the above table are as follows:

- Adopt accurate market strategies and accuracy evaluation to align with the requirements of major customers.
- Provide customization functions in accordance with the demand in the market to satisfy the requirements of major customers.
- Increase R&D human resources and improve the excellent R&D technologies of the Company to build a stable and healthy R&D team.
- Duly introduce the IBM system to effectively control the development progress of products so as to complete the development based on the existing budgets and the target timeline required by customers, ensuring the time to market of our R&D achievements.

D. R&D expenses expected to be invested in the following three years

(In Thousands of New Taiwan Dollars)

Item/year	2023	2024	2025
Net revenue (the Company did not disclose its financial forecast)	Not applicable	Not applicable	Not applicable
Research and development expenses	162,871	171,015	179,566
Ratio of R&D expenses to net operating income	Not applicable	Not applicable	Not applicable

E. Current progress of uncompleted R&D plans and R&D expenses required to be invested:

Project	Commencement date of plan	Initial completion date	Estimated completion date	Current completion progress
G7860A_POE Phase 1	2023/5/8	2024/1/31	2024/4/5	77.70%
G7800-B_Backplane	2023/9/18	2024/4/5	2024/4/5	60.10%
G7800_POE	2023/5/4	2024/1/26	2024/4/12	76.70%
INMS_V9.03.04 New Feature	2024/1/2	2024/3/29	2024/4/12	51.10%
G7800 Phase 2-b	2023/8/9	2024/1/25	2024/4/17	81.00%
G7800_GEDTT	2023/8/1	2024/2/29	2024/4/22	85.80%
G7800_6RS232i	2023/9/4	2024/2/29	2024/4/22	68.70%
AM3440_8RS232_02	2023/12/11	2024/6/18	2024/6/18	31.90%

F. Major factors and risks affecting the success of R&D in the future

Item	R&D plans in the most recent year	Major factors affecting the success of R&D
1	G7800_32TE1	a. New Software and Architecture design b. New Mechanism/Platform c. Man power management
2	G7800_B2G5 Phase3	a. New Software and Architecture design b. New Mechanism/Platform c. Man power management
3	G7800_POE	a. New Software and Architecture design b. New poe chip, never used before
4	G7800_JEVO Phase 2	a. New Software and Architecture design
5	G7800_L3 redundancy	a. New Software and Architecture design
6	G7800_MEF 3.0	a. New Testing environment setup b. New Testing Method
7	G7800-B_Backplane	a. New Architecture design b. High Speed SERDES
8	AM3440_8RS232	a. Man power management
9	G7800B_efan Box	a. New FAN and power module

(4) Long-term and short-term business development plans:**A. Development of long-term and short-term business.****a. Development of short-term business****a-1 Products and services:**

The short-term development is primarily order production. The Company continues to make improvements and adopts customers' requirements as the core to developing new products with high added value. In terms of technologies, we will establish technological capacity for our self-owned brands, reinforce the R&D of products and software with high gross profits, and expand regional and other industrial development to effectively grasp business opportunities.

a-2 Finance:

The consolidated revenue of the Company throughout the year was NT\$649,097 thousand; net income was NT\$199,659 thousand, and earnings per share were NT\$3.00. The benefits of focusing on the Taiwanese market have been recorded, together with the constant reinforcement of internal management and optimization and reformation of the organization of the Company; the Company will improve its efficiency and continue to explore new customers, new products, and the SI market, to allow its overall profit margin to achieve 60% or above. We maintained favorable performance in terms of financial structure, solvency, accounts receivable turnover, and other financial indicators.

a-3 Investment:

In 2013, Loop commenced its strategic transformation, strongly promoted mission-critical solutions, and successfully entered multiple domestic and foreign markets in recent years. As the bandwidth hungry applications in the mission-critical communication (MCC) network continued to increase TDM-based network backbone is gradually replaced by Packet-based one. Facing the transition period from existing technologies to new technologies, the provision of the new generation packet transport network technologies and concurrently accessing the existing legacy services have become the solutions most required by MCC users. Loop's product line includes over 60 products, and it has been committed to the R&D of new products (i.e., G7860A, WDM1800, O9400-PTN10G, O9500-PTN10G, and other mixed service multiplexers for the abovementioned requirements. Meanwhile, it also upgraded the access service product line (AM3440-CCPB, IP6704A, and G7820) and developed Loop proprietary ultra-low latency and zero-packet-loss protection switching technologies to solve two major hindrances faced by MCC users in terms of

the packet transport network. Combining the network management system with point-to-point circuit management capability, creating more than a dozen overall solutions from MCC backbone networks to access terminals for customers.

b. Long-term business plan

In the future, we will reinforce the development capacity for new products, improve product R&D efficiency, and shorten the development time of products. Also, we will promote the logo of Loop's self-owned brands. Apart from satisfying the functional requirements of customers for products, we may continue to maintain the high added value of product customization, avoiding price competition within the industry. We recorded growth in the EU and central Asia, while there has been a slight decrease for the Southeast Asia and Indian markets. Meanwhile, we will enhance our ODM and OEM operations by focusing on major customers, and we intend to actively secure cooperating opportunities with major customers in the future. In terms of industry, electricity and governmental agencies account for 70% of our total revenue, and transportation and private corporate markets account for approximately 20%. To expand our operations, we have also entered the oil industry, power industry, public utilities, and private enterprises. For example, Taiwan Railway, HK MRT, India railway, India power, European power, oil and natural gas, Shell Oil Company, Basin power, Internexa, and other relevant industries. The Company will continue to expand its overall marketing channels and improve its production and marketing integration capacity and put new products into mass production to continue to contribute to the future profits of the Company.

Moreover, based on the tender cooperating model, the Company continues to cooperate with large-scale international companies and SI companies of different marketing countries and provide customized designs as advantages to secure new tenders. Implement the R&D model of Time to Market and enhance the application systems to provide integrated services to customers, which not only provides single products to customers but also provides integrated application service consultation, improving the cooperating relationships with customers and the development of new ODM customers.

It is estimated that the global macroeconomic environment will improve successively. With our existing basis, the Company will strive to improve its marketing, R&D management, production management, and competitive strength in other aspects. At present, the Company has 27 product lines and has business dealings with 46 countries; our operations are market demand-oriented. Apart from the communication industry, the Company will continue to actively explore power, transportation, oil, natural gas, banks, governmental agencies, and other relevant communication markets, grasp business opportunities, and create a favorable performance.

2. Overview of market and production and marketing

(1) Market analysis:

A. Sales regions of main products of the Company

80% of our revenue was from 9% of countries having dealings with us. Our export sales accounted for approximately 70% of the revenue throughout the year. In particular, we recorded growth in America, the EU, and Taiwan. There has been a slight decrease for the Indian and Middle East markets.

(In Thousands of New Taiwan Dollars)

Year		2021		2022		2023	
Sales region		Sales amount	%	Sales amount	%	Sales amount	%
Domestic		252,119	49	107,240	24	204,850	32
Overseas	America	54,651	12	101,558	23	130,725	20
	Europe	71,234	14	85,562	20	209,900	32
	Asia	115,254	24	102,028	23	93,457	14
	Others	22,252	1	41,854	10	10,165	2
	Subtotal	263,391	51	331,002	76	444,247	68
Total		515,510	100	438,242	100	649,097	100

B. Market share and the supply/demand in the market and the potential of growth in the future

The product sales in the main market of the Company in 2022 and 2023 and the future insight into the market sales are as follows.

a. Sales (provision) region of major products (services):

Region/year	2022	2023
Domestic	24%	32%
Asia	23%	14%
Africa	1%	1%
America	23%	20%
Europe	20%	32%
Others	9%	1%
Total	100%	100%

b. Market share:

The Company is a dedicated communication network equipment manufacturer, and the overall products account for approximately 0.05% of the market share of the overall production value of the communication industry in Taiwan. The sales ratio of main products throughout the year and the domestic market share of communication equipment are as follows: PDH series 25%/0.012%, SDH series 20%/0.010%, iNMS 4%/0.002%, MPT series 34%/0.017%, and others 17%/0.009%.

c. Insight into the demand/supply and growth potential of the market in the future

In 2021, the production value of the communication industry in Taiwan grew stably, and it is likely to grow further in 2024. Despite the trade war between the U.S. and China, other changes in the international environment, and the effects of inflation, interest rates, and other macroeconomic factors on the communication industry, the global communication market is expected to maintain positive growth. Operators transfer the focus on network-building from the coverage rate to capacity, low latency, and user experience, bringing about the further technological development of products related to the network infrastructure of operators (i.e., [macro cell, small cell, and switch router], CA, Wi-Fi, LWA (LTE/Wifi aggregation and high-end small cell technologies). The application requirements and network challenges of the next-generation mobile communication network call for high-speed mobile bandwidth, broad coverage, iot, and low latency, facilitating the active arrangements by leading international companies for high-frequency access technologies, network virtualization, software open source, customized application, edge computing, iot connection technologies, and other focuses.

Apart from deepening our existing product lines (i.e., SDH, PDH multiplexer, and the entire series of inet/iNMS), the Company will invest a greater portion of its R&D capacity in the future trending technologies and the expansion of the bandwidth of products. The bandwidth has been upgraded from 2.5G to 10G, and the Company is aiming at 100G, allowing the Company to have mature and comprehensive technologies for PTN, MPLS, carrier Ethernet, DWDM, and other products and comply with the requirements of IoT in the future.

C. Competition advantages, favorable and unfavorable factors in the long term, and countermeasures

a. Competition advantages

The Company focuses on the development of communication and telecommunication systems. With over three decades of R&D experience, the Company is one of a few companies with vertical R&D capacity from downstream to upstream and is the only local provider of overall solutions for the backbone networks of telecommunication transmission in Taiwan. Products developed by Loop include communication transmission technologies of 64Kbps in the early stage to PDH, SDH, and to the latest PTN technologies. It has accumulated over 100 types of communication interface cards and over 50 kinds of products of different categories. By adopting the integrated network management system in traditional Chinese that we developed, we integrated hardware, software, equipment, and network management and became a reliable provider of integrated solutions for communication and information systems.

Our communication system integration solutions have spread across Asia, Europe, America, Australia, the Middle East, and other countries, proving that our reliability, stability, and durability are recognized and supported worldwide.

The international competition will only become more intense and fast. Facing the challenges in the competitive environment, the Company will strive toward reducing production costs, leveraging on the advantages it possesses in terms of technologies to expand its sales rate and market share of its products so as to improve its profits in due course. Looking ahead, the Company will continue to focus on launching the following products and services: (1) Optical communication equipment: Integrate PTN and SDH/SONET platforms to provide total solutions. (2) IP transmission equipment: Combine the L2/L3 Ethernet access transmission and carrier Ethernet (including CE and MPLS-TP) technologies to develop the next-generation G7860A and G7820 transmission network equipment. (3) IP/TDM Hybrid equipment: Combine abundant existing terminal equipment interfaces and applications, the Company will continue to improve the emulating bridging and virtual network equipment of IP67xx series and TDM over Ethernet and widely apply relevant technologies on the hybrid card equipment of the Company. (4) 5G communication transmission equipment: Based on technologies and experience accumulated for 3G/3.5/4G base station, the Company has completed WDM1800 and MPLS-TP 10G carrier Ethernet equipment and has been actively making arrangements for 5G communication technologies. (5) Comprehensive network management system: In response to the newly launched MPLS/CE PTN and innovative products based on PWE3 technologies to provide point-to-point business planning, circuit building, business diagnosis, flow engineering, qos, and other advanced network management functions. (6) Next-generation corporate office LAN: Integrate self-owned products of the Company, relevant information safety software/hardware equipment, IIoT solutions, and A.I. to assist customers in building office network system structures that satisfy information safety, the physical safety of assets, and office environment safety.

For strategies in the future market, the MCC market is enormous and requires customized overall solutions. At present, many countries have initiated dedicated acts for major infrastructure. Loop's network transmission equipment and solutions are highly competitive. With the Company's international partners and local system integration suppliers, it occupies a leading position in the MCC overall solution market. The next step is to expand the Company's market presence by actively participating in major communication exhibitions held worldwide and organizing product seminars. Through showcasing the performance and features of new Loop products, the Company aims to increase exposure and enhance brand visibility.

b. Favorable factors:

b-1 Finance: The financial structure, solvency, operating ability, profitability, cash flow, and other financial ratios are above the general level within the industry.

b-2 Market: There are 46 countries having business dealings with the Company worldwide. Our export sales accounted for approximately 70% of the revenue throughout the year. In particular, we recorded growth in America, the EU, and Taiwan. There has been a slight decrease for the Indian and Middle East markets. In terms of industry, electricity and governmental agencies account for 70% of our total revenue, and transportation and private corporate markets account for approximately 20%. In 2023, 80% of our revenue was from 9% of countries having dealings with

us. Among all 27 product lines, 80% of the revenue was from 12% of the sales products. Driven by a favorable outlook in the communications market, Loop Telecom's long-term partnerships with international SI heavyweights are expected to sustain growth in Europe and America. The domestic market has also entered the next development phase, while the markets in Southeast Asia are recovering. Continued development in emerging markets and proactive advancement in next-gen communication technologies will fuel growth under new trends.

c. Technology:

With over three decades of R&D experience accumulated, the Company integrated multiple service interfaces of PDH, SDH fiber technologies, Ethernet router technologies, and MPLS technologies as a comprehensive network solution. It included the cross-field and cross-company product integration into the Company's network system to directly face end users (i.e., electric power communication and military network of the government), directly cooperate with large-scale international SI companies (i.e., NEC), and directly cooperate with IoT customers (i.e., power plants, public transport, and governmental agencies) to develop new products in the hope of providing popular products and comprehensive solutions under the trends of the IoT industry.

Facing the intense situation of the trade war between the U.S. and China and uncertainties derived from the war and geopolitics, the economic environment became challenging. 5G brought about the digital transition of all industries, giving rise to a new wave of evolution within the network industry and to business opportunities of new technologies and new applications. Based on the existing foundation, the Company continues to reinforce its management and makes constant efforts by adhering to the philosophy of continuing to develop new products and explore new markets.

With the successful R&D experience of 3G/4G and in response to the requirements of 5G communication in the future, the Company has also been actively developing optical fronthaul series products (i.e., OBSAI, CPRI, and other DWDM series products). They were launched for sale in 2020. Facing the transition period from existing technologies to new technologies, the provision of the new generation packet transport network technologies and concurrently accessing the existing legacy services have become the solutions most required by MCC users. Loop's product line includes over 60 products, and it has been committed to the R&D of new products (i.e., G7860A, WDM1800, O9400-PTN10G, O9500-PTN10G, and other mixed service multiplexers for the abovementioned requirements). Meanwhile, it also upgraded the access service product line (AM3440-CCPB, IP6704A, and G7820) and developed Loop proprietary ultra-low latency and zero-packet-loss protection switching technologies to solve two major hindrances faced by MCC users in terms of the packet transport network. Combining the network management system with point-to-point circuit management capability, creating more than a dozen overall solutions from MCC backbone networks to access terminals for customers. Such solutions may be used in domestic and foreign power company, transportation, airport, and military markets. They will have material contributions to our revenue in the following years.

From R&D to production, and to market branding, the Company has transformed from a pure product supplier to a contractor of solutions and stands out as a professional manufacturer in Taiwan. The Company has gained recognition of extensive users and ODM orders with large-scale international companies in the intensive global competition, and its strong software/hardware capacity is unlikely to be plagiarized or duplicated.

d. Management:

The Company has an outstanding R&D leader and R&D management team and has introduced internationalized CQ, RPM, CAR, and CCT systems of IBM for the progress follow-up of projects and human resource and working hour management of the R&D Department so as to effectively grasp the procedures and resource allocation of different projects on a timely basis.

D. Unfavorable factors:

a. Finance:

The export sales market accounts for over 70% of the Company's revenue. Any intense fluctuation of the exchange rate of NTD will cause considerable exchange effects.

b. Market:

Due to the trade war between the U.S. and China and changes in international situations, the growth in the emerging market recorded was less favorable than expected. Furthermore, the transition of communication technologies and the conservative market affected the Company's operating performance. Facing the changes in the market, the Company has transformed from a pure product supplier to a contractor of solutions, which will have material effects on the contributions to its revenue in the future.

c. Countermeasures:

- c-1 When providing quotes to export sales, the Company also considers the development of exchange rates to minimize the level of impacts of the fluctuation of exchange rates on the profits of orders accepted, engages in quotations of multiple currencies based on the circumstances, and uses strong currencies for trading to avoid possible risks.
- c-2 Facing the competition between enterprises and within the environment, the Company continues to observe market requirements and develop functional and differentiated products. To maintain the competitiveness of its new products and break through the resource restrictions of new product development, the Company will call for more outstanding talents in the future to carry out R&D and innovation and reduce operating costs.
- c-3 In light of the global economic development, the Company continues to develop new markets and combinations of different industrial patterns and new products. In the future, the Company will fully invest in performing the market pattern of "solution provider," focus on the requirements of major customers and the application requirements in the future market, and provide comprehensive and integrated transmission systems for customers' use. Furthermore, the Company strives for ODM opportunities with large-scale international companies and seeks concepts and targets for the development of new products. It will closely combine the strategies of new products under development and the practices of product development management procedures and adopt product specifications and expected benefit audits that are in line with the market requirements as the foundation to improve the success rate of product development and profitability.

(2) Main use of major products and their manufacturing procedures:

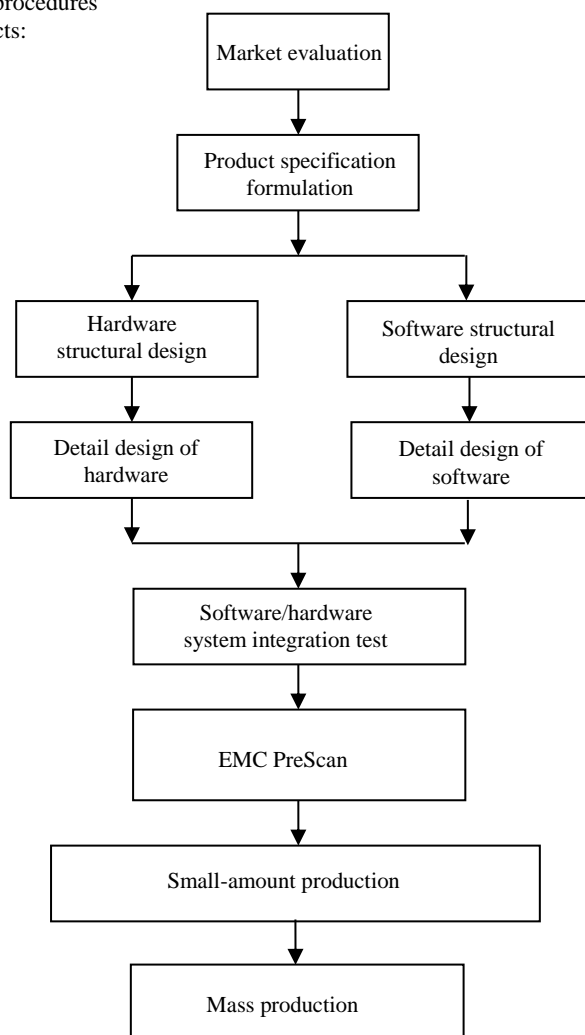
A. Main use of major products

AM3440 may be used in telecommunication, railway communication, electric power communication, hydraulic communication, traffic communication control, security systems, and automated control communication; the main use is as follows:

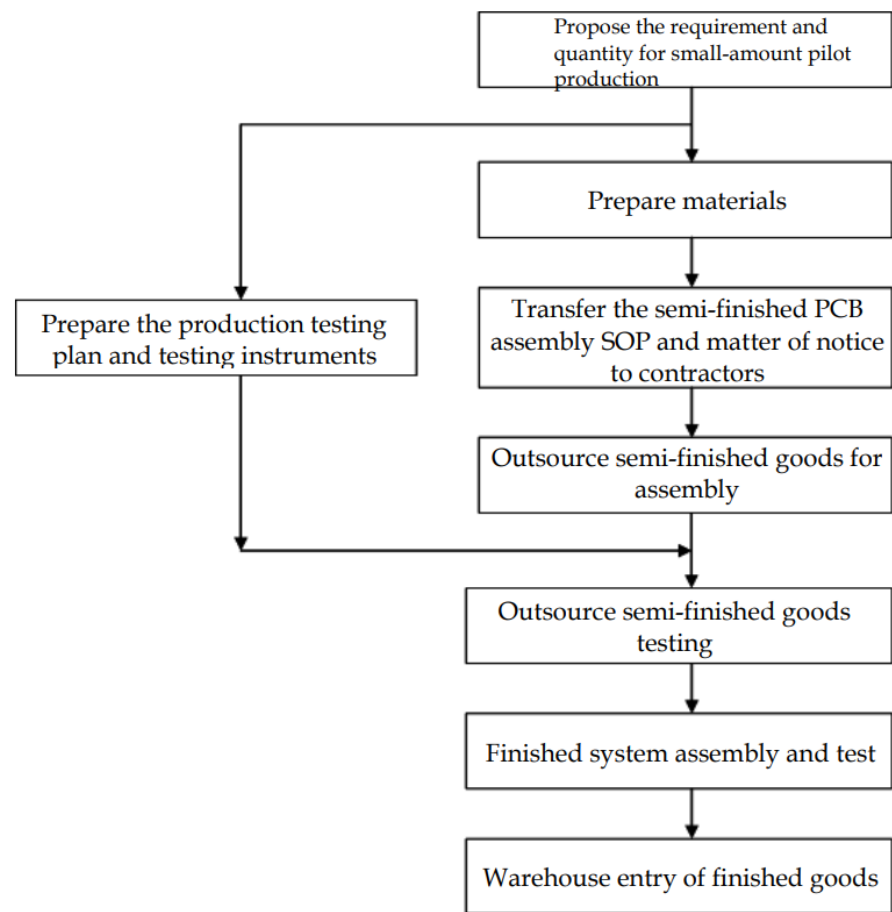
- a. E1 multiplexers are used for TDM E1/T1 network transmission.
- b. Point-to-point video conference (V.35 or Ethernet interface).
- c. Environment monitoring (dry contact or Ethernet interface) (i.e., door alarm and video surveillance).
- d. Auto-control (RS232 interface), such as: SCADA system, automation control, and traffic light control.
- e. Audio, data, and Ethernet transmission.
- f. Teleprotection/SCADA applications.
- g. Teletra wireless transmission applications.
- h. E1 DS0 SNCP is used in police/fire control/emergency relief systems.
- i. RS232 radar clock transparent transmission is used in airborne radar.
- j. ECA is used in echo cancelation for transformation from 2-line to 4-line transmission of audio circuits.
- k. ABRA is used in the point-to-point transmission of analog audio modems of the power category.
- l. 6UDEA/8UDTEA is used in banking and SCADA.

B. According to the operating specifications of ISO9001, the production procedures of the Company are as follows:

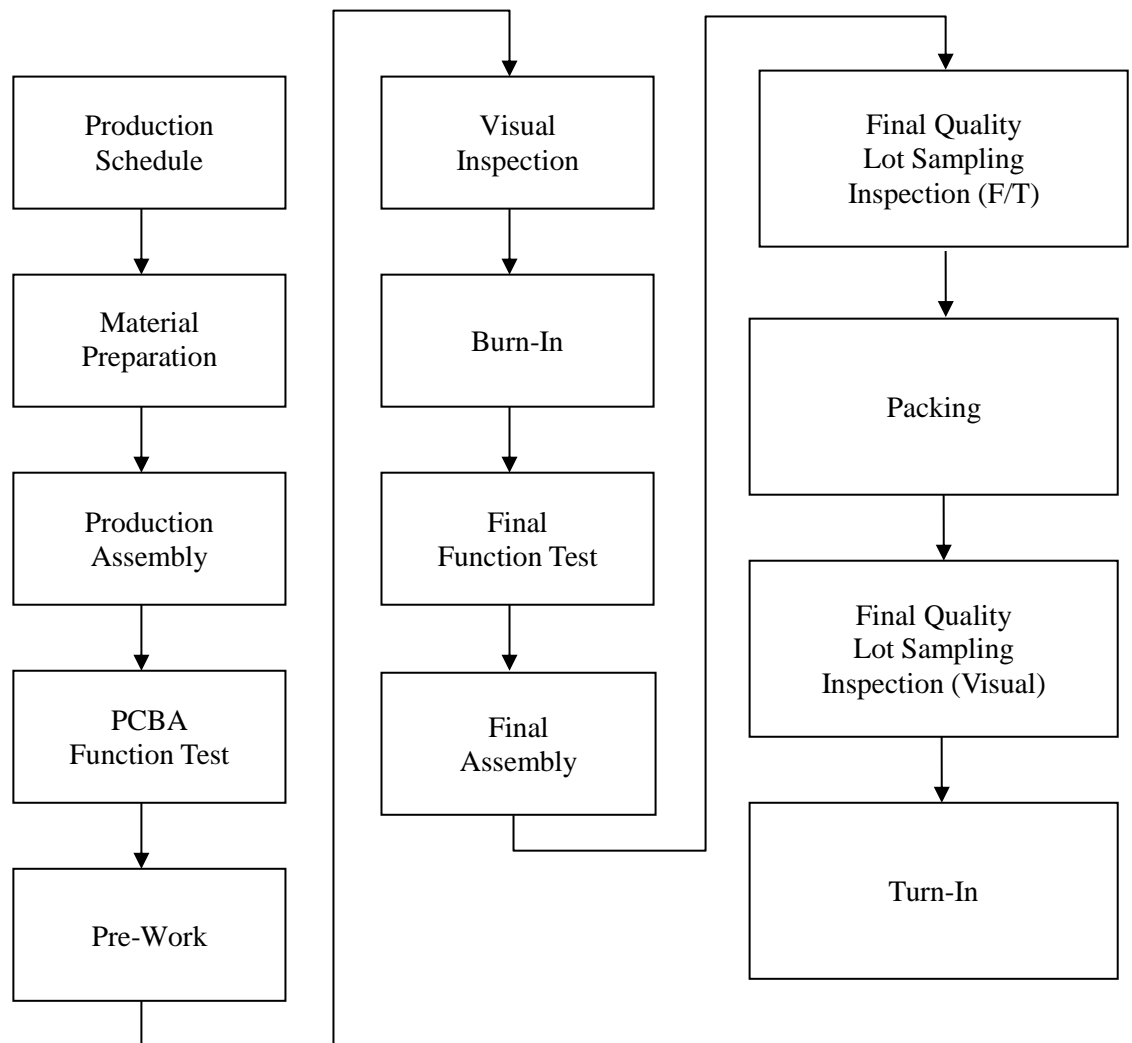
Development procedures
for new products:



Small-amount production:



Mass production procedures:



(3) Supply of main raw materials

Products produced by the Company are composed of many parts and components that we purchased from extensive counterparties; therefore, the Company only enters into long-term supply orders for crucial parts and components. Raw material procurement of the Company is relatively dispersed, and there is no risk of overly concentrated sources. The Company has always maintained favorable cooperating relationships with suppliers, and the level of cooperation of suppliers is high; therefore, the supply status in the most recent three years remained healthy, and there was no supply shortage or interruption in the past three years. The supplying status of major raw materials of the Company at present is set out in the following table:

Main raw materials	Main supplier	Supplying status
PCB	Kintech and Circuitech	Favorable
IC	Avnet and WT Microelectronics	Normal
Power supplier	Universal Microelectronics, MEAN WELL	Normal
LCD	SDEC Technology and Winstar Display	Favorable
Cable	Yuh Chieh and Goal Ray	Favorable
Connector	OUPIN Enterprise and Chief Land	Favorable

(4) List of customers accounting for 10% or above of the Company's total purchases (sales) in any of the most recent two years and purchases (sales) amount and ratio, and the descriptions of the reasons for the changes:

A. Information on the major supplier for the most recent two years

(In Thousands of New Taiwan Dollars)

	2022				2023				As of 2024 Q1			
Item	Name	Amount	Ratio to net purchase throughout the year [%]	Relationship with the issuer	Name	Amount	Ratio to net purchase throughout the year [%]	Relationship with the issuer	Name	Amount	Ratio to net purchase as of Q1 of the year [%]	Relationship with the issuer
1	WT Microelectronics	25,186	17.17	None	WT Microelectronics	67,300	29.23	None	WT Microelectronics	13,927	45.92	None
2	Avnet	12,959	8.84	None	Avnet	34,510	15.00	None	Avnet	2,453	8.09	None
3	Chongqing Loop	8,567	5.84	Parent company and subsidiary	Chongqing Loop	13,543	5.88	Parent company and subsidiary	Universal Microelectronics	1,433	4.73	None
4	Universal Microelectronics	8,102	5.53	None	Kintech	8,642	3.75	None	Qinyi	1,351	4.45	None
5	Kintech	6,382	4.35	None	Universal Microelectronics	8,640	3.75	None	Yuan Tsu	1,254	4.13	None
6	Yuan Tsu	5,726	3.90	None	Yuan Tsu	7,473	3.25	None	Chongqing Loop	1,232	4.06	Parent company and subsidiary
7	ILU	5,309	3.62	None	Macnica Galaxy	7,326	3.18	None	Kintech	783	2.58	None
8	Macnica Galaxy	4,033	2.75	None	ILU	7,065	3.07	None	Microchip	605	2.00	None
9	Tianjin Loop	3,191	2.18	Parent company and subsidiary	Mouldex	5,663	2.46	None	Alltek	559	1.84	None
10	Mouldex	2,905	1.98	None	Qinyi	4,946	2.15	None	Ficer	545	1.80	None
	Others	64,289	43.84		Others	65,113	28.28		Others	6,188	20.40	
	Total net purchase	146,649	100.00		Total net purchase	230,221	100.00		Total net purchase	30,330	100.00	

Description: There has been no material change in suppliers, with a total purchase reaching 10% or above in the most recent two years; therefore, the Company has no intention to analyze.

B. Data on major customers of sales for the most recent two years:

(In Thousands of New Taiwan Dollars)

	2022				2023				As of 2024 Q1			
Item	Name	Amount	Ratio to annual net sales (%)	Relationship with the issuer	Name	Amount	Ratio to annual net sales (%)	Relationship with the issuer	Name	Amount	Ratio to net purchase as of Q1 of the year [%]	Relationship with the issuer
1	E	90,308	20.61	None	E	107,296	16.53	None	A	27,209	23.89	None
2	F	76,978	17.57	None	F	104,532	16.10	None	E	24,518	21.53	None
3	A	39,497	9.01	None	A	101,173	15.59	None	G	12,980	11.40	None
4	Z	37,495	8.55	None	Z	59,143	9.11	None	D	9,680	8.50	None
5	H	34,030	7.76	None	H	51,528	7.94	None	F	7,208	6.33	None
6	G	21,558	4.92	None	Q	42,864	6.60	None	AE	6,117	5.37	None
7	AD	13,418	3.06	None	B	23,716	3.65	None	Q	5,897	5.18	None
8	N	13,184	3.01	None	G	22,162	3.42	None	AK	3,553	3.12	None
9	D	12,610	2.88	None	AK	13,317	2.05	None	AL	3,350	2.94	None
10	Q	7,846	1.79	None	AF	11,690	1.80	None	AM	3,147	2.76	None
	Others	91,318	20.84		Others	111,676	17.21		Others	10,220	8.98	
	Total net sales	438,242	100.00		Total net sales	649,097	100.00		Total net sales	113,879	100	

Note: Specify the name of customers who contribute to 10% of total sales or above in the most recent two years and their sales amount and ratio; however, code names may be used instead if the name of customers may not be disclosed due to agreements in the contract or if the counterparties are individual and not related parties.

(1) Production volume and value in the most recent two years:

Unit of production capacity and production volume: Machine

Unit of production value: NT\$ thousand

Product	2022			2023		
Name	Production capacity	Production Volume	Value	Production capacity	Production Volume	Value
U interface multiplexer	28,000	18,508	128,415	32,000	14,301	148,395
Optical fiber network	23,000	8,052	196,800	41,600	14,044	356,513
High-speed digital user line equipment	2,500	30	687	6,700	80	1,844
Internet access equipment	7,500	280	5,851	13,900	459	10,875
Time-slot interchanger	5,500	580	3,410	8,800	413	5,461
High-speed network access equipment	4,500	99	1,295	5	1	12
Network management system	13,000	1,971	16,559	22,000	2,362	27,923
Others		14,361	85,225		18,291	98,074
Total	84,000	43,881	438,242	125,005	49,951	649,097

(2) Sales volume and value in the most recent two years:

Unit of sales volume: Machine

Unit of sales value: NT\$ thousand

Product	2022				2023			
Name	Domestic		Overseas		Domestic		Overseas	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
U interface multiplexer	4,442	30,820	14,066	97,595	4,505	46,744	9,796	101,651
Optical fiber network access equipment	1,932	47,232	6,120	149,568	4,424	112,302	9,620	244,211
High-speed digital user line equipment	7	165	23	522	25	581	55	1,263
Internet access equipment	67	1,404	213	4,447	145	3,426	314	7,449
Time-slot interchanger	139	818	441	2,592	130	1,720	283	3,741
High-speed network access equipment	24	311	75	984			1	12
Network management system	473	3,974	1,498	12,585	744	8,796	1,618	19,127
Others	3,447	20,454	10,914	64,771	5,762	30,893	12,529	67,181
Total	10,531	105,178	33,350	333,064	15,735	204,462	34,216	444,635

3. The number of employees for the most recent two years and up to the date of publication of the annual report, their average years of service, average age, and education distribution ratio:

March 31, 2024

Year		2022	2023	Current year as of March 31, 2024
Number of employees	Indirect staff	129 persons	140 persons	138 persons
	Direct staff	17 persons	17 persons	17 persons
	Total	146 persons	157 persons	155 persons
Average age		44.09 years old	43.73 years old	43.88 years old
Average service seniority		12.75 years	12.08 years	12.30 years
Education background distribution ratio	Phd	0.69%	0.64%	0.65%
	Master degree	23.29%	26.11%	25.81%
	College diploma	61.64%	59.24%	59.35%
	Senior high school	10.27%	10.19%	10.32%
	Below senior high school	4.11%	3.82%	3.87%

4. Information on environmental expenditure

Any losses suffered by the Company in the most recent year and up to the publication date of the annual report due to labor disputes (for any compensation and violation of environmental protection regulations found in the environmental protection audits, specify the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions), and disclose an estimate of possible expenses that could incur currently and in the future and countermeasures; if it is not able to be reasonably estimated, the fact that it cannot be reasonably estimated shall be specified:

The Company focuses on the conservation of environments and received the excellent environmental cleanliness and recycling inspection award of the Park in October 1999. It formally announced its environmental policies in 2004 in the hope of improving the environmental protection awareness of employees, suppliers, and channel providers and reducing the impacts of operations on environments through internal and external education and promotion. Over the years, Loop has been adhering to the operating philosophy of sustainable corporate development and has deeply recognized the importance of environmental protection; therefore, the Company adopts pollution prevention and continual improvements as its basic structure for development.

Commitments of Loop: The Company will: ◆make the best use of resources on earth; ◆develop products of green concepts; ◆improve procedure technologies and minimize impacts on the environment; ◆comply with the requirements of environmental regulations; ◆commit to pollution control and continue to improve the current status of environments; ◆implement environmental protection education; ◆appropriately carry out environmental communication to create an enterprise of sustainable development. For the processing of waste, the Company has its SOP in place; there was no environmental pollution event; therefore, there was no loss, and there was no pollution to the environment.

5. Labor-capital relations

(1) Welfare measures, continuing education, training, and retirement systems of employees and their implementation, and the labor-capital agreements and measures for protecting employees' interests:

A. Employee benefit measures

The Company has comprehensive and favorable benefit measures; major items include:

a. Insurance:

a-1 Labor insurance and National Health Insurance:

Employees of the Company participate in labor insurance and National Health Insurance according to the law.

a-2 Group insurance:

Formal employees of the Company are entitled to the group insurance purchased by the Company on behalf of employees after three months from the day reporting to work, and the premium is borne by the Company. Employees are entitled to different coverage based on the range of salaries.

- b. Educational training program:
Based on the training demand of employees, the Company organizes new employee training, professional technology training, management talent training, self-development training, quality management training, safety and health, and other training programs and provides comprehensive professional skills cultivation and self-growth and development for employees.
- c. Profit-sharing and share ownership method:
The Company shares a fixed ratio of its earning after the final account of the year, with relevant taxes, reserves, and dividends deducted, with all employees.
- d. Bonus system:
The bonus system of the Company has performance bonuses and evaluation bonuses, and the distribution basis of bonuses is the performance of employees within a certain period.
- e. Domestic/foreign company trip:
A domestic or foreign company trip for employees is organized once a year.
- f. Employee dormitory:
The Company has an employee dormitory allocated by the Park Bureau for new employees and general employees as the residence so as to fully care for employees.
- g. Leisure equipment:
The Company has a table tennis room, gym, yoga classroom, library, reading area, and other facilities to provide the best activity venues for employees to dine and chill.
- h. Employee Benefits Committee:
The Company has established its Employee Benefits Committee according to the law and appropriated benefit funds as scheduled according to the requirements. Members of the committee are publicly elected by employees, and the committee organizes various benefit activities.

B. Employee training, continuing education system, and its implementation:

Employee educational training expenses:

- a. Onboarding training for new employees: Include the introduction to the Company's system, corporate culture, organization, and operating system, an introduction to system operation, a description of job scope, new product development procedures, and professional knowledge training and succession.
- b. In response to the development of the business and management system, the Company enhanced its talent cultivation and improved human resources structure and the quality of human resources; therefore, it established the "Procedures for Educational Training" observation by employees. The Company provides subsidies and funding for educational training each year for employees to choose internal training or external training related to their own work. Employees may combine the development of their abilities with hobbies to maximize the learning effects; the content is summarized as follows:
 - b-1 Internal training: For new R&D personnel, the Company arranges senior R&D personnel to provide guidance to pass down the R&D experience and fully invest in product and technology R&D and allows them to learn the latest communication technologies through technical exchanges with the industry sector. For administration-related personnel, their knowledge, abilities, and aspiration are improved based on their working field, and professional lecturers are also invited to visit the Company for training from time to time.
 - b-2 External training: The Company encourages employees to participate in professional/relevant seminars and appoints them to receive training from domestic and foreign professional training institutions.

Relevant educational training performance in 2023 is set out in the following table:

Item	Number of classes	Total number Of persons	Total number Of hours	Total expenses
1. New employee training	27	145	134	0
2. Professional function training	29	125	546	29,100
3. Management talent training	4	4	21	13,000
4. General knowledge training	10	12	30	18,620
Total	70	286	731	60,720

C. Employee retirement system and its implementation:

Employee retirement system: The retirement system of the Company is subject to the Labor Standards Act and Labor Pension Act.

D. Labor-capital agreements and measures for protecting employees' interest:

Labor-capital agreements: Employees of the Company have premium quality, and our business philosophies and management policies are duly implemented. In addition, there is employee communication/activity time and the "Employee Benefits Committee" in place. The internal communication channels are smooth, and the labor-capital relations over the years have been healthy; there has been no labor-capital dispute.

E. Code of Conducts or Ethics of Employees: Please refer to Attachment 2 of the handbook.**F. Working environment and employees' personal safety protection measures**

No.	Objective/target	Plan	Description of current status	Execution
1	Fully transformed to lead-free products	Transformed to lead-free procedures in 2009	Lead-free operating procedures were fully introduced for the products of the Company	Continued to execute the 100% lead-free product procedures
2	Recycled and reused the packaging cartons of products	Recycled and reused the cartons of finished goods	Required suppliers to always recycle packaging cartons to minimize the environmental load and comply with the objective of energy-saving and carbon dioxide reduction	Required suppliers to always recycle
3	Implemented garbage classification and recycling in our plant	Garbage classification	Classification, declaration, and clearing of garbage are completed according to the requirements of the Environmental Protection Administration to align with the policy of energy-saving and carbon dioxide reduction	Continued implementing
4	Checked whether the power circuits were overloaded, added protective tubes for wires, and installed electricity leakage breakers	Improved power use safety and personal safety	Added EMT tubes for power cables to avoid sparks that may result from mouse biting or aging and installed electricity leakage breakers for shower and pantry	Installed electricity leakage breakers and metal EMT tubes to protect power cables
5	Reduced the use of wood pallets	Reduced the quantity of wood pallets	Wood pallets may be easily damaged, and the use of wood pallets for in-house product transport is not environmental-friendly	Purchased static plastic pallets to increase the number of repeated use
6	Isolated environmental noises	Reduced noises that discomfort human bodies	The noise pollution of the AC unit exceeded 80db	Isolated the AC machine room and added soundproof doors and soundproof rock wools
7	Labeled power-use safety areas	Labeled power area warnings	Added warnings for the power use areas to remind persons that entered shall be aware of the power use safety and noise prevention	Added label warning and relevant preventive equipment

G. Subsequent environmental and labor safety and health management**a. Restriction on hazardous substance (ROHS)**

ROHS became formally effective on July 1, 2006; products sold to the EU shall not contain six hazardous substances, including lead, cadmium, mercury, hexavalent chromium, PBB, and PBDE. The Company made active promotion and cooperation and formally commenced its lead-free operations in 2009, and required relevant suppliers to propose products free of hazardous substances that are in compliance with the EU requirements.

b. Promote the recycling and reuse of product cartons

The Company promotes recycling and reuse to reduce the generation of waste and reduce production costs. Apart from garbage classification, the Company also require suppliers to remove product cartons upon intake and bring them back, and use the used cartons for the next intake to achieve the energy-saving, carbon dioxide reduction, and environmental protection promoted by the government.

c. Implement automatic check and inspection before starting the operations

When working in different operating environments, employees may have physical injuries due to unsafe environments, equipment, management, and other factors. Therefore, the Company promotes automatic inspection before starting the operations in the hope of discovering potential hazardous factors and controlling and improving hazardous factors.

d. On-site operating environment inspection

To ensure the operating environments of the Company comply with labor safety operating specifications, the Company performed regular tests for CO₂, noise, and lighting of operating environments to ensure the operating environments of employees are comfortable and safe; for noise pollution source areas due to the AC unit, it adopted soundproof materials for noise isolation to eliminate noise pollution.

(2) Any losses suffered by the Company in the most recent year and up to the publication date of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions), and disclose an estimate of possible expenses that could incur currently and in the future and countermeasures: None.

(3) Continuing education and training related to corporate governance of managers of the Company:

Continuing education of managers in 2023

Title	Name	Date	Organizer	Course name	Number of hours of continuing education
Director of the Finance and Accounting Department	Chang Xiao-Ling	2023/12/07~12/08	Accounting Research and Development Foundation	TWSE chief accountant continuing education course	12
Chief of corporate governance	Cai Xing-Juan	2023/05/26	Taiwan Investor Relations Institute	ESG Development Trends from the Perspective of Shareholder Activism	3
	Cai Xing-Juan	2023/06/09	Securities and Futures Institute	Preventing Insider Trading Awareness Seminar	3
	Cai Xing-Juan	2023/06/30	Taiwan Investor Relations Institute	Strategies for Corporate Operations and News Crisis Management	3
	Cai Xing-Juan	2023/07/31	Taiwan Academy of Banking and Finance	Director, supervisor and governance managers seminar	3
	Cai Xing-Juan	2023/09/14	Taiwan Investor Relations Institute	Taiwan Business Merger Practices	3
	Cai Xing-Juan	2023/10/18	Securities and Futures Institute	Challenges in Post-Pandemic Talent Sustainability	3
Chief auditor	Xu Zheng	2023/12/13	The Institute of Internal Auditors	Latest Case Analysis on “Business Mergers and Acquisitions Act” and “Corporate Governance”	6
	Xu Zheng	2023/12/19	The Institute of Internal Auditors	Policy Analysis and Highlights on Internal Audit and Internal Control of “Audit Practices of Subsidiaries Financial Report Compilation” and “Sustainability Reports” (Includes Sustainable Development Action Plan for TWSE/tpex Listed Companies”	6

(4) Acquisition of relevant certificates designated by the competent authority by personnel of the Company related to financial information transparency:

Proficiency Test for Enterprise Internal Control Basic Ability organized by the SFC and Accounting Research and Development Foundation: Two persons.

6. Cybersecurity management

- (I) Describe the cybersecurity risk management structure, the cybersecurity policy, the specific management plan, and the resources invested in cybersecurity management:

1. Cybersecurity risk management structure:

The Company established a dedicated department for information safety in 2022 to be responsible for the formulation of cybersecurity policies, the promotion of cybersecurity measures, and regular examination. The information safety committee has a chief of information safety, who is concurrently the director of the information department, and three members. When any information safety event occurs, they shall contract responsible personnel for operating procedures of relevant departments for crisis management. In addition, the Company has also passed the ISO27001 audit.

The audit department also included cybersecurity inspection in the items of the annual audit plan each year.

2. Cybersecurity policy:

The Company's cybersecurity policy states the requirements, standards, and specifications for cybersecurity management operations, including but not limited to electronic hardware equipment safety management, installation of operating systems and applications, e-mail management and control, network firewall installation, the establishment of Internet use access, wireless network use specifications, anti-virus software installation, access control of system program data, updates and maintenance of internal servers, and development of safety monitoring of systems.

3. Substantial management plan:

(1) Safety management of electronic hardware equipment:

- A. Servers and major equipment are placed in the machine room with access control, and only personnel with permission can access them by using cards.
- B. Install protection software that has automatic updates of virus signatures for computer equipment to ensure it can effectively detect viruses and vicious software and acts.

(2) Installation, management, and control of operating systems and applications:

- A. The using department shall propose a permission application based on the information functions, application system, and programs required. After the application is approved by the director of the department and the director of the information department based on their work duties, information personnel will set its use permission.
- B. For any personnel change or resignation, the information department will immediately alter its account and use permission to ensure information safety.

(3) Internet use authorization:

- A. Install firewall control and endpoint protection and invasion detection software for the external network to detect and block external invasion and attacks.
- B. Install attack detection equipment for the internal network to regularly detect anomalies of the internal network and computers.

(4) Safety monitoring of the system:

- A. UPS and voltage stabilizers are installed for the mainframe in the machine room to prevent system damage resulting from a power outage or abnormal power supply.
- B. Established a remote-backup system; when the local machine room loses its function due to disasters, the recovery plan may be initiated by the remote backup mainframe and storage equipment.
- C. Reinforced the data backup and recovery system and regularly made schedules for backup storage to enhance the completeness and efficiency of system recovery.

4. Resources for cybersecurity management:

- (1) The information safety committee regularly examines the internal information safety management and operating status, provides reports and recommendations to the management, and regularly compiles and reports to the Board each year.
- (2) The audit department also regularly submits cybersecurity audit reports to the Board.
- (3) All employees had executed the consent for employee information management regulations and completed information safety educational training.

- (II) List any losses suffered by the Company in the most recent year and up to the publication date of the annual report due to significant cybersecurity incidents, the possible impacts therefrom, and countermeasures: There was no significant cybersecurity incident that occurred to the Company.

7. Important contracts:

Type of contract	Party	Contract starting and Ending date	Main content	Restrictive terms
Land lease	Science Park Bureau	2019/08/06~2038/12/31 2007/06/12~2026/12/31	Leasing land with an area of 2,101.05m ² Leasing land with an area of 1,384.65m ²	None
Insurance contract	1. Fubon Insurance 2. Nan Shan General Insurance 3. AIG Taiwan 4. Nan Shan General Insurance	2023/10/01~2024/09/30 2023/12/31~2024/12/31 2024/04/01~2025/04/01 2023/10/15~2024/10/15	Liability insurance for Directors, supervisors, and material employees Fire insurance Commercial general liability insurance Transportation cargo open policy insurance	None

(VI) Finance overview

1. Condensed balance sheet and statement of consolidated income for the most recent five years

(1) Condensed Consolidated Balance Sheet

(In Thousands of New Taiwan Dollars)

Year Item	2019	2020	2021	2022	2023	Financial information as of March 31, 2024 (Note 1)
Current assets	734,029	790,673	721,419	802,210	998,352	894,361
Property, plant and equipment	168,742	164,449	155,782	146,206	153,385	152,924
Intangible assets	572	2,072	5,499	8,638	4,560	3,884
Other assets	112,334	114,949	109,623	122,400	129,128	124,265
Total Assets	1,015,677	1,072,143	992,323	1,079,454	1,285,425	1,175,434
Current liabilities	114,724	140,674	106,707	134,582	375,222	230,928
Before distribution						
After distribution	155,859	211,595	135,075	205,502	Note 2	Not applicable
Non-current liabilities	91,360	85,871	79,357	92,789	67,009	65,682
Total Liabilities	206,084	226,545	186,064	227,371	442,231	296,610
Before distribution						
After distribution	247,219	297,466	214,432	298,291	Note 2	Not applicable
Equity attributable to owners of the parent company	809,593	845,598	806,259	852,083	843,194	878,824
Capital stock	709,206	709,206	709,206	709,206	567,365	567,365
Capital surplus	49,626	49,626	48,208	48,208	43,953	43,953
Retained earnings	53,661	89,771	51,933	97,455	234,627	270,240
Before distribution						
After distribution	12,526	18,850	23,565	26,535	Note 2	Not applicable
Other equity	(2,900)	(3,005)	(3,088)	(2,786)	(2,751)	(2,734)
Treasury stock	0	0	0	0	0	0
Non-controlling interests	0	0	0	0	0	0
Total equity	809,593	845,598	806,259	852,083	843,194	878,824
Before distribution						
After distribution	768,458	774,677	777,891	781,163	Note 2	Not applicable

Note 1 : As of the quarter before the publication date of the annual report, the financial information had been certified and reviewed by cpas.

Note 2 : The proposal for the 2023 earning distribution is to be resolved by the shareholders' meeting.

(2) Condense Consolidated Statement of Comprehensive Income

Unit: (In Thousands of New Taiwan Dollars)

Item \ Year	2019	2020	2021	2022	2023	Financial information as of March 31, 2024 (Note 1)
Net revenue	544,995	598,096	515,510	438,242	649,097	113,879
Gross profit	287,932	333,646	266,319	240,564	446,054	79,940
Net operating (loss) profit	56,121	94,784	39,999	14,509	193,270	19,693
Non-operating income and expenses	2,658	(1,128)	(154)	68,894	53,495	22,442
Income before income tax	58,779	93,656	39,845	83,403	246,765	42,135
Net income (loss)	49,353	78,648	33,026	67,403	199,659	35,613
Other comprehensive income (net after taxes)	(565)	(1,508)	(1,444)	6,789	4,213	17
Total comprehensive income	48,788	77,140	31,582	74,192	203,872	35,630
Net profits attributable to shareholders of parent company	49,503	78,648	33,026	67,403	199,659	35,613
Net profits attributable to non-controlling interests	(150)	0	0	0	0	0
Total comprehensive income attributable to shareholders of parent company	48,941	77,140	31,582	74,192	203,872	35,630
Total comprehensive income attributable to non-controlling interests	(153)	0	0	0	0	0
Basic earnings per share	0.70	1.11	0.47	0.95	3.00	0.63

Note 1 : As of the quarter before the publication date of the annual report, the financial information had been certified and reviewed by cpas.

(3) Condensed Parent Company Only Balance Sheet

(In Thousands of New Taiwan Dollars)

Item \ Year	2019	2020	2021	2022	2023	Financial information as of March 31, 2024 (Note 3)
Current assets	724,426	784,445	715,202	798,472	996,770	-
Property, plant and equipment	163,162	159,406	151,301	142,313	149,883	-
Intangible assets	572	2,072	5,499	8,638	4,560	-
Other assets	122,061	117,866	110,765	121,497	127,725	-
Total Assets	1,010,221	1,063,789	982,767	1,070,920	1,278,938	-
Current liabilities Before distribution	109,268	132,320	97,151	126,048	368,735	-
After distribution	150,403	203,241	125,519	196,968	Note 2	-
Non-current liabilities	91,360	85,871	79,357	92,789	67,009	-
Total Liabilities Before distribution	200,628	218,191	176,508	218,837	435,744	-
After distribution	241,763	289,112	204,876	289,757	Note 2	-
Capital stock	709,206	709,206	709,206	709,206	567,365	-
Capital surplus	49,626	49,626	48,208	48,208	43,953	-
Retained earnings Before distribution	53,661	89,771	51,933	97,455	234,627	-
After distribution	12,526	18,850	23,565	26,535	Note 2	-
Other equity	(2,900)	(3,005)	(3,088)	(2,786)	(2,751)	-
Treasury stock	0	0	0	0	0	-
Total equity Before distribution	809,593	845,598	806,259	852,083	843,194	-
After distribution	768,458	774,677	777,891	781,163	Note 2	-

Note 1 : As of the quarter before the publication date of the annual report, the financial information had been certified and reviewed by cpas.

Note 2 : The proposal for the 2023 earning distribution is to be resolved by the shareholders' meeting.

Note 3 : The Company has not issued the parent company only quarterly financial statements as of March 31, 2024.

(4) Condensed Parent Company Only Statement of Comprehensive Income

(In Thousands of New Taiwan Dollars)

Item \ Year	2019	2020	2021	2022	2023	Financial information as of March 31, 2024 (Note 2)
Net revenue	544,515	598,175	515,380	438,234	648,696	-
Gross profit	286,106	333,802	265,658	235,360	443,136	-
Net operating (loss) profit	60,539	101,343	41,743	16,850	193,680	-
Non-operating income and expenses	(1,610)	(7,687)	(1,898)	66,553	53,085	-
Net profit (loss) before tax	58,929	93,656	39,845	83,403	246,765	-
Net income (loss)	49,503	78,648	33,026	67,403	199,659	-
Other comprehensive income (net after taxes)	(562)	(1,508)	(1,444)	6,789	4,213	-
Total comprehensive income	48,941	77,140	31,582	74,192	203,872	-
Basic earnings per share	0.70	1.11	0.47	0.95	3.00	-

Note 1 : As of the quarter before the publication date of the annual report, the financial information had been certified and reviewed by cpas.

Note 2 : The Company has not issued the parent company only quarterly financial statements as of March 31, 2024.

(5) Names and opinions of cpas for the most recent five years

Year	CPA firm	CPA name		Audit opinion
2019	Deloitte & Touche Taiwan	Lin Zheng-Zhi	Huang Yu-Feng	Unqualified opinion
2020	Deloitte & Touche Taiwan	Lin Zheng-Zhi	Huang Yu-Feng	Unqualified opinion
2021	Deloitte & Touche Taiwan	Tseng Jian-Ming	Huang Yu-Feng	Unqualified opinion
2022	Deloitte & Touche Taiwan	Huang Yu-Feng	Tseng Jian-Ming	Unqualified opinion
2023	Deloitte & Touche Taiwan	Huang Yu-Feng	Tseng Jian-Ming	Unqualified opinion

(6) Description of the reason for the replacement of cpas in the most recent five years:

In 2021 Q4, due to the internal CPA rotation of Deloitte & Touche Taiwan, our cpas were replaced.

2. Financial analysis for the most recent five years

(1) Financial analysis - IFRS

<div> <div>Year (Note 1)</div> <div>Analysis item (Note 3)</div> </div>		Financial analysis for the most recent five years					Current year as of March 31, 2024 (Note 2)
		2023	2022	2021	2020	2019	
Financial structure (%)	Debt to assets ratio	34.40	21.06	18.75	21.13	20.29	25.23
	Ratio of long-term capital to property, plant, and equipment	593.41	646.26	568.50	566.42	533.92	617.63
Solvency	Current ratio	266.07	596.08	676.07	562.06	639.82	387.29
	Quick ratio	164.02	361.34	388.17	332.26	383.24	207.25
	Interests coverage multiplier (times)	136.44	67.83	30.80	69.56	45.53	59.77
Operating performance	Accounts receivable turnover rate (times)	4.76	5.10	2.75	3.93	4.52	0.78
	Average collection days	77	72	133	93	81	117
	Inventory turnover rate (times)	0.59	0.65	0.85	0.93	0.98	0.09
	Accounts payable turnover rate (times)	6.24	5.27	5.04	5.74	5.30	0.80
	Average sales days	619	562	429	392	372	1,011
	Property, plant and equipment turnover rate (times)	4.33	2.90	3.22	3.59	2.91	0.74
	Total assets turnover rate (times)	0.55	0.42	0.50	0.57	0.57	0.09
Profitability	Return on assets (%)	17.01	6.60	3.30	7.64	5.24	2.94
	Return on equity (%)	23.55	8.13	4.00	9.50	6.28	4.14
	Ratio of net profit before tax to paid-in capital (%) (Note 7)	43.49	11.76	5.62	13.21	8.29	7.43
	Net margin (%)	30.76	15.38	6.41	13.15	9.06	31.27
	Earnings per share (NT\$)	3.00	0.95	0.47	1.11	0.70	0.63
Cash flow	Cash flow ratio (%)	3.75	228.84	90.50	-13.57	-8.58	78.35
	Cash flow adequacy ratio (%)	96.67	90.00	-18.68	-14.46	-51.39	144.86
	Cash flow reinvestment ratio (%)	-6.08	28.84	2.84	-6.46	-1.07	18.56
Leverage	Operating leverage	2.17	14.37	6.03	3.07	4.27	4.01
	Financial leverage	1.01	1.09	1.03	1.01	1.02	1.04
Reasons for the changes in the financial ratios reaching 20% or above in the most recent two years are described as follows: <ol style="list-style-type: none"> 1. Decrease in solvency: Primarily due to the increase in short-term borrowings. 2. Increase in operating performance: Primarily due to the increase in net sales. 3. Increase in profitability: Primarily due to the increase in net profit (before tax) after tax of the period. 4. Decrease in cash flow: Primarily due to the increase in account receivables. 							

Note 1: Years not audited or certified by cpas shall be specified.

Note 2: Companies with shares listed on TWSE or tpex; the financial information of the current year as of Q1 before the publication date of the annual report shall be included in the analysis.

Note 3: At the end of the table of the annual report, the following calculation formulas shall be presented:

1. Financial structure

(1) Debt-to-asset ratio = Total liabilities / Total assets

- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (Current assets - inventory - prepayments)/current liabilities.
 - (3) Interests coverage multiplier = income before income tax and interest expense/interest expense for the period
3. Operating performance
 - (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
 - (2) Average collection days = 365 / Receivable turnover ratio
 - (3) Average inventory turnover = Cost of goods sold / average inventory
 - (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
 - (5) Average sales days = 365/inventory turnover rate
 - (6) Property, plant, and equipment turnover = Net sales/average property, plant, and equipment.
 - (7) Total assets turnover rate = net sales/average total assets
4. Profitability
 - (1) Return on total assets = [Net income + Interest expenses× (1 - tax rate)] / Average total assets
 - (2) Return on equity = net profits after tax/average total equity
 - (3) Net profit margin = net profits after tax/net sales
 - (4) Earnings per share = (Profit or loss attributable to owners of the parent - preferred stock dividend)/weighted average number of issued shares. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
 - (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 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). (Note 5)
6. Leverage:
 - (1) Operating leverage = (Net revenue - variable cost of revenue and expenses)/operating gains (Note 6).
 - (2) Financial leverage = operating profits / (operating profits - interest expense).

Note 4: Regarding the calculation formula for earnings per share above, please be aware of the following matters upon measurement:

1. Adopt the weighted average number of ordinary shares as the basis instead of the number of issued shares at the end of the year.
2. If there is any capital increase in cash or treasury share transactions, the circulation period shall be considered when calculating the weighted average number of shares.
3. If there is any capital increase from earnings or capital increase from the capital reserve, when calculating the earnings per share for prior years and the interim period, retrospective adjustments shall be made based on the ratio of capital increase without considering the issuance period of the capital increase.
4. If preferred shares are non-convertible cumulative preferred shares, their dividend of the year (whether distributed or not) shall be deducted from net income, or net loss after tax shall be increased. If preferred shares are not cumulative, in the case of having a net income, dividends of preferred shares shall be deducted from net income; if losses are recorded, no adjustment is required.

Note 5: Please be aware of the following matters for the measurement of cash flow analysis:

1. Net cash flow from operating income refers to the net cash inflow from operating income in the statement of cash flow.
2. Capital expenditures refer to cash outflow from investments.
3. The increase in inventory is only included when the closing balance is higher than the opening balance; if inventory decreases at the end of the year, calculate it as 0.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to total property, plant and equipment before deducting accumulated depreciation.

Note 6: Issuers shall distinguish cost of revenue and operating expenses into fixed and variant based on nature; if any estimate or subjective judgment is involved, please be aware of the rationale and maintain consistency.

Note 7: If shares of the Company have no par value or the par value is not NT\$10, the calculation of the abovementioned ratio to paid-in capital shall be calculated based on equity attributable to owners of the parent company in the balance sheet.

(2) Individual Financial Analysis - International Financial Reporting Standards

Analysis item (Note 3) Year (Note 1)		Financial analysis for the most recent five years					Current year as of March 31, 2024 (Note 2)
		2023	2022	2021	2020	2019	
Financial structure (%)	Debt to assets ratio	34.07	20.43	17.96	20.51	19.86	Not applicable
	Ratio of long-term capital to property, plant, and equipment	607.28	663.94	585.33	584.34	552.18	
Solvency	Current ratio	270.32	633.47	736.18	592.84	662.98	
	Quick ratio	165.75	381.25	419.99	349.12	395.35	
	Interests coverage multiplier (times)	137.79	68.92	31.46	70.48	56.54	
Operating performance	Accounts receivable turnover rate (times)	4.76	5.12	2.76	3.94	4.52	
	Average collection days	77	71	132	93	81	
	Inventory turnover rate (times)	0.60	0.67	0.85	0.94	1.00	
	Accounts payable turnover rate (times)	6.38	5.45	5.08	5.81	5.42	
	Average sales days	607	545	429	389	367	
	Property, plant and equipment turnover rate (times)	4.44	2.99	3.32	3.71	3.00	
	Total assets turnover rate (times)	0.55	0.43	0.50	0.58	0.57	
Profitability	Return on assets (%)	17.12	6.66	3.33	7.69	5.24	
	Return on equity (%)	23.55	8.13	4.00	9.50	6.30	
	Ratio of net profit before tax to paid-in capital (%) (Note 7)	43.49	11.76	5.62	13.21	8.31	
	Net margin (%)	30.78	15.38	6.41	13.15	9.09	
	Earnings per share (NT\$)	3.00	0.95	0.47	1.11	0.70	
Cash flow	Cash flow ratio (%)	4.07	245.06	98.76	-10.93	-9.71	
	Cash flow adequacy ratio (%)	98.26	93.51	-14.12	-10.53	-54.70	
	Cash flow reinvestment ratio (%)	-6.07	29.34	2.97	-6.04	-1.18	
Leverage	Operating leverage	2.16	12.34	5.77	2.94	4.23	
	Financial leverage	1.01	1.08	1.03	1.01	1.02	
Reasons for the changes in the financial ratios reaching 20% or above in the most recent two years are described as follows: 1. Financial structure: The increase in liabilities was primarily due to the increase in short-term borrowings. 2. Decrease in solvency: Primarily due to the increase in short-term borrowings. 3. Increase in operating performance: Primarily due to the increase in net sales. 4. Increase in profitability: Primarily due to the increase in net profit (before tax) after tax of the period. 5. Decrease in cash flow: Primarily due to the increase in account receivables. 6. Leverage: Primarily due to the increase in operating profits.							

Note 1: Years not audited or certified by cpas shall be specified.

Note 2: The Company has not issued the parent company only quarterly financial statements as of March 31, 2024.

Note 3: At the end of the table of the annual report, the following calculation formulas shall be presented:

1. Financial structure
 - (1) Debt-to-asset ratio = Total liabilities / Total assets
 - (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
 - (1) Current ratio = current assets/current liabilities
 - (2) Quick ratio = (Current assets - inventory - prepayments)/current liabilities.

- (3) Interests coverage multiplier = income before income tax and interest expense/interest expense for the period
3. Operating performance
 - (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
 - (2) Average collection days = 365 / Receivable turnover ratio
 - (3) Average inventory turnover = Cost of goods sold / average inventory
 - (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
 - (5) Average sales days = 365/inventory turnover rate
 - (6) Property, plant, and equipment turnover = Net sales/average property, plant, and equipment.
 - (7) Total assets turnover rate = net sales/average total assets
4. Profitability
 - (1) Return on total assets = [Net income + Interest expenses× (1 - tax rate)] / Average total assets
 - (2) Return on equity = net profits after tax/average total equity
 - (3) Net profit margin = net profits after tax/net sales
 - (4) Earnings per share = (Profit or loss attributable to owners of the parent - preferred stock dividend)/weighted average number of issued shares. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
 - (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 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). (Note 5)
6. Leverage:
 - (1) Operating leverage = (Net revenue - variable cost of revenue and expenses)/operating gains (Note 6).
 - (2) Financial leverage = operating profits / (operating profits - interest expense).

Note 4: Regarding the calculation formula for earnings per share above, please be aware of the following matters upon measurement:

1. Adopt the weighted average number of ordinary shares as the basis instead of the number of issued shares at the end of the year.
2. If there is any capital increase in cash or treasury share transactions, the circulation period shall be considered when calculating the weighted average number of shares.
3. If there is any capital increase from earnings or capital increase from the capital reserve, when calculating the earnings per share for prior years and the interim period, retrospective adjustments shall be made based on the ratio of capital increase without considering the issuance period of the capital increase.
4. If preferred shares are non-convertible cumulative preferred shares, their dividend of the year (whether distributed or not) shall be deducted from net income, or net loss after tax shall be increased. If preferred shares are not cumulative, in the case of having a net income, dividends of preferred shares shall be deducted from net income; if losses are recorded, no adjustment is required.

Note 5: Please be aware of the following matters for the measurement of cash flow analysis:

1. Net cash flow from operating income refers to the net cash inflow from operating income in the statement of cash flow.
2. Capital expenditures refer to cash outflow from investments.
3. The increase in inventory is only included when the closing balance is higher than the opening balance; if inventory decreases at the end of the year, calculate it as 0.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to total property, plant and equipment before deducting accumulated depreciation.

Note 6: Issuers shall distinguish cost of revenue and operating expenses into fixed and variant based on nature; if any estimate or subjective judgment is involved, please be aware of the rationale and maintain consistency.

Note 7: If shares of the Company have no par value or the par value is not NT\$10, the calculation of the abovementioned ratio to paid-in capital shall be calculated based on equity attributable to owners of the parent company in the balance sheet.

3. Audit Committee's Review Report of the financial statements of the most recent year:

Audit Committee's Review Report

The Board has prepared the 2023 business report, financial statements (including consolidated financial statements), and the Table of Earning Distribution, in which Deloitte & Touche Taiwan, engaged by the Board, has audited the financial statements and issued an auditor's report.

We have reviewed the abovementioned books and statements and consider that they comply with the requirements of the Company Act and relevant laws and regulations; therefore, we issue the review report as above according to the requirements under Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted for examination

Sincerely,

The 2024 annual shareholders' meeting of Loop Telecommunication International, Inc.

Convener of the Audit Committee: Ko Shu-Mei

March 12, 2024

4. **Financial statements of the most recent year** : Please refer to page 144 of the annual report.
5. **Parent company only financial statements of the most recent year audited and certified by cpas**: Please refer to page 212 of the annual report.
6. **Kpis of the Company:**

(1) Financial indicator

Meaning: The control of the Company's operating performance, financial structure, and profitability

Percentage	Formula	Objective	2022	2023
Earnings per share-EPS	Net income/weighted average number of issued shares	>1	0.95	3.00
NP %	Net profits after tax/net sales	>10%	15.38%	30.76%
Liability ratio	Total liabilities/total assets	<23%	21.06%	34.40%
Current ratio	Current assets/current liabilities	>225%	596.08	266.07
Inventory turnover	Cost of goods sold/average inventory	>3	0.65	0.59

(2) Performance indicator

Meaning: Expense control regarding personnel of Sales, R&D, and Production departments and profit creation

Department	Percentage	Formula	Objective	2022	2023
Sales Department	(SP/Sales Expense) Level of contribution of sales personnel	Net profit of sales/sales expenses	>3.5	5.36	8.46
Sales Department	(Revenue/Sales Expense)	Revenue/sales expenses	>10	9.76	12.31
R&D Department	Resource Utilization Rate	Baseline*Complete% / Working Hours (in pass 12 month)	>80%	75%	86%
R&D Department	(ECR/(Lab) man-month)	(ECR/(Lab) man-month)	<0.5	1.25	0.65
Production Department	Annual increase/decrease rate of idle stock	Comparison of the amount in the same period of two years	<Revenue0.5%	0.87%	0.62%

7. **If the Company and its affiliates have experienced financial difficulties in the most recent year and up to the date of publication of the annual report, explain how said difficulties affect the Company's financial conditions:** None.

(VII) Review and analysis of financial condition and financial performance and risk management**1. Financial position:**

(In Thousands of New Taiwan Dollars)

Item \ Year	2022	2023	Difference	
			Amount	Increase/decrease ratio (%)
Current assets	802,210	998,352	196,142	24%
Fixed assets	146,206	153,385	7,179	5%
Other assets	131,038	133,688	2,650	2%
Total Assets	1,079,454	1,285,425	205,971	19%
Current liabilities	134,582	375,222	240,640	179%
Long-term liabilities	92,789	67,009	-25,780	-28%
Total Liabilities	227,371	442,231	214,860	94%
Capital stock	709,206	567,365	-141,841	-20%
Capital surplus	48,208	43,953	-4,255	-9%
Retained earnings	97,455	234,627	137,172	141%
Total shareholders' equity	852,083	843,194	-8,889	-1%
<p>Analysis of changes exceeding 20%:</p> <ol style="list-style-type: none"> 1. The increase in current assets was primarily due to the increase of accounts receivables due during the period. 2. The increase in current liabilities was primarily due to the increase in short-term borrowings during the period. 3. The decrease in long-term liabilities was primarily due to the decrease in net defined benefit liabilities during the period. 4. The decrease in capital stock was primarily due to the decrease in cash reductions of capital during the period. 5. The increase in retained earnings was primarily due to the net profits in 2023. <p>Effects of changes in the financial position in the most recent two years: There was no material effect on the financial position.</p> <p>Future response plan: Not applicable.</p>				

2. Financial performance:

(In Thousands of New Taiwan Dollars)

Item \ Year	2022	2023	Amount increased (decreased)	Increase / decrease(%)	Analysis of change
Total net revenue	\$438,242	\$649,097	210,855	48%	
Net revenue	438,242	649,097	210,855	48%	
Operating cost	197,678	203,043	5,365	3%	
Gross profit	240,564	446,054	205,490	85%	1
Operating expenses	<u>226,055</u>	<u>252,784</u>	26,729	12%	
Operating profit	14,509	193,270	178,761	1232%	1
Non-operating income and gains	73,888	56,456	-17,432	-24%	2
Non-operating expenses and losses	<u>-4,994</u>	<u>-2,961</u>	2,033	-41%	3
Gains before tax	83,403	246,765	163,362	196%	
Income tax gains (expenses)	<u>-16,000</u>	<u>-47,106</u>	-31,106	194%	
Net profit (loss)	\$67,403	\$199,659	132,256	196%	1
<p>Analysis of changes exceeding 20%:</p> <ol style="list-style-type: none"> The increase in gross profit, operating gains, and net income was primarily due to the increase in net revenue of the year. The decrease in non-operating income and gains was primarily due to the decrease in net currency exchange losses. The decrease in non-operating expenses and losses was primarily due to the decrease in other losses. <p>Effects of changes in the financial position in the most recent two years: There was no material effect on financial performance.</p> <p>Future response plan: Make adjustments according to operating strategies and solidify key products for active arrangements; meanwhile, continue to improve the management and actively improve and stabilize the financial structure in the hope of improving the operations.</p>					

3. Cash flow analysis:

(In Thousands of New Taiwan Dollars)

Opening cash balance	Net cash flow from operating and investing activities throughout the year	Cash outflow from financing activities throughout the year	Cash residual amount	Effects on changes in exchange rates	Remedy for estimated cash deficit	
					Investment plan	Financing plan
361,283	(56,534)	(24,591)	269,074	(11,084)	None	None
<ol style="list-style-type: none"> Analysis of changes in cash flows during the year: Cash inflow from operating income: Primarily due to the net income during the period. Cash outflow from investing activities: Primarily due to the acquisition of financial assets measured at amortized cost. Cash outflow from financing activities: Primarily due to the distribution of cash dividends and cash reductions of capital. Improvement plan for insufficient liquidity and liquidity analysis: There is no insufficient cash liquidity. Remedial measures for cash deficiency and liquidity analysis: None. 						

4. Effect of major capital expenditures on finance and business in the most recent year: None.
5. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year:

Description	Investment policy	Main reasons for gains or losses	Improvement plan	Investment gains or losses recognized during the period (NT\$ thousand)	Other future investment plans
Tianjin Loop	Develop and provide service for Mainland China	Gain from price recovery of inventory	Not applicable	\$391	None
Tianjin Hutong	Develop and provide service for Mainland China	Operating income failed to achieve the expectations	Continue to explore new customers in Mainland China	(\$463)	None
Chongqing Cantong	Develop LOOP-inet (smart network equipment management system)	Operating income failed to achieve the expectations	Adjustments will be made to product strategies in due course according to the overall trends of the market	(\$122)	None

6. Analysis and evaluation of risks shall be performed for the following matters in the most recent year and up to the publication date of the annual report:

(1) Effects of changes in interest rates and exchange rates and inflation on the Company's profit or loss and future countermeasures

A. Effects on the Company's profit or loss:

Item	2023 (NT\$ thousand; %)
Net interest income and expenses	14,972
Net exchange profit	2,307
Ratio of net interest income and expenses to net revenue	7.747%
Ratio of net interest income and expenses to net profit before tax	6.067%
Ratio of net exchange profit to net revenue	1.194%
Ratio of net exchange profit to net profit before tax	0.935%

a. Changes in interest rates

Financial assets and financial liabilities with cash flow risks due to changes in interest rates in 2023 were NT\$105,043 thousand and NT\$192,000 thousand. If changes in market interest rates will result in changes in the effective interest rates of such financial products, assuming that the market interest rates increase by 0.1%, the net profit before tax of the consolidated Company in 2023 and 2022 decreases/increases by NT\$87 thousand and NT\$10 thousand. The main reason is the exposure of the net asset interest rate due to changes in the interest rates of the consolidated company.

b. Changes in exchange rates

The Company has import/export business and capital transactions denominated in foreign currencies. Changes in exchange rates primarily affect the costs of sales and income. In 2023, derivatives (forward exchange agreements) with risks due to changes in exchange rates were US\$0 thousand. If changes in market exchange rates will result in changes in the fair value of such financial products, when NTD depreciates by 1% against foreign currencies, the net profit before tax of the Company in 2023 will decrease by NT\$2,686 thousand.

c. Inflation

There is no effect caused by inflation.

B. Future countermeasures:**a. Countermeasures for changes in interest rates**

The Company has a stable financial structure and favorable credit standing. If there is a demand for capital accommodation, it can obtain capital with reasonable costs from banks or the capital market. For interest rates of bank borrowings, the Company maintains close contact with banks to understand the trending of interest rates to serve as a reference to secure the most favorable borrowing and asset allocation. The main terms of mid-to-long-term working capital are described as follows:

Loan item	Loan A			Loan B
Content	Short-term (secured) loan	Case A - Comprehensive loans - 1	Case B - Comprehensive loans - 2	Comprehensive bank loans
Limit	NT\$100 million	NT\$80 million	NT\$72 million	NT\$40 million
Criteria		<p>NTD: Fixed savings interest rate index + interest at the variable rate of + 0.93%</p> <p>USD: LIBOR on the same date/period + 1% and divided by 0.946 (at present, interest per annum is 1.3319%) for the fixed interest</p>	Fixed savings interest rate index + interest at the variable rate of + 0.93%	<p>NTD: Calculated at an annual rate of 1.8% based on the three-month or six-month TAIBOR, but not to be lower than the bank's NTD basic loan rate, with adjustments to the interest rate once per month.</p> <p>USD: Calculated by adding 1% to the annual rate of the three-month or six-month TAIFX OFFER, then dividing by 0.946, but not to be lower than the bank's USD basic loan rate.</p>
Period	1 year	1 year	1 year	1 year (2023.07.19-2024.07.18)
Drawdown period	2023.09.06~2024.09.06	2023.11.23~2024.11.23	2023.11.23~2024.11.23	2023.07.19-2024.07.18
Unused balance	2023/12/31 balance NT\$ 100,000,000 No unused balance	Unused balance NT\$ 80,000,000	2023/12/31 balance NT\$ 72,000,000 No unused balance	NT\$ 39,000,000
Remarks	Deposit certificate	Plant on Xin'an Rd., Hsinchu City	Using the plant on Ruiguang Rd., Taipei and equipment as collateral	

b. Countermeasures for changes in exchange rates

The Company and abundant working capital and has relatively better flexibility to respond to the risk of changes in interest rates in financial operations. For changes in exchange rates, the Company has established a risk assessment team. Our purchases are primarily denominated in USD, which is offset by regular purchase and sales payments. The Company offsets the exchange rate fluctuations of different currencies to achieve a certain level of natural hedging effects from changes in exchange rates. Apart from partial dynamic and natural hedging, the Company sells the remaining currencies by selecting better timing to avoid risks of changes in exchange rates. The Company and customers have reached a consensus for the handling principles; if the appreciation/depreciation of the exchange rate exceeds a certain level, it will be reflected immediately on the quotation.

c. Countermeasures for inflation

The selling price of products and the purchasing price of raw materials are determined based on the pricing strategies and the supply/demand status in the market. With the increase in the market supply and the intense market competition, the price showed a dropping trend; therefore, there was no effect of inflation in the most recent two years. Regarding the effects of inflation, the industry the Company is in is estimated to have no inflation; however, the Company keeps abreast of price volatility rates in relevant markets and will horizontally adjust product quotations based on the prices or execute cost control plans in due course.

(2) Policies regarding high-risk investments, high-leverage investments, loans to others, endorsement/guarantees, and derivative transactions, and main reasons for gains or losses, and countermeasures in the future:

To manage financial risks, the Company had not engaged in any high-risk/high-leverage financial investment from the beginning of 2023 to the publication date of the annual report. To control certain risks, the Company has established its internal management regulations and procedures based on the optimization of finance and operations according to relevant laws and regulations and requirements of the SFC. Such management regulations include "Procedures for Derivative Transactions," "Procedures for Loans to Others," "Procedures for Acquisitions or Disposals of Assets," and "Procedures for Endorsements and Guarantees." In addition, forward exchange agreements of the Company are for hedging purposes instead of transaction or speculative operations.

(3) Future R&D plan and R&D expenses expected to be invested:

A. Future R&D plan: Please refer to pages 84-92 of the annual report.

B. Current progress of uncompleted R&D plans and R&D expenses required to be invested: Please refer to pages 93-94 of the annual report.

(4) Effect of changes in domestic and foreign policies and laws of significance on the finance and business of the Company and countermeasures:

The management team has been keeping abreast of policies and laws, and regulations that may affect the business and operations of the Company. In 2023, changes in relevant laws and regulations had no material effect on the Company's operations.

(5) Effect of changes in technologies and industry on the finance and business matters of the Company, and countermeasures:

In 2023, 80% of our revenue was from 9% of countries having dealings with us. Among all 27 product lines, 80% of the revenue was from 12% of the sales products. There are 46 countries having business dealings with the Company worldwide. Our export sales accounted for approximately 70% of the revenue throughout the year. In particular, we recorded growth in America, the EU, and Taiwan. There has been a slight decrease for the Indian and Middle East markets. In terms of industry, electricity and governmental agencies account for 70% of our total revenue, and transportation and private corporate markets account for approximately 20%. Driven by a favorable outlook in the communications market, Loop Telecom's long-term partnerships with international SI heavyweights are expected to sustain growth in Europe and America. The domestic market has also entered the next development phase, while the markets in Southeast Asia are recovering. Continued development in emerging markets and proactive advancement in next-gen communication technologies will fuel growth under new trends.

The Company regularly carries out market demand forecasts for its products and services. The demand forecast will be adjusted based on the dynamic changes in the market environment. In addition, the Company will continue to observe the changes in the market and closely work with customers. If the market demand is less favorable than expected, the Company will adjust its production capacity plan in due course to minimize the negative effects on the financial performance of the Company. The Company established a dedicated department for information safety in 2022 to be responsible for the formulation of cybersecurity policies, the promotion of cybersecurity measures, and regular examination. The information safety committee has a chief of information safety, who is concurrently the director of the information department, and three members. When any information safety event occurs, they shall contract responsible personnel for operating procedures of relevant departments for crisis management.

(6) Effects of changes in the corporate image on crisis management of the enterprise and countermeasures:

As of the end of 2023, there were no such circumstances.

(7) Expected benefits of M&As, possible risks, and countermeasures:

As of the end of 2023, there were no such circumstances.

(8) Expected benefits of the expansion of plants, possible risks, and countermeasures:

As of the end of 2023, there were no such circumstances.

(9) Risks related to concentrated sales or purchases and countermeasures:

The Company purchases raw materials from different suppliers as much as possible to ensure there is sufficient raw material supply for mass production and minimize the risk of centralized procurement. Even though the company acquires partial raw materials from a single supplier, it continuously seeks other purchase methods to minimize the risk of centralized procurement. In 2023, the top 10 customers of sales accounted for 82.8% of the Company's revenue. As the Company focuses on communication transmission equipment manufacturing and services, partial customers account for a significant ratio of its sales income, which is a characteristic of the industry.

(10) Effects and risk of mass transfer or change in the equity held by Directors or major shareholders with a shareholding over 10% of the Company, and countermeasures

The Company generally has close contact with major shareholders for them to release their shares by adopting methods having the least possible negative impacts on the stock price of the Company and other shareholders.

(11) Effects of changes in management rights on the Company, risks, and countermeasures: None.

(12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and its Directors, President, persons with actual responsibility for the Company, major shareholders holding a stake of greater than 10%, and subsidiaries that have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the main parties involved in the dispute, and the status of the dispute as of the publication date of the annual report: None.

(13) Other important risks and countermeasures: None.

7. Risk management structure:

(1) Risk management structure and operation

- A. The Company has enhanced its corporate risk management, including risk detection, assessment, reporting, and handling, based on the latest development of internal audit requirements of the standards by adopting a cautious and stringent attitude. Risk control of the Company is divided into three levels (systems): The organizer or the undertaker is the "first system," it shall be responsible for the initial risk detection, assessment, consideration and design of the control and prevention. The second system is the review committee hosted by the President (or Vice President); it is responsible for feasibility evaluation and assessment of risks. The third system is the review of the Legal Affairs Office and Audit Office and review and discussion by Directors and supervisors. The Company has no chief risk officer, and the purpose is to allow all employees to fully exert risk control. Hierarchical prevention measures are adopted instead of being controlled by one person, which is the method to implement risk control. As shown in the following table.
- B. For material risk assessment matters of the Company, if it is a matter of implementation that the review and discussion of the second and the third systems are not required, a meeting shall be held with the Audit Office to detect risks, make assessments, and provide preventive recommendations. If there are any imminent, possible risks detected, employees may also report to their superiors for due prevention. For significant matters (i.e., investment and wealth management and construction tender), review meetings or tender monitoring will be performed for each proposal, and regular audits will be implemented.

(2) Organizational chart of risks management

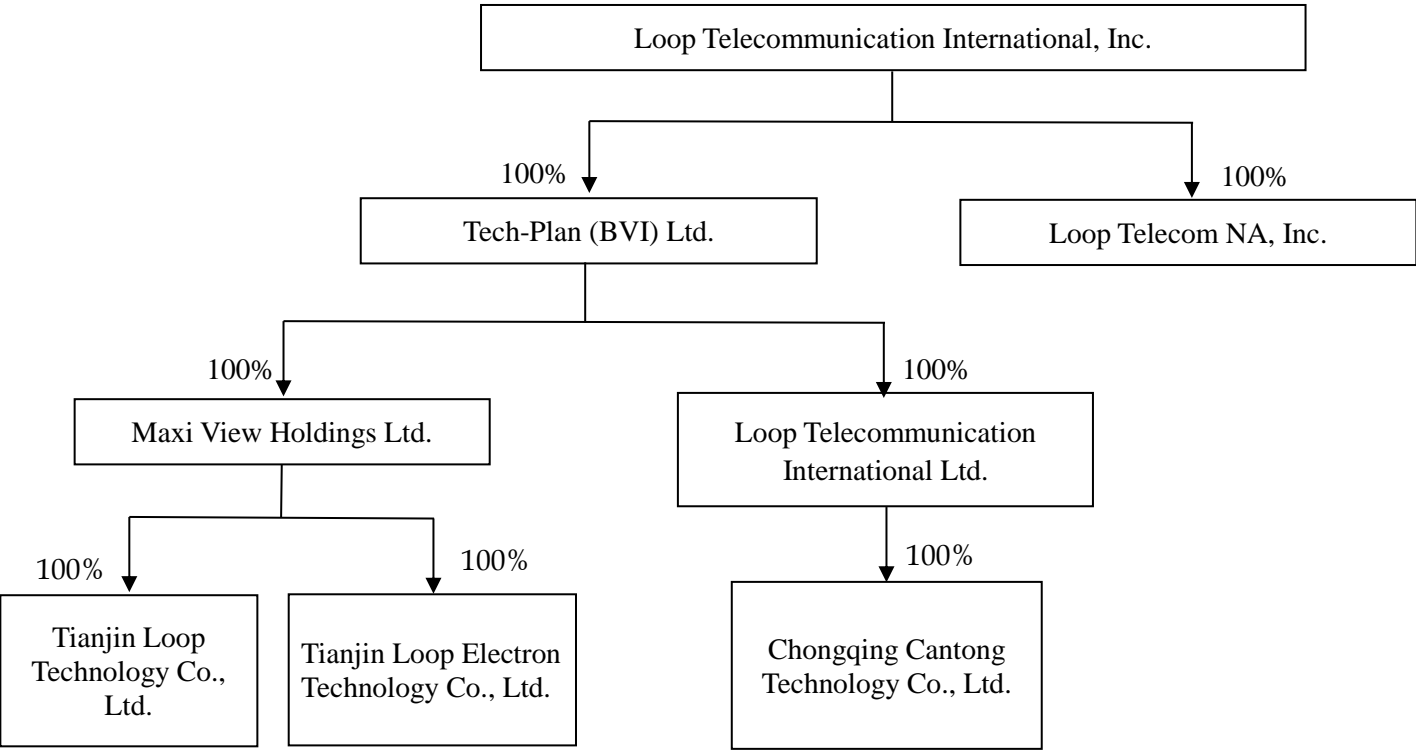
Significant risk assessment matters		Direct department for Risk control (Business organizer) (first system)	Risk discussion/review and control (second system)	Board meetings, supervisor meetings, And Audit Office (third system)
I. Interest rate, exchange rate, and financial risks	II. High-risk and high-leverage investments, loans to others, derivative transactions, and wealth management and investments	Department of Finance	Wealth management and investment review team	Board meeting and supervisor meeting: (decision-making of risk assessment and control and final control)
		Department of Finance		
III. R&D plan	IV. Changes in policies and laws V. Changes in technologies and industry VI. Changes in corporate image VII. Benefits of investments and M&As	R&D Department	MSRD meeting (member: directors of different departments)	
IV. Changes in policies and laws		Management Department		
V. Changes in technologies and industry		Market system		
VI. Changes in corporate image		Market system		
VII. Benefits of investments and M&As		Management Department		
VIII. Expansion of plants or production	IX. Concentrated purchase or sales	Management Department and Production Department	Production and marketing meeting	Audit Office: (risk inspection, assessment, supervision, improvement follow-up, and reporting)
IX. Concentrated purchase or sales		Procurement Department and Management Department		
X. Changes in equity of Directors, supervisors, and major shareholders XI.	XI. Changes in management rights	Stock affairs and the Board	Management Department meeting	
		Stock affairs and the Board		
XII. Litigious and non-litigious matters	XIII. Other operating matters	Management Department		
XIII. Other operating matters		Management Department		
XIV. Employee's conduct, ethics, and integrity		Directors of different levels and the Administration Section	Management Department meeting	
XV. Compliance with SOP and regulations		Directors of different levels	Audit Office	
XVI. Management of procedures of the Board		Board's Office	Audit Office	

(VIII) Special Items

1. Information on affiliates:

(1) Name and organizational chart of affiliates

As of the end of 2023, the investment relationships and shareholding ratio of the Company and its subsidiaries are set out in the following figure:



(2) Basic information on affiliates:

December 31, 2023

Company name	Establishment Date	Address	Paid-in capital	Paid-in capital
1. Tech-Plan (BVI) Ltd.	1998.08.12	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola VG1110, VIRGIN ISLANDS, BRITISH	USD4,016,000	General investment
2. Maxi View Holdings Ltd.	1998.11.16	15/F BOC GROUP LIFE ASSURANCE TOWER 136 DES VOEUX ROAD CENTRAL CENTRAL HK	USD1,616,000	General investment
3. Loop Telecommunication International Ltd.	2002.06.20	P.O. BOX 32052 Grand Cayman KYI-1208, Cayman Islands.	USD2,400,000	General investment
4. Tianjin Loop Electron Technology Co., Ltd.	2001.10.30	No.405, 4F, Building A, Keyuan Science and Trading Building, No. 240, Baiti Road, Nankai District, Tianjin City, China	USD850,000	Development, production, sales, and relevant technical consultation services of data communication equipment, computers, network systems, and software/hardware of computers
5. Chongqing Loop Technology Co., Ltd.	2002.06.25	No. 10-5, Building C, Yugao Plaza, No. 200, Keyuan 1st Road, Shiqiaopu, Chongqing City, China	USD2,400,000	R&D, design, production, and processing of data communication equipment (excluding satellite communication equipment), computer network system equipment, network testing instruments and equipment, computers and external equipment, office automation equipment, and relevant service software/hardware of the abovementioned products, sales of products produced by the Company, and provision of relevant after-sales services.
6. Tianjin Loop Technology Co., Ltd.	2015.10.14	No.405, 4F, Building A, Keyuan Science and Trading Building, No. 240, Baiti Road, Nankai District, Tianjin City, China	USD600,000	R&D, production, and sales of communication equipment, computer network system equipment, network testing instruments and equipment, computers and external equipment, office automation equipment, relevant service software/hardware of the abovementioned products, and product system integration
7. Loop Telecom NA, Inc	2018.01.23	2000 G Avenue, Suite 804 Plano, Texas 75074	USD5,000	Development and trading of digital communication equipment and software

Relevant information on those with presumed controlled or subordinated relationships: None.

(3) Name of directors and presidents of affiliates and their shareholding:

December 31, 2023

Company name	Title (Note 1)	Name or representative	Shareholding (Note 2) (Note 3)	
			Number of shares (amount of capital contribution)	Shareholding (capital contribution) ratio
1. Tech-Plan (BVI) Ltd.	Chairman	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	USD4,016,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	(Note 4)	(Note 4)
2. Maxi View Holdings Ltd.	Chairman	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	USD1,616,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	(Note 4)	(Note 4)
3. Loop Telecommunication International Ltd.	Chairman	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	USD2,400,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	(Note 4)	(Note 4)
4. Tianjin Loop Electron Technology Co., Ltd.	Chairman	Representative of Loop Telecommunication International, Inc. - He Hwa-Chi	USD850,000	100%
	President	Wang Yen-Min	(Note 4)	(Note 4)
	Director	Representative of Loop Telecommunication International, Inc. - Wu Ming-Ze	(Note 4)	(Note 4)
	Director	Fan Zheng-Chun	(Note 4)	(Note 4)
	Supervisor	Representative of Loop Telecommunication International, Inc. - Liu Dong-Jie	(Note 4)	(Note 4)
5. Chongqing Loop Technology Co., Ltd.	Chairman (concurrently the president)	Representative of Loop Telecommunication International, Inc. - He Hwa-Chi	USD2,400,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Wu Ming-Ze	(Note 4)	(Note 4)
	Director	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	(Note 4)	(Note 4)
6. Tianjin Loop Technology Co., Ltd.	Chairman	Representative of Loop Telecommunication International, Inc. - He Hwa-Chi	USD600,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Yeh Maw-Lin	(Note 4)	(Note 4)
	Director (concurrently the president)	Wang Yen-Min	(Note 4)	(Note 4)
	Supervisor	Representative of Loop Telecommunication International, Inc. - Wu Ming-Ze	(Note 4)	(Note 4)
7. Loop Telecom NA, Inc	Director	Representative of Loop Telecommunication International, Inc. - He Hwa-Chi	USD5,000	100%
	Director	Representative of Loop Telecommunication International, Inc. - Wu Ming-Ze	(Note 4)	(Note 4)
	Director	Representative of Loop Telecommunication International, Inc. - Lai Yong-Zan	(Note 4)	(Note 4)

Note 1: If an affiliate is a foreign company, specify the persons of equivalent positions.

Note 2: If the investee is a limited company by shares, please specify the number of shares and shareholding ratio; for others, please specify the amount of capital contribution and capital contribution ratio and make remarks.

Note 3: If a Director is a corporation, relevant information on the representative shall be additionally disclosed.

Note 4: The amount of capital contributions of representatives shall be disclosed in summary.

(4) Business overview of associates

December 31, 2023/ (Unit: NT\$ thousand, except for otherwise specified)

Company name	Amount of Capital	Total Assets	Total Liabilities	Net value	Net revenue	Operating profit	Profit or loss for the period (after tax)	Net loss per share (NT\$) (after tax)
1. Tech-Plan (BVI) Ltd. (Note 1)	USD4,016,000	412	-	412	-	-	-194	Not applicable
2. Maxi View Holdings Ltd. (Note 1)	USD1,616,000	-293	-	-293	-	-	-72	Not applicable
3. Loop Telecommunication International Ltd. (Note 1)	USD2,400,000	712	-	712	-	-	-122	Not applicable
4. Tianjin Loop Electron Technology Co., Ltd.	USD850,000	3,000	3,515	-515	745	215	391	Not applicable
5. Chongqing Loop Technology Co., Ltd.	USD2,400,000	7,971	7,267	704	12,510	-172	-122	Not applicable
6. Tianjin Loop Technology Co.,Ltd.	USD600,000	4,868	7,155	-2,287	6,474	-453	-463	Not applicable
7. Loop Telecom NA, Inc	USD\$5,000	184	31	153	-	-	-	Not applicable

Note 1: Refer to investee.

Note 2: If an affiliate is a foreign company, relevant figures shall be translated into NTD by adopting the exchange rate on the reporting date for presentation. The exchange rate of USD to NTD was NT\$30.705.

Note 3: Consolidated financial statements of affiliates: Please refer to page 144 of the annual report.

Note 4: Affiliation report of affiliates: Not applicable.

2. Regarding securities under private placement in the most recent year and up to the publication date of the annual report, the date and amount approved by the shareholders' meeting or the Board, the basis and rationale of pricing, the selection method of particular persons, reasons for the necessity of private placement, targets of the private placement, qualification and conditions, subscription quantity, relationships with the Company, participation in the Company's operations, actual subscription (or conversion) price, differences between the actual subscription (or conversion) price and the reference price, effects of the private placement of shareholders' interest, capital utilization plans after the full collection of share payments or considerations, utilization of capital from the private placement of securities, the progress of plan execution, and the exhibition of plan benefits: None.
3. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the publication date of the annual report: None.
4. Other matters that require additional explanation: None.

(IX) Any of the circumstances listed in subparagraph 2, paragraph 2, Article 36 of the Securities and Exchange Act, which may materially affect shareholders' interest or the price of the Company's securities, that have occurred in the most recent year (2023) and up to the publication date of the annual report: None.

Attachment 1

Procedures for Handling Material Inside Information

Chapter 1 General Provisions

Article 1 (Purpose of the Procedures)

These Procedures are specially adopted to establish sound mechanisms for the handling and disclosure of material inside information by the Company in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the Company to the public.

Article 2 (The handling of material inside information shall be subject to laws and regulations, and the Procedures)

The Company shall implement its handling and disclosure of material inside information in accordance with applicable laws and regulations, the rules and regulations of the TWSE or the tpex, and these Procedures.

Article 3 (Applicable targets)

These Procedures shall apply to all Directors, supervisors, managers, and employees of the Company. The Company shall ensure that any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of these Procedures.

Article 4 (Coverage of material inside information)

The term "material inside information" refers to in the Procedures formulated by the Management Department that handles material inside information of the Company and approved by the Board as a resolution; the Securities and Exchange Act, relevant laws and regulations, the rules and regulations of the TWSE or the tpex, and these Procedures were considered upon the formulation.

Article 5 (Dedicated department for handling material inside information: the Management Department)

The Company shall establish a dedicated department for handling material inside information that composes an appropriate number of competent members based on the scale, business status, and management requirements of the Company, and such matters shall be approved by the Board; the powers are as follows:

- I. Responsibility for formulating the drafts of these Procedures and any amendments to them.
- II. Responsibility for receiving inquiries in connection with the methods of handling material inside information and for consultation, review, and recommendations relating to these Procedures.
- III. Responsibility for receiving reports on unauthorized disclosures of material inside information and formulation of corresponding measures.
- IV. Responsibility for designing a system for preserving all documents, files, electronic records, and other materials related to these Procedures.
- V. Other activities related to these Procedures.

Chapter 2 Confidentiality Procedures for Material Inside Information

Article 6 (Confidentiality firewall operation - employees)

The Company's Directors, supervisors, managers, and employees shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties and shall sign confidentiality agreements.

No Directors, supervisors, managers, or employees with knowledge of material inside information of the Company may divulge the information to others.

No Directors, supervisors, managers, or employees of the Company may inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.

Article 7 (Confidentiality firewall operation - item)

Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures.

Files and documents containing the Company's material inside information shall be backed up and stored in a secure location.

- Article 8 (Confidentiality firewall operation)
The Company shall ensure that the firewalls specified in the preceding two articles are established and take the following additional steps:
- I. Adopt adequate control measures for the firewalls and perform periodic testing.
 - II. Enhance measures for custody and maintaining the secrecy of files and documents containing non-public material inside information of the Company.
- Article 9 (Confidentiality operation for external institutions or personnel)
Any organization or person outside of the Company that is involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans, or the signing of a major contract shall be required to sign a confidentiality agreement, and may not disclose to another party any material inside information of the Company's thus acquired.
- Chapter 3 Disclosure Procedures for Material Inside Information
- Article 10 (Principles for disclosures of material inside information)
The Company shall comply with the following principles when making external disclosures of material inside information:
- I. The information disclosed shall be accurate, complete, and timely.
 - II. There shall be a well-founded basis for the information disclosure.
 - III. The information shall be disclosed fairly.
- Article 11 (Implementation of the spokesperson system)
Any disclosure of the Company's material inside information, except as otherwise provided by law or regulation, shall be made by the Company's spokesperson or by a deputy spokesperson acting in such capacity in confirmed sequential order.
When necessary, the disclosure may be made directly by a responsible person of the Company. The Company's spokesperson or deputy spokesperson shall communicate to outside parties only information within the scope authorized by the Company, and no personnel of the Company other than those serving as the Company's responsible person, spokesperson, or deputy spokesperson may disclose any material inside information of the Company to outside parties without authorization.
- Article 12 (Disclosure records of material inside information)
The Company shall keep records of the following in respect of any disclosure of information to outside parties:
- I. The person who discloses the information, the date, and the time.
 - II. How the information is disclosed.
 - III. What information is disclosed.
 - IV. IV. What written material is delivered.
 - V. Any other relevant details.
- Article 13 (Response to untrue media release)
If a media agency releases information that is in any respect inconsistent with material information disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.
- Chapter 4 Handling Anomaly
- Article 14 (Report of anomaly)
Any Director, supervisor, manager, or employee of the Company that becomes aware of any unauthorized disclosure of the Company's material inside information shall report to the dedicated department and the Internal Audit Department of the Company as soon as practicable.
Upon receipt of a report made pursuant to the preceding paragraph, the dedicated department shall formulate corresponding measures. When necessary, it may invite members from the Internal Audit Department and other departments to meet for discussion of the measures and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.
- Article 15 (Default handling)
The Company shall take measures to discover those responsible and take appropriate legal action against any personnel under either of the following circumstances:
- I. Personnel of the Company disclose material inside information without authorization to any outside party or otherwise violate these Procedures or any other applicable law or regulation.
 - II. A spokesperson or deputy spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company or otherwise violates these Procedures or any other applicable law or regulation.
- If any person outside the Company divulges any material inside information of the Company, thereby causing damage to any property or interest of the Company, the Company shall pursue appropriate measures to hold the person divulging the information legally liable.

Chapter 5 Internal Control Operations and Internal Educational Promotion

Article 16 (Internal control system)

These Procedures shall be incorporated into the Company's internal control system. The internal auditors shall keep themselves regularly informed of the status of compliance with these Procedures and shall prepare related audit reports so as to ensure full implementation of the procedures for handling material inside information.

Article 17 (Education and promotion)

At least once per year, the Company shall conduct educational campaigns to promote awareness among all Directors, supervisors, managers, and employees with respect to these Procedures and related laws and regulations.

The Company shall also provide educational campaigns to new Directors, supervisors, managers, and employees in a timely manner.

Chapter 6 Supplementary provisions

Article 18 The Procedures were implemented after being approved by the Board, and the same shall apply upon any amendment.

Attachment 2

Code of Conducts or Ethics of Employees

1. The Company has prepared its working rules, employee handbook, new employee handbook, and Code of Ethical Conduct to serve as the basis for observation of daily work and behaviors of employees. The code of ethical conduct to be observed by the employees of the Company is as follows:
 - (1) When executing their duties, employees of the Company shall focus on team spirit and reject selfish departmentalism, comply with the principles of honesty and credibility, and adhere to an active, earnest, and responsible attitude.
 - (2) Employees of the Company shall have no discrimination or crowd-out due to gender, ethnicity, religion, political party, gender orientation, job grade, nationality, age, or other factors.
 - (3) Employees of the Company shall jointly maintain a healthy and safe working environment; any sexual harassment or other violence, threat, or intimidation is banned.
 - (4) Employees of the Company are responsible for maintaining and improving justifiable and legal benefits gained by the Company and shall avoid:
 - a. Facilitate opportunities for itself or any third party to gain profits by using the properties and information of the Company or leveraging the convenience of its duties.
 - b. Compete with the Company.
 - (5) Employees of the Company shall treat counterparties of business dealings fairly; when having transactions with related parties, there shall be no special discount. When executing duties, employees of the Company shall not request, offer, deliver, or accept gifts, entertainment, rebate, bribery, or other unjust benefits in any form for its or any third party's benefits. However, gifts or entertainment that are social customs or permitted by the Company are excluded.
 - (6) Regarding any information that may materially affect the trading price of the Company's securities acknowledged by employees of the Company due to their duties, before the public disclosure, the information shall be kept strictly confidential according to the requirements of the Securities and Exchange Act, and employees shall not use such information for insider trading.
 - (7) Employees of the Company shall respect personal privacy and shall not spread rumors or slander. For matters or confidential information acknowledged due to their duties, they shall manage cautiously. Except for disclosures made by the Company or provision necessary due to the execution of duties, employees shall not leak such information to others or use it for purposes other than work; the same shall apply after resignation.
 - (8) The information that shall be kept confidential in the preceding paragraph includes the date of personnel and customers, inventions, business secrets, technical data, product designs, manufacturing know-how, financial and accounting data, intellectual properties, and other information of the Company, and other undisclosed information that may be used by competitors or may harm the Company or customers upon leakage.
 - (9) Employees of the Company shall ensure that all forms of paper-based information that they handle are accurate and complete, and duly preserved.
 - (10) When executing their duties, employees of the Company shall avoid the theft, interference, destruction, and invasions of data, information systems, and network equipment to protect the confidentiality, completeness, and availability of information of the Company. .
 - (11) Employees of the Company shall not affect other employees in any means for political donations, supporting particular political parties or candidates, or participation in other political activities. In addition, they shall also avoid engaging in political activities during working hours and at the workplace.
 - (12) Employees of the Company shall respect legal requirements related to intellectual property rights and prohibit the illegal use or duplication of intellectual properties with copyright, including books, magazines, and software.
 - (13) Directors of the Company shall reinforce the promotion of the internal ethical concepts of the Company and encourage employees to report with their name recorded when discovering any violation of laws, regulations, rules, or the code, and the Company shall keep the identity of the reporting personnel confidential and provide protection to avoid threats.
2. To maintain the work equality of both genders and provide a working and service environment free of sexual harassment to employees, the Company has established its Regulations for Sexual Harassment Control and Handling for employees to observe.
3. Computers are necessary instruments for employees of the Company. To regulate the use of electronic instruments by employees, it has established requirements for Internet management and use for employees to observe.

4. The Company is an information system company, and the use and development of software are closely related to its daily work. To protect intellectual property rights, the Company has formulated the ethical commitment contract and letter of commitment for confidentiality and copyrights to regulate employees' work ethics.
5. The code was implemented after being approved by the Board, submitted to supervisors, and reported to the shareholders' meeting; the same shall apply upon any amendment.

Attachment 3

Code of Ethical Conduct

Article 1 Purpose of and basis for adoption

To establish a favorable behavioral model to align with ethical standards and allow all stakeholders to learn more about the corporate ethical specifications of the Company, the code was established according to Article 1 of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies."

Article 2 The code includes the following eight items

(I) Prevention of conflicts of interest:

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, for example, when a Director, supervisor, or manager of the Company is unable to perform its duties in an objective and efficient manner or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a Director, supervisor, or managers. The Company shall establish a policy aimed at preventing conflicts of interest and shall offer appropriate means for Directors, supervisors, and managers to voluntarily explain whether there is any potential conflict between them and the Company.

(II) Minimizing incentives to pursue personal gain:

The Company shall prevent its Directors, supervisors, or managers from engaging in any of the following activities: (1) seeking an opportunity to pursue personal gain by using the Company's property or information or taking advantage of their positions; (2) obtaining personal gain by using the Company's property or information or taking advantage of their positions; (3) competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the Directors, supervisors, and managers to maximize the reasonable and proper benefits that can be obtained by the Company.

(III) Confidentiality

The Directors, supervisors, and managers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

(IV) Fair trade:

Directors, supervisors, and managers shall treat all suppliers and customers, competitors, and employees fairly and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions or misrepresentation of important matters or through other unfair trading practices.

(V) Safeguarding and proper use of company assets:

All Directors, supervisors, and managers have the responsibility to safeguard the Company's assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will directly impact the Company's profitability.

(VI) Legal compliance:

Except for strengthening its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws, the Company shall otherwise establish a code of conduct for employees to regulate the behaviors of employees.

(VII) Encouraging reporting on illegal or unethical activities:

The Company shall raise awareness of ethics internally and encourage employees to report to a supervisor, manager, chief auditor, or other appropriate individuals upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, the Company has established relevant procedures and systems and made employees aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.

(VIII) Disciplinary measures:

When a Director, supervisor, or manager violates the Code of Ethical Conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall immediately disclose on the MOPS the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions that are taken. The Company has established relevant complaint systems to provide the violator with remedies.

Article 3 Procedures for exemption

The Code of Ethical Conduct adopted by the Company shall state any exemption for Directors, supervisors, or managers from compliance with the code be adopted by a resolution of the Board, and state the titles and names of those who were exempted, the date on which the Board approved the exemption, the application period of the exemption, reasons for the applicability of the exemption, and information on the applicable exemption standards shall be disclosed on MOPS within 2 days.

Article 4 Method of disclosure

The code will be disclosed in the Company's annual report, prospectus, and on MOPS; the same shall apply upon any amendment.

Article 5 Implementation

The code was implemented after being approved by the Board, submitted to supervisors, and reported to the shareholders' meeting; the same shall apply upon any amendment.

Attachment 4

Regulations for Employees' Complaints

Article 1 Purpose

To protect the legal interest of employees and assist individuals in solving difficulties, the Company provides smooth communication channels to solve problems encountered by employees for work and life in the hope of improving labor-capital harmony.

Article 2 Applicable targets

Apply to employees of the Company or service targets of employees.

Article 3 Scope of application

- I. In the case when the results of rewards/punishments, evaluation, re-allocation, and other matters of an employee harm the individual's legal interest or result in dissenting opinions.
- II. Sexual harassment complaint cases.
- III. In the case when the current management rules, systems, administrative measures, or work requirements harm the individual's legal interest.
- IV. Other matters related to official business affairs that affect the individual's legal interest.

Article 4 Procedures for complaint cases

- I. Sexual harassment complaint cases:
 - (I) For the complaint of sexual harassment, complete the "Employee's Complaint Form" (Attachment 1) and file the complaint with the responsible acceptance department for complaints; the direct line is 2001, and the complaint may also be filed verbally or in writing.
 - (II) For a sexual harassment complaint filed verbally, the acceptance department or personnel shall complete the "Employee's Complaint Form" for recording and read out loud or allow the whistleblower to read it, confirm the content is free of mistakes, and sign or affix its seal. If there is any proxy involved, a power of attorney shall be enclosed when filing the complaint to the acceptance department.
 - (III) After the acceptance department receives the complaint, it may hand over the complaint case to the complaint handling/investigation department, when necessary; during the course of the investigation, the privacy and other legal interests of the personality of the party involved shall be protected, and the investigation shall be undisclosed.
 - (IV) When handling a sexual complaint case, the complaint handling/investigation department may notify the party involved and related parties to provide descriptions in person and provide the opportunity for the parties involved to provide comprehensive descriptions. Also, it shall guarantee that the whistleblower will not suffer from any revenge or other unfavorable treatments. When necessary, persons with relevant knowledge and experience may be invited.
 - (V) The complaint handling/investigation department shall determine whether to establish or reject the complaint case and provide recommendations to impose punishments or other disposals. For the decision above, the "Complaint Response Form" (Attachment 2) shall be used to notify the whistleblower and the counterparty of the complaint; the results of the decision shall be submitted to the chief decision-making director for sign-off for approval, and the HR department shall impose the punishments according to the requirements or relevant departments shall execute relevant matters. When the case is rejected, both parties involved shall be notified, and the Company shall re-state its stance of banning sexual harassment.
 - (VI) A complaint case shall be closed within three months from the filing. If the whistleblower or the counterparty of the complaint has any dissenting opinion against the decision of the complaint case, they may propose a reconsideration petition within 10 days. After the case is closed, no complaint shall be filed for the same subject.
 - (VII) The whistleblower may rescind the complaint during the consideration period; the rescind method shall be in writing. After it is delivered to the complaint handling/investigation department, the case shall be closed and archived for future reference, and no complaint shall be filed for the same subject.

- (VIII) If there is any risk that personnel of the complaint handling/investigation department may involve in the complaint matter if there are other matters sufficient for considering that they may be biased, such personnel shall recuse themselves, and parties involved may also request for their recusal. Their recusal shall be subject to the decision made by the complaint handling/investigation department.
- (IX) Personnel participating in the investigation and the consideration shall be responsible for the confidentiality of the complaint case. For any violation, the complaint handling/investigation department may immediately terminate their participation and impose punishments according to the requirements.
- (X) For any of the following circumstances, the complaint handling/investigation department may determine to postpone the investigation and consideration:
 - (1) When the whistleblower proposes a request.
 - (2) When the sexual harassment case has entered judicial procedures or is transferred to the Control Yuan for investigation or the civil servant disciplinary committee for review and discussion.
 - (3) Other matters that require the postponement of the investigation and consideration.

II. Other complaints:

- (I) For any petition or complaint of an employee shall complete the "Employee's Complaint Form" in person or via its proxy and enclose relevant data and evidence, and submit them to the director of the Administration Department.
- (II) After the director of the Administration Department has received the complaint case, it shall investigate the truth. If any disposal is required, it shall coordinate with relevant directors to manage. If involving other departments, it shall actively negotiate and discuss the disposal with such departments. Also, it shall communicate with the parties involved within two months from the receipt of the case and inform them of the handling results or handling methods and progress.
- (III) Upon the closure of the complaint case, the director of the Administration Department shall make a response to the whistleblower by using the "Complaint Response Form" (Attachment 2) If a whistleblower has any dissenting opinion against the handling results, it may complete another "Employee's Complaint Form" within 10 days from the receipt of the response, propose a new cause or new evidence, and apply for a review with the director of the Administration Department; the application for a review is up to one time.
- (IV) During the handling process of the complaint case, parties involved in the complaint and relevant personnel who are responsible for handling the case shall not make any disclosure, and they shall be responsible for confidentiality; arrangements will be made according to human affairs rules for any violation. Parties involved in the complaint and relevant personnel are obliged to accept inquiries and faithfully provide responses and relevant information.
- (V) Any complaint made anonymous or if the party is not the person involved, or any complaint not filed according to the regulations will not be accepted. Any false accusation, concealment, assault, or intentional interference will not be accepted, and arrangements will be made according to relevant rules.

Article 5 The regulations were implemented after being approved by the President; the same shall apply upon any amendment.

Article 6 Attachment:

Attachment 1: Employee's Complaint Form

Attachment 2: Attachment 2: Complaint Response Form

Attachment 5

Procedures for Protection of Personal Data

1. To comply with the implement personal data management, maintenance, and execution as stated in the Personal Data Protection Act (the "Act") and its implementation rules, Regulations for Personal Data File Safety and Maintenance for Non-governmental Agencies Designated by the FSC, and other laws and regulations related to personal data protection, the Company has established the procedures, and the application scope involves the Company and its subsidiaries.
2. Personal data in the procedures refers to the name, date of birth, national ID No., passport No., characteristics, fingerprint, marital status, educational background, occupation, medical history, medication, gene, sexual life, health inspection, criminal record, contact methods, financial status, social activities of a natural person or other data that may directly or indirectly identify the individual.
3. The Company shall establish and implement a personal data protection and safety management system and identify internal and external stakeholders to ensure the operation and implementation of personal data protection management.
4. The Company shall measure the reasonable allocation of the management resources and allocate management personnel and relevant resources to plan for, establish, amend, and execute its personal data file safety maintenance plan and the handling method of personal data after the termination of the operation; the CEO is authorized to approve such specifications for implementation.
5. The administration section of the Company is designated as the responsible department to accurately define the powers and responsibilities of departments related to personal data protection and promote and examine the protection and management of personal data to comply with the requirements under the Act and relevant laws and regulations.
6. The Company shall collect, process, and use personal data within the scope of particular purposes by adopting reasonable and safe methods under the backdrop of legal organization operations and businesses.
7. The Company shall establish and protect personal data files and make updates based on the requirements to ensure the accuracy and completeness of personal data.
8. The Company shall establish the judging standards for the level of risk of personal data files to specify the acceptable risk value of personal data files and establish a relevant preservation period to comply with the requirements under the Act and relevant laws and regulations.
9. The Company shall protect the personal data files collected, processed, and used by the Company by using reasonable safety technologies expected and establishing various information and data safety management measures, including advertisements, marketing, supplies, orders, or delivery of relevant products or services via general business activities or the Internet, and other business transactions.
10. The Company designates the Human Resources Department as the contact for personal data for parties involved to exercise their rights related to their personal data or file complaints and make consultations.
11. In response to the theft, alteration, damage, losses, leakage, or other safety incidents of personal data, the Company shall establish a complete response, reporting, and prevention system, and the content shall include response measures to be adopted after the occurrence of incidents, targets required to be reported, the reporting methods, and the discussion system for the corrective and preventive measures.
12. When consigning the collection, processing and use of personal data, the Company shall duly monitor the consigned party, specify the information safety responsibilities and confidentiality requirements of the consigned party and include them in the contract, and require the consigned party to observe and perform regular audits. The Company shall be equipped with an appropriate and sufficient transmission system to ensure the safety of personal data during domestic/overseas transmissions. The Company shall organize promotion and educational training for the awareness of its employees regarding personal data regularly to allow them to understand the requirements of relevant laws and regulations, the scope of responsibility of employees, and the systems, procedures, and measures of personal data protection matters.
13. To ensure the implementation of the personal data protection safety management system, the Company shall establish an appropriate personal data safety audit system and relevant record preservation systems.
14. The Company shall continue to implement and improve the personal data protection safety management system to ensure the safety of personal data files. The Audit Office shall carry out personal data protection management audits from time to time, and the CEO is authorized to approve the execution results; if there is any significant deficiency, it shall be reported to the Board.
15. The procedures were approved for implementation by the Board on October 30, 2014

**Loop Telecommunication
International, Inc. And its
Subsidiaries**

Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report

Address: 7F, No.8, Xin'an Road, Hsinchu Science Park
Tel: (03)5787696

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Declaration of Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the consolidated financial statements of the Company for 2023 (from January 1, 2023 to December 31, 2023) under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries will not prepare a separate set of combined financial statements.

Very truly yours

Loop Telecommunication International, Inc.

Chairman: Yeh Maw-Lin

March 12, 2024

Independent Auditors' Report Translated from Chinese

Shareholders and the Board of Directors of Loop Telecommunication International, Inc.,

Opinion

We have audited the accompanying consolidated balance sheet of Loop Telecommunication International, Inc. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Revenue recognition

1. The major revenue sources of the Company includes the production and sales of user remote line disconnectors, high-speed network access equipment, smart network resource management selectors, and other relevant products. As revenue has material effects on the 2023 consolidated financial statements of Loop Telecommunication International, Inc., revenue recognition involves manual control operations, and there are risks related to sales counterparties and the authenticity of transactions due to the significant growth in the revenue from partial customers, we have identified the revenue recognition as a key audit matter. For the accounting policies of revenue recognition, please refer to Note 4.(12) to the consolidated financial statements.
2. In response to the abovementioned risks, we have performed the following audit procedures:
 - (1) Understand and test the internal control systems and procedures related to the cycle of sales transactions to identify and evaluate the effectiveness of the internal control procedures involved in making sales transactions.
 - (2) Sample whether internal orders are approved by the responsible supervisor.
 - (3) Sample whether external orders and transportation documents have been obtained for revenue recognition and whether the amount and the invoiced amount are consistent.
 - (4) Sample whether the amount of collection after the period for relevant sales income transactions, remittance certificates, and counterparties is consistent with the amount of revenue recognition and counterparties.

Other matters

We have also audited the parent company only financial statements of Loop Telecommunication International, Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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's 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 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.

Deloitte & Touche Taiwan

Accountant Huang Yu-Feng

Accountant Tseng Jian-Ming

Approval No. of the Securities and Futures
Bureau

Tai-Cai-Zheng-Liu-Zi No.0920123784

Approval No. of the Financial Supervision
Commission

Jin-Guan-Shen-Zheng-Zi No.1100356048

March 12, 2024

Notice to Readers

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

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

Loop Telecommunication International, Inc. and its subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 269,074	21	\$ 361,283	34
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	10,541	1	33,546	3
Financial assets at amortized cost - current (Notes 4 and 8)	103,169	8	15,773	1
Contract assets - current (Notes 4 and 21)	233	-	32,776	3
Net accounts receivable (Notes 4, 5, 9, and 21)	230,989	18	41,771	4
Other receivables (Notes 4 and 9)	1,419	-	1,150	-
Inventories (Notes 4, 5, and 10)	374,974	29	312,977	29
Other current assets (Note 16)	7,953	1	2,934	-
Total current assets	<u>998,352</u>	<u>78</u>	<u>802,210</u>	<u>74</u>
Non-current assets				
Financial assets at amortized cost - non-current (Notes 4, 8, and 28)	12,056	1	12,026	1
Property, plant and equipment (Notes 4, 12, and 28)	153,385	12	146,206	14
Right-of-use assets (Notes 4 and 13)	45,576	4	42,591	4
Investment property (Notes 4, 14, and 28)	30,719	2	31,858	3
Intangible assets (Notes 4 and 15)	4,560	-	8,638	1
Deferred income tax assets (Notes 4 and 23)	6,439	-	5,713	-
Refundable deposits (Note 28)	32,911	3	30,212	3
Net defined benefit assets (Notes 4 and 19)	1,427	-	-	-
Total non-current assets	<u>287,073</u>	<u>22</u>	<u>277,244</u>	<u>26</u>
Total assets	<u>\$ 1,285,425</u>	<u>100</u>	<u>\$ 1,079,454</u>	<u>100</u>
Financial liabilities and equity				
Current liabilities				
Short-term borrowings (Notes 4, 17, and 28)	\$ 192,000	15	\$ -	-
Contract liabilities - current (Notes 4 and 21)	4,561	-	3,002	-
Accounts payable	35,455	3	29,638	3
Other payables (Note 18)	82,768	6	59,150	5
Income tax payable (Notes 4 and 23)	48,424	4	9,235	1
Lease liabilities - current (Notes 4 and 13)	2,256	-	1,159	-
Long-term liabilities - current portion (Notes 4, 17, and 28)	-	-	1,936	-
Other current liabilities (Note 18)	9,758	1	30,462	3
Total current liabilities	<u>375,222</u>	<u>29</u>	<u>134,582</u>	<u>12</u>
Non-current liabilities				
Deferred income tax liabilities (Notes 4 and 23)	945	-	3,455	-
Lease liabilities - non-current (Notes 4 and 13)	50,329	4	48,109	5
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	16,731	2
Guarantee deposits	1,493	-	1,190	-
Non-current liabilities (Note 18)	14,242	1	23,304	2
Total non-current liabilities	<u>67,009</u>	<u>5</u>	<u>92,789</u>	<u>9</u>
Total liabilities	<u>442,231</u>	<u>34</u>	<u>227,371</u>	<u>21</u>
Equity (Note 20)				
Common stock	567,365	44	709,206	66
Capital surplus	43,953	4	48,208	4
Retained earnings				
Legal reserve	26,563	2	19,174	2
Special reserve	2,786	-	3,088	-
Unappropriated earnings	205,278	16	75,193	7
Total retained earnings	234,627	18	97,455	9
Other equity	(2,751)	-	(2,786)	-
Total equity	<u>843,194</u>	<u>66</u>	<u>852,083</u>	<u>79</u>
Total Liabilities and Equity	<u>\$ 1,285,425</u>	<u>100</u>	<u>\$ 1,079,454</u>	<u>100</u>

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

Loop Telecommunication International, Inc. and its subsidiaries

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars,
Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Net revenue (Notes 4 and 21)	\$ 649,097	100	\$ 438,242	100
Cost of revenue (Notes 4, 10, and 22)	<u>203,043</u>	<u>31</u>	<u>197,678</u>	<u>45</u>
Gross profit	<u>446,054</u>	<u>69</u>	<u>240,564</u>	<u>55</u>
Operating expenses (Note 22)				
Sales and marketing expenses	52,732	8	44,881	10
General and administrative expenses	47,828	7	46,459	11
Research and development expenses	<u>152,224</u>	<u>24</u>	<u>134,715</u>	<u>31</u>
Subtotal	<u>252,784</u>	<u>39</u>	<u>226,055</u>	<u>52</u>
Income from operations	<u>193,270</u>	<u>30</u>	<u>14,509</u>	<u>3</u>
Non-revenue and expenses (Note 22)				
Interest income	15,525	2	4,029	1
Other income	36,495	6	36,119	8
Other gains and losses	3,297	-	29,994	7
Finance costs	(<u>1,822</u>)	<u>-</u>	(<u>1,248</u>)	<u>-</u>
Total non- operating income and expenses	<u>53,495</u>	<u>8</u>	<u>68,894</u>	<u>16</u>
Income before income tax	246,765	38	83,403	19
Income tax expenses (Notes 4 and 23)	<u>47,106</u>	<u>7</u>	<u>16,000</u>	<u>4</u>
Net income	<u>199,659</u>	<u>31</u>	<u>67,403</u>	<u>15</u>

(Cont'd)

(Cont'd)

	2023		2022	
	Amount	%	Amount	%
Other comprehensive income (Notes 4, 19, and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit obligation	\$ 4,178	-	\$ 6,487	2
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	<u>35</u>	<u>-</u>	<u>302</u>	<u>-</u>
Other comprehensive income, net of income tax	<u>4,213</u>	<u>-</u>	<u>6,789</u>	<u>2</u>
Total comprehensive income	<u>\$ 203,872</u>	<u>31</u>	<u>\$ 74,192</u>	<u>17</u>
Earnings per share (Note 24)				
Basic	<u>\$ 3.00</u>		<u>\$ 0.95</u>	
Diluted	<u>\$ 2.97</u>		<u>\$ 0.94</u>	

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

Loop Telecommunication International, Inc. and its subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars; unless specified otherwise)

	Capital stock		Capital surplus	Retained earnings		Unappropriated earnings	Other Equity	Total equity
	Shares (1,000 shares)	Amount		Legal reserve	Special reserve		Exchange differences arising on translation of foreign operations	
Balance on January 1, 2022	70,921	709,206	48,208	16,008	3,005	32,920	(3,088)	806,259
Earnings distribution and appropriation in 2021								
Legal reserve	-	-	-	3,166	-	(3,166)	-	-
Special reserve	-	-	-	-	83	(83)	-	-
Cash dividends of shareholders	-	-	-	-	-	(28,368)	-	(28,368)
Net income in 2022	-	-	-	-	-	67,403	-	67,403
Other comprehensive income, net of income tax in 2022	-	-	-	-	-	6,487	302	6,789
Total comprehensive income in 2022	-	-	-	-	-	73,890	302	74,192
Balance of December 31, 2022	70,921	709,206	48,208	19,174	3,088	75,193	(2,786)	852,083
Capital reduction	(14,184)	(141,841)	-	-	-	-	-	(141,841)
Earnings distribution and appropriation in 2022								
Legal reserve	-	-	-	7,389	-	(7,389)	-	-
Special reserve	-	-	-	-	(302)	302	-	-
Cash dividends of shareholders	-	-	-	-	-	(66,665)	-	(66,665)
Cash distribution from the capital reserve	-	-	(4,255)	-	-	-	-	(4,255)
Net income in 2023	-	-	-	-	-	199,659	-	199,659
Other comprehensive income, net of income tax in 2023	-	-	-	-	-	4,178	35	4,213
Total comprehensive income in 2023	-	-	-	-	-	203,837	35	203,872
Balance of December 31, 2023	<u>56,737</u>	<u>\$ 567,365</u>	<u>\$ 43,953</u>	<u>\$ 26,563</u>	<u>\$ 2,786</u>	<u>\$ 205,278</u>	<u>(\$ 2,751)</u>	<u>\$ 843,194</u>

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

Loop Telecommunication International, Inc. and its subsidiaries

Consolidated Statement of Cash Flows

For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities		
Income before income tax	\$ 246,765	\$ 83,403
Item of profit or loss:		
Depreciation expense	15,869	15,419
Amortization expense	4,510	3,658
Losses (gains) on financial assets and liabilities at fair value through profit or loss	(990)	508
Finance costs	1,822	1,248
Interest income	(15,525)	(4,029)
Dividend income	(46)	(43)
Losses of inventory write-down or obsolescence	4,051	3,876
Net losses (gains) on foreign exchange	12,714	(25,165)
Changes in operating assets and liabilities		
Contract assets	32,543	116,099
Accounts receivables	(191,141)	88,855
Other receivables	(25)	869
Inventories	(66,048)	(20,951)
Other current assets	(5,019)	8,376
Contract liabilities	1,559	1,890
Accounts payable	6,220	(15,098)
Other payables	23,379	12,063
Other current liabilities	(20,791)	29,237
Net defined benefit assets and liability	(13,980)	(4,930)
Other non-current liabilities	(9,062)	23,304
Cash from operations	26,805	318,589
Interest paid	(1,575)	(1,248)
Income tax paid	(11,153)	(9,367)
Net cash generated by operating activities	<u>14,077</u>	<u>307,974</u>

(Cont'd)

(Cont'd)

	2023	2022
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	(\$ 1,023,345)	(\$ 335,426)
Disposal of financial assets at amortized cost	935,919	333,765
Acquisition of financial assets at fair value through profit or loss	-	(33,733)
Disposal of financial assets at fair value through profit or loss	23,995	-
Acquisition of property, plant and equipment	(19,376)	(2,267)
Refundable deposits paid	(2,699)	(16,167)
Acquisition of intangible assets	(432)	(6,797)
Interest received	15,281	3,180
Dividends received	46	43
Net cash used in investing activities	(<u>70,611</u>)	(<u>57,402</u>)
Cash flows from financing activities		
Increasing in short-term debt	192,000	-
Repayment of long-term debt	(1,936)	(2,289)
Guarantee deposits received (refunded)	303	(83)
Repayment for the principal of lease liabilities	(2,197)	(2,308)
Cash dividends paid	(70,920)	(28,368)
Capital reduction	(<u>141,841</u>)	-
Net cash used in financing activities	(<u>24,591</u>)	(<u>33,048</u>)
Effect of exchange rate changes on cash and cash equivalents	(<u>11,084</u>)	<u>24,136</u>
Net (decrease) increase in cash and cash equivalents during the year	(92,209)	241,660
Cash and cash equivalents, beginning of year	<u>361,283</u>	<u>119,623</u>
Cash and cash equivalents, end of year	<u>\$ 269,074</u>	<u>\$ 361,283</u>

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

Loop Telecommunication International, Inc. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars; unless specified otherwise)

I. Company History

Loop Telecommunication International, Inc. (the “Company”) was established in Hsinchu Science Park in December 1991 and commenced its operation in December of the same year. The Company primarily engages in the R&D, development, production, manufacturing, and sales of user remote line disconnectors, protectors and their components, line reactors and their components, subtitle phones and their components, and smart network resource management multiplexers.

Shares of the Company were listed on Taipei Stock Exchange for trading in February 2001 and transferred to Taiwan Stock Exchange for listing and trading in August 2002.

The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency.

The Company and its subsidiaries are referred to as the Company, collectively, below.

II. Approval date and procedures of the financial statements

The accompanying consolidated financial statements were approved by the Board on March 12, 2024.

III. New standards, amendments and interpretations adopted:

- (I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations IFRIC(IFRIC), and SIC Interpretations (SIC) (collectively “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not cause significant change to the Company’s accounting policies.

- (II) IFRSs endorsed by the FSC that are applicable in 2024

New, revised or amended standards and interpretations	Effective date issued by IASB(Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)

New, revised or amended standards and interpretations	Effective date issued by IASB(Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group evaluates that the amendments to the above standards or interpretation are not expected to cause significant effects.

(II) The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, revised or amended standards and interpretations	Effective date issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 -Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Group recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application,

recognize any effect as an adjustment to the exchange differences on translation of foreign operations.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of significant accounting policies

(I) Statement of compliance

The consolidated statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by the FSC.

(II) Basis of preparation

Except for financial instruments at fair value and net defined benefit liabilities recognized based on the present value of defined benefit obligations less the fair value of plan assets, the consolidated financial statements are prepared based on historical costs.

The measurement of fair value is divided into levels 1 to 3 based on the observable level and significance of relevant inputs:

1. Level 1 input: Refer to quotations (unadjusted) of equivalent assets or liabilities available in the active market on the measurement date.
2. Level 2 input: Refer to direct (i.e., prices) or indirect (i.e., inferred from prices) observable inputs of assets or liabilities other than level 1 quotations
3. Level 3 input: Refer to unobservable inputs of assets or liabilities.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted for being used for exchange or settling liabilities over 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;

2. Liabilities expected to be settled within 12 months after the reporting period (they shall be current liabilities even if a long-term refinancing or re-arranged payment agreement is entered into after the balance sheet date and before the approval of the publication of the financial statements); and
3. Liabilities with a settlement deadline that cannot be unconditionally deferred to at least 12 months after the reporting period. However, terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

Liabilities that are not current assets or current liabilities described above are non-current assets and non-current liabilities.

(IV) Basis of consolidation

The consolidated financial statements comprise the Company and entities controlled by the Company (i.e., subsidiaries). The Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. When preparing the consolidated financial statements, transactions, accounting balances, gains and losses between all entities are eliminated in full.

For details of subsidiaries, shareholding, and scope of business, please refer to Note 11 and Table 2 and Table 3.

(V) Foreign currency

When each entity is preparing its financial statements, transactions in currencies other than the functional currency of the entity (foreign currencies) are translated into functional currencies at the exchange rate on the transaction date for records.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from the delivery of monetary items or the translation of monetary items are recognized in profit or loss in the year of occurrence.

Non-monetary items in foreign currencies at fair value are translated at the exchange rate on the date determining the fair value, and the exchange difference arising thereof is presented as profit or loss of the period; however, for changes in fair value recognized in other comprehensive income, exchange difference arising thereof shall be recognized in other comprehensive income.

Non-monetary items in foreign currencies at historical costs shall be translated at the exchange rate on the transaction date without re-translation.

When preparing the consolidated financial statements, assets and liabilities of the Company and its foreign operations (including subsidiaries in different countries or using currencies different from the Group) are translated into NTD at the exchange rate on each balance sheet date. Items of income and expenses are translated at the average exchange rate of the period, and the exchange difference arising thereof is recognized in other comprehensive income.

(VI) Inventory

Inventory includes raw materials, work-in-progress, and finished goods. Inventories are stated at the lower of cost or net realizable value. Except for inventories of the same category, the comparison of the lower of cost and net realizable value is made on an item-by-item basis. The net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses. The weighted average method is adopted for the calculation of the costs of inventory.

(VII) Property, plant and equipment

Property, plant and equipment are recognized at costs, and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses.

The Company separately provides depreciation for each material component of property, plant and equipment within the useful life on a straight-line basis. The Company shall examine the estimated useful life, residual value, and depreciation method at least at the end of each year and postpone the effects of changes in applicable accounting estimation.

For the derecognition of property, plant and equipment, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss.

(VIII) Investment properties

Investment properties refer to properties held for earning rental or capital appreciation or both (including right-of-use assets that fulfill the definition of investment properties).

Self-owned investment properties are initially measured at costs (including transaction costs), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses.

Investment properties obtained via leases are initially measured at costs (including the initial measurement of lease liabilities), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses, with adjustments made to the remeasurement of lease liabilities.

Depreciation is provided for all investment properties on a straight-line basis.

For properties under property, plant and equipment, their carrying amounts are transferred to investment properties upon the end of the self-use period.

For the derecognition of investment properties, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss.

(IX) Intangible assets

1. Individually acquired

Intangible assets with definite useful life that are individually acquired are initially measured at costs, and subsequently measured at the amount of costs less cumulative amortization and cumulative impairment losses. Intangible assets are amortized on a straight-line basis within their useful life. The Company shall examine the estimated useful life, residual value, and amortization method at least at the end of each year and postpone the effects of changes in applicable accounting estimation. Intangible assets with indefinite useful life are presented at costs less cumulative impairment losses.

2. Derecognition

For the derecognition of intangible assets, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss of the period.

(X) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company evaluates whether there is any indication of impairment of property, plant and equipment, right-of-use assets, and intangible assets on each balance sheet date. If any such indication of impairment exists, then the asset's recoverable amount is estimated. If the recoverable amount of the individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less disposal costs and its value in use. If the recoverable amount of individual assets or cash-generating units is lower than their carrying amounts, the carrying amount of such assets or cash-generating

units shall be reduced to the recoverable amount, and the impairment losses shall be recognized in profit or loss.

If impairment losses are subsequently reversed, the carrying amount of such assets or cash-generating units shall be increased to the recoverable amount after amendments; however, the increased carrying amount shall not exceed the carrying amount determined of the carrying amount of such assets or cash-generating units if there were no impairment losses recognized in prior years (less amortization or depreciation). The reversal of impairment losses is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Company becomes a party to the contract terms of such instruments.

For the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit or loss, they shall be measured at the carrying amount plus the transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized by adopting trade date accounting.

(1) Measurement category

On initial recognition, financial assets are classified as financial assets at amortized cost and financial assets at fair value through profit or loss.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated as measuring at value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, and their dividends and remeasurement gains or losses are recognized in other income and other gains and losses, respectively. For the determination method of fair value, please refer to Note 26.

B. Financial assets measured at amortized cost

If the financial assets of the Company concurrently fulfill both of the following conditions, they are recognized as financial assets at amortized costs:

- a. Held under a certain operating model, and the purpose of the model is to hold financial assets to collect contract cash flows; and
- b. Contract terms generate cash flows on particulate dates, and such cash flows are fully used to pay the principal and interests of the outstanding principal.

Financial assets at amortized costs (including cash and cash equivalents, accounts receivable and other receivables at amortized costs) are measured at a total carrying amount determined by using the effective interest method less amortized costs of any impairment losses after the initial recognition; any gains or losses on exchange gains are recognized in profit or loss.

Cash equivalents include short-term and high-liquidity time deposits within 3 months that can be converted to a fixed amount of cash at any time with minor risk of changes in value, and are used to satisfy short-term cash commitments instead of investments or other purposes.

(2) Impairment of financial assets and contract assets

The Company evaluates the impairment losses of financial assets at amortized costs (including accounts receivable) and contract assets based on ECL on each balance sheet date.

Loss allowance of accounts receivables and contract assets are recognized based on the lifetime ECL. For other financial assets, the Company evaluates whether credit risks have significantly increased after the initial recognition. If there is no significant increase, the Company recognizes loss allowance based on the 12-month ECL; if there is a significant increase, the Company recognizes loss allowance based on the lifetime ECL.

ECL is average credit loss using default risks as its weight. 12-month ECL refers to ECL that may arise from possible defaults of financial instruments within 12 months after the reporting date; lifetime ECL refers to ECL that may arise from all defaults of financial instruments during the lifetime.

The Company reduces the carrying amount via the allowance account for the impairment losses of all financial assets.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash flows from the financial asset become invalid, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

For the derecognition of financial assets at amortized cost, the difference between the carrying amount and the considerations received is recognized in profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

The retrieval of the Company's own equity instruments is recognized and deducted under equity. Acquisition, disposals, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized costs by adopting the effective interest method.

(2) Derecognition of financial liabilities

For the derecognition of financial liabilities, the difference between the carrying amount and the considerations paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

(XII) Revenue recognition

After the Company has identified the performance obligations in a contract with a customer, it allocates the transaction price to each performance obligation and recognizes income when fulfilling each performance obligation.

1. Sales revenue of products

Sales revenue of products is primarily from the sales of optical transport network access equipment, U interface and MDSL interface multiplexer, network management systems, Internet access equipment, time-slot interchanger, and other products. From the shipping of products sold, customers are entitled to pricing and use, hold the primary responsibilities for reselling, and assume the risks of product obsolescence. The Company recognizes income and contract assets at the point of time and transfers them to accounts receivable after the performance of the remaining obligations. Prepayments for the sales of products are recognized as contract liabilities before the products arrive.

2. Service revenue

Service revenue arises from educational training services and software/hardware installation services.

With educational training services and software/hardware installation services provided by the Company, customers also obtain and consume performance benefits. The Company recognizes relevant income based on the service provided by technicians over time during the contract period. It is agreed in contracts that customers shall make payments after the installation and acceptance; therefore, the Company recognizes contract assets when providing services and transfers them to accounts receivable upon the completion of installation and acceptance.

(XIII) Lease

The Company evaluates whether a contract is (or includes) a lease on the establishment date of the contract.

1. The Company as the lessor

All leases are classified as operating leases.

Under operating leases, lease payments are recognized as gains during the relevant leasing period on a straight-line basis.

Variable rentals not subject to the index or rate used in the lease agreement are recognized as gains during the period.

When a lease contains elements of land and building, the Company evaluates the classification of elements into financing lease or operating lease depending on whether the majority of all risks and compensation of the ownership of each element is transferred to the lessee. Lease payments are allocated to land and buildings based on the corresponding ratio of the fair value of leasing rights of land and buildings on the establishment date of the contract. If lease payments may be reliably allocated to such two elements, each element is treated based on the applicable lease classification. If lease payments may not be reliably allocated to such two elements, the overall lease is classified as a financing lease; however, if such two elements are evidently in line with the standards of operating leases, the overall lease is classified as an operating lease.

2. The Company as the lessee

Except for lease payments of low-value target asset leases and short-term leases with recognition exemption applicable recognizing as expenses within the leasing period on a straight-line basis, right-of-use assets and lease liabilities are recognized for other leases on the commencement date of leases.

Right-of-use assets obtained via leases are initially measured at costs (including the initial measurement of lease liabilities), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses, with adjustments made to the remeasurement of lease liabilities. Apart from those complying with the definition of investment properties, right-of-use assets are separately presented in the consolidated balance sheet. For the recognition and measurement of right-of-use assets fulfilling the definition of investment properties, please refer to the accounting policies of investment properties in (VIII).

Depreciation is provided for investment properties on a straight-line basis from the commencement date of the lease to the earlier of the expiry of the useful life or the expiry of the leasing period.

Lease liabilities are initially measured at the current value of lease payments (including fixed payments). If the implied interest rate of leases may be easily confirmed, lease payments are discounted by using the interest rate. If the

interest rate may not be easily confirmed, the incremental borrowing interest rate of lessees is used.

Subsequently, lease liabilities are measured at amortized costs, and the interest expenses are allocated during the leasing period. If there is any change in lease payment in the future resulting from the index or rate used to determine the lease payment during the leasing period, the Company remeasures lease liabilities and makes adjustments to right-of-use assets accordingly; however, if the carrying amount of the right-of-use assets is reduced to nil, the remaining remeasurement amount shall be recognized in profit or loss. Lease liabilities are separately presented in the consolidated balance sheet.

(XIV) Borrowing costs

All borrowing costs are recognized as profit or loss during the period of occurrence.

(XV) Employees benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employees' services.

2. Post-employment benefits

Pension of the defined contribution plan is recognized as expenses based on the amount of pension to be contributed during the period in which employees provide their services.

The projected unit credit method is adopted for the actuarial valuation of defined benefit costs of the defined benefit plan (including service costs, net profit, and remeasurement). Current period service costs and net interest of net defined liabilities (assets) are recognized as employee benefit expenses upon occurrence. Remeasurements (including actuarial gains or losses and plan asset compensation after interest) are recognized in other comprehensive income and presented as other equity upon the occurrence and will not be reclassified to profit or loss subsequently.

Net defined benefit liabilities (assets) are the appropriation deficit (surplus) of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the amount of appropriation refunded from the plan or the amount of appropriation that may be reduced in the future.

3. Severance benefits

The Company recognizes severance benefit liabilities when it can no longer cancel the offer of severance benefits or recognize relevant reorganization costs (the earlier).

(XVI) Income tax

Income tax expenses are the sum of income tax of the period and deferred income tax.

1. Income tax of the period

The additional income tax on undistributed earnings calculated based on the Income Tax Act of the Republic of China is recognized during the year of the shareholders' resolution.

Adjustments to income taxes payable in prior years are recognized as income tax of the period.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of assets and liabilities accounted for and the taxation basis for calculating income tax.

Deferred income tax liabilities shall be recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is likely to offset the deductible temporary differences and income tax credits arising from R&D and other expenses.

Temporary taxable differences related to subsidiaries it invested are recognized as deferred income tax liabilities, except when the Company is able to control the point of time to reverse the temporary differences, and such temporary differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investments are only recognized as deferred income tax assets when it is likely that there will be sufficient taxable income to realize the temporary differences and when it is expected to be within the reversal scope in the foreseeable future.

The carrying amount of deferred income tax assets is re-examined on each balance sheet date, and the carrying amount is adjusted for those having no possible, sufficient taxable income to recover the entire or partial assets. For those not recognized as deferred income tax assets initially, the Company also re-examines them on each balance sheet date and increases their carrying

amounts when it is likely to have taxable income to recover the entire or partial assets in the future.

Deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized, respectively, and the tax rate is based on the tax rate and tax laws enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax reflects the tax consequences of the method for recovering or settling the carrying amount of its assets and liabilities by the Company after the balance sheet date.

3. Deferred income tax of the period

Deferred income tax of the period is recognized in profit or loss; however, deferred income tax related to items recognized in other comprehensive income or directly included in equity is recognized in other comprehensive income or directly included in equity, respectively.

V. Significant accounting judgments and key source of uncertainties for estimations and assumptions

When adopting accounting policies, the management shall make relevant judgments, estimations, and assumptions based on its historical experience and other relevant factors when it is difficult to obtain relevant information from other sources. Actual results may differ from these estimates.

Uncertainties for estimations and assumptions

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumption of the Company for default probability and default loss ratio. The Company considers its historical experience, current market status, and forward-looking information to form the assumptions and select the input value for impairment assessment. For the material assumptions and inputs adopted, please refer to Note 9. If the actual cash flow in the future is less than the Company's expectations, there may be material impairment losses.

(II) Inventory impairment

The net realizable value of inventories is estimated based on the balance of estimated selling price during the course of normal operations less the estimated costs required to be invested in until the completion and the costs required until the completion of sales; such estimates are evaluated based on the current market condition and the historical sales experience of similar products; any change in the market condition may materially affect the results of such estimates.

VI. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash in hand and working capital	\$ 389	\$ 380
Bank checks and demand deposits	94,007	95,115
Cash equivalents (investments with an initial expiry within 3 months)		
Time deposits with banks	<u>174,678</u>	<u>265,788</u>
	<u>\$269,074</u>	<u>\$361,283</u>

The market interest range of deposits and time deposits with banks on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.001%~1.45%	0.001%~3.80%
Time deposits	1.10%~5.21%	0.92%~4.40%

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Measured at fair value through profit or loss		
- Domestic listed stocks	\$ 211	\$ 3,375
- Beneficiary certificates	<u>10,330</u>	<u>30,171</u>
	<u>\$ 10,541</u>	<u>\$ 33,546</u>

VIII. Financial assets at amortized costs

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Time deposits with an initial expiry exceeding 3 months	\$ 1,542	\$ 15,773
Time deposits pledged	<u>101,627</u>	<u>-</u>
	<u>\$103,169</u>	<u>\$ 15,773</u>
<u>Non-current</u>		
Time deposits pledged	<u>\$ 12,056</u>	<u>\$ 12,026</u>

(I) The interest rate

range of time deposits with an initial expiry exceeding 3 months and time deposits pledged is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with an initial expiry over 3 months	1.12%	3.77%
Time deposits pledged	0.55%~5.33%	0.32%~1.44%

(II) For information on financial assets at amortized costs, please refer to Note 28.

IX. Accounts receivable and other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivables</u>		
Financial assets measured at amortized cost		
Total carrying amount	\$231,554	\$ 49,264
Less: loss allowance	(<u>565</u>)	(<u>7,493</u>)
	<u>\$230,989</u>	<u>\$ 41,771</u>
<u>Other receivables</u>		
Others	<u>\$ 1,419</u>	<u>\$ 1,150</u>

The average credit period of product sales is settled by month or within 30 to 90 days from the issuance of the invoice; no interest is accrued for accounts receivable. The Company adopts the policy to engage in transactions with counterparties with equivalent ratings. For the credit rating information, the Company rated major customers based on publicly available financial information and historical transaction records and allocated the total transaction amount to different customers with qualified credit ratings. In addition, it regularly reviews and approves the credit limits of counterparties to manage its credit exposure.

The Company recognizes loss allowance of accounts receivable based on lifetime expected credit loss. Lifetime expected credit loss is calculated by using the provision matrix, which considers the past default records and current financial positions of customers, industrial and economic status, and considers GDP and the unemployment rate. Based on the Company's past experience of credit losses, there is no material difference between the loss patterns of different customer bases; therefore, customer bases are not further distinguished for the provision matrix, and the expected credit loss rate is determined based on the number of overdue days of accounts receivable.

Loss allowance of accounts receivable measured based on the provision matrix is as follows:

December 31, 2023

	Not overdue	Overdue for 1 to 60 days	Overdue for 61 to 120 days	Overdue for 121 to 364 days	Overdue more than 365 days	Total
Total carrying amount	\$ 231,270	\$ -	\$ -	\$ 9	\$ 275	\$ 231,554
Loss allowance (lifetime ECL)	(281)	-	-	(9)	(275)	(565)
Amortized costs	<u>\$ 230,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,989</u>

December 31, 2022

	Not overdue	Overdue for 1 to 60 days	Overdue for 61 to 120 days	Overdue for 121 to 364 days	Overdue more than 365 days	Total
Total carrying amount	\$ 40,169	\$ 407	\$ 647	\$ 168	\$ 7,873	\$ 49,264
Loss allowance (lifetime ECL)	-	-	-	-	(7,493)	(7,493)
Amortized costs	<u>\$ 40,169</u>	<u>\$ 407</u>	<u>\$ 647</u>	<u>\$ 168</u>	<u>\$ 380</u>	<u>\$ 41,771</u>

Changes in loss allowance of accounts receivable are as follows:

	2023	2022
Beginning balance	\$ 7,493	\$ 7,395
Amounts written off	(6,951)	-
Differences in currency exchange	23	98
Ending balance	<u>\$ 565</u>	<u>\$ 7,493</u>

X. Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 72,723	\$ 82,346
Work in progress	43,465	39,077
Raw material	<u>258,786</u>	<u>191,554</u>
	<u>\$374,974</u>	<u>\$312,977</u>

The nature of costs of sales is as follows:

	2023	2022
Costs of goods sold	\$197,026	\$192,828
Losses for market price decline and obsolete and slow-moving inventories	<u>4,051</u>	<u>3,876</u>
	<u>\$201,077</u>	<u>\$196,704</u>

XI. Subsidiary

Subsidiaries included in the consolidated financial statements

The consolidated financial statements entities include:

Name of the investors	Name of subsidiaries	Main Business Activity	Shareholding	
			December 31, 2023	December 31, 2022
The Company	Tech-Plan (BVI) Ltd.	Investment business	100%	100%
	Loop Telecom NA, Inc.	Development and trading of digital communication equipment and software	100%	100%
Tech-Plan (BVI) Ltd.	Maxi View Holdings Ltd.	Investment business	100%	100%
	Loop Telecommunication International Ltd.	Investment business	100%	100%
Loop Telecommunication International Ltd.	Chongqing Loop Technology Co., Ltd.	R&D, design, production, processing, and trading of digital communication equipment	100%	100%
Maxi View Holdings Ltd.	Tianjin Loop Electron Technology Co., Ltd.	Development and trading of digital communication equipment and software	100%	100%
	Tianjin Loop Technology Co.,Ltd	Development and trading of digital communication equipment and software	100%	100%

XII. Property, plant and equipment

	Buildings	Machinery and equipment	R&D equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>Costs</u>							
Balance on January 1, 2023	\$ 226,725	\$ 6,931	\$ 13,802	\$ 630	\$ 8,061	\$ 1,285	\$ 257,434
Addition	-	5,231	11,091	820	1,366	965	19,473
Disposal	-	(1,640)	(6,109)	-	(2,462)	(427)	(10,638)
Net exchange differences	(227)	(31)	-	(1)	(51)	-	(310)
Balance on December 31, 2023	<u>\$ 226,498</u>	<u>\$ 10,491</u>	<u>\$ 18,784</u>	<u>\$ 1,449</u>	<u>\$ 6,914</u>	<u>\$ 1,823</u>	<u>\$ 265,959</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2023	\$ 89,560	\$ 4,081	\$ 10,170	\$ 413	\$ 6,151	\$ 853	\$ 111,228
Depreciation	5,437	1,629	3,409	124	1,187	449	12,235
Disposal	-	(1,640)	(6,109)	-	(2,462)	(427)	(10,638)
Net exchange differences	(176)	(23)	-	(3)	(49)	-	(251)
Balance on December 31, 2023	<u>\$ 94,821</u>	<u>\$ 4,047</u>	<u>\$ 7,470</u>	<u>\$ 534</u>	<u>\$ 4,827</u>	<u>\$ 875</u>	<u>\$ 112,574</u>
Net amount on December 31, 2023	<u>\$ 131,677</u>	<u>\$ 6,444</u>	<u>\$ 11,314</u>	<u>\$ 915</u>	<u>\$ 2,087</u>	<u>\$ 948</u>	<u>\$ 153,385</u>
<u>Costs</u>							
Balance on January 1, 2022	\$ 226,535	\$ 5,972	\$ 17,005	\$ 629	\$ 8,708	\$ 2,660	\$ 261,509
Addition	-	1,672	58	-	355	-	2,085
Disposal	-	(740)	(3,261)	-	(1,042)	(1,375)	(6,418)
Net exchange differences	190	27	-	1	40	-	258
Balance on December 31, 2022	<u>\$ 226,725</u>	<u>\$ 6,931</u>	<u>\$ 13,802</u>	<u>\$ 630</u>	<u>\$ 8,061</u>	<u>\$ 1,285</u>	<u>\$ 257,434</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2022	\$ 83,721	\$ 3,642	\$ 10,242	\$ 320	\$ 5,907	\$ 1,895	\$ 105,727
Depreciation	5,705	1,159	3,189	91	1,251	333	11,728
Disposal	-	(740)	(3,261)	-	(1,042)	(1,375)	(6,418)
Net exchange differences	134	20	-	2	35	-	191
Balance on December 31, 2022	<u>\$ 89,560</u>	<u>\$ 4,081</u>	<u>\$ 10,170</u>	<u>\$ 413</u>	<u>\$ 6,151</u>	<u>\$ 853</u>	<u>\$ 111,228</u>
Net amount on December 31, 2022	<u>\$ 137,165</u>	<u>\$ 2,850</u>	<u>\$ 3,632</u>	<u>\$ 217</u>	<u>\$ 1,910</u>	<u>\$ 432</u>	<u>\$ 146,206</u>

As there was no indication of impairment in 2023 and 2022, the Company did not perform any impairment assessment.

Depreciation expenses are provided for based on the following useful lives on a straight-line basis:

Buildings	11 to 51 years
Machinery and equipment	3 to 10 years
R&D equipment	4 years
Transportation equipment	4 to 6 years
Office equipment	3 to 10 years
Other equipment	4 to 5 years

The material components of the Company's building are primarily plant and interior fitting, and the depreciation is provided based on their useful life of 35 to 51 years and 11 years, respectively.

For the amount of property, plant and equipment pledged for borrowings, please refer to Note 28.

XIII. Lease agreement

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 41,163	\$ 42,591
Buildings	<u>4,413</u>	<u>-</u>
	<u>\$ 45,576</u>	<u>\$ 42,591</u>
	<u>2023</u>	<u>2022</u>
Addition of right-of-use assets	<u>\$ 5,514</u>	<u>\$ 1,217</u>
Depreciation expenses of right-of-use assets		
Land	\$ 1,394	\$ 1,394
Buildings	<u>1,101</u>	<u>1,155</u>
	<u>\$ 2,495</u>	<u>\$ 2,549</u>
Gains on the sublease of right-of-use assets (accounted for as other income)	(<u>\$ 598</u>)	(<u>\$ 590</u>)

Except for the additional and recognition of depreciation fees, right-of-use assets of the Company have no material sub-lease or impairment in 2023 and 2022.

(II) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 2,256</u>	<u>\$ 1,159</u>
Non-current	<u>\$ 50,329</u>	<u>\$ 48,109</u>

The range of discount rate of lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	2.30%	2.30%
Buildings	2.93%	-

(III) Material leasing activities and terms

The Company also rents certain land and buildings for use as plant, office, and dormitory, with a leasing period of 5 to 51 years. Lease payments may be adjusted for the land lease in Hsinchu Science Park based on the announced land price and other reasons at all times. Upon the end of the leasing period, the Company has no preemptive right for the acquisition of land and buildings it rented, and it is agreed that

the Company may not sublease or transfer the entire or partial lease target without the consent of the lessor.

In 2019, the Company subleased partial right-of-use assets to Company A; relevant right-of-use assets are presented as investment properties; please refer to Note 14.

(IV) Other leases

	2023	2022
Expenses of short-term leases	\$ -	\$ 476
Total cash (outflow) of leases	(\$ 3,466)	(\$ 3,943)

The Company chose the application of recognition exemption for employee dormitory and office leases that fulfill the conditions of short-term leases and do not recognize relevant right-of-use assets and lease liabilities for such leases.

XIV. Investment properties

	Completed investment properties	Right-of-use assets	Total
<u>Costs</u>			
Balance on January 1, 2023 and December 31, 2023	\$ 39,159	\$ 7,969	\$ 47,128
<u>Cumulative depreciation</u>			
Balance on January 1, 2023	\$ 14,259	\$ 1,011	\$ 15,270
Depreciation	899	240	1,139
Balance on December 31, 2023	\$ 15,158	\$ 1,251	\$ 16,409
Net amount on December 31, 2023	\$ 24,001	\$ 6,718	\$ 30,719
<u>Costs</u>			
Balance on January 1, 2022	\$ 39,159	\$ 7,937	\$ 47,096
Addition	-	32	32
Balance on December 31, 2022	\$ 39,159	\$ 7,969	\$ 47,128
<u>Cumulative depreciation</u>			
Balance on January 1, 2022	\$ 13,357	\$ 771	\$ 14,128
Depreciation	902	240	1,142
Balance on December 31, 2022	\$ 14,259	\$ 1,011	\$ 15,270
Net amount on December 31, 2022	\$ 24,900	\$ 6,958	\$ 31,858

During the leasing period, rental commitments commence after the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rental commitment of investment properties	<u>\$ 11,981</u>	<u>\$ 17,550</u>

The depreciation of investment properties is provided for based on the following useful lives on a straight-line basis:

Completed investment properties	35 to 51 years
Right-of-use assets	20 years

The fair value of investment properties is measured at the level 3 input by the independent appraiser Integration Appraiser Firm which is not a related party. The appraisal is performed by adopting the weighted average of the cost approach and the market comparison approach, and unobservable material inputs adopted include the discount rate; the fair value derived from the assessment is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value measurement	<u>\$ 66,348</u>	<u>\$ 66,684</u>

For the amount of investment properties pledged for borrowings, please refer to Note 28.

XV. Intangible assets

	<u>Software</u>
<u>Costs</u>	
Balance on January 1, 2023	\$ 15,503
Individually acquired	432
Disposal	(2,828)
Net exchange differences	(1)
Balance on December 31, 2023	<u>\$ 13,106</u>
<u>Cumulative amortization</u>	
Balance on January 1, 2023	\$ 6,865
Amortization expense	4,510
Disposal	(2,828)
Net exchange differences	(1)
Balance on December 31, 2023	<u>\$ 8,546</u>
Net amount on December 31, 2023	<u>\$ 4,560</u>

(Cont'd)

(Cont'd)

	<u>Software</u>
<u>Costs</u>	
Balance on January 1, 2022	\$ 8,838
Individually acquired	6,797
Disposal	(133)
Net exchange differences	<u>1</u>
Balance on December 31, 2022	<u>\$ 15,503</u>
 <u>Cumulative amortization</u>	
Balance on January 1, 2022	\$ 3,339
Amortization expense	3,658
Disposal	(133)
Net exchange differences	<u>1</u>
Balance on December 31, 2022	<u>\$ 6,865</u>
 Net amount on December 31, 2022	 <u>\$ 8,638</u>

The Company provides for the amortization fees of intangible assets based on a straight-line basis over 3 years.

XVI. Other assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Temporary payments	\$ 5,374	\$ 658
Prepayments for goods	1,312	73
Other prepayments	709	1,134
Overpaid sales tax	475	975
Prepaid insurance premium	<u>83</u>	<u>94</u>
	<u>\$ 7,953</u>	<u>\$ 2,934</u>

XVII. Borrowings

Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secure borrowings (Note 28)</u>		
Bank borrowings	<u>\$192,000</u>	<u>\$ -</u>

The range of interest rates for bank loans were from 1.79% to 1.90% on December 31, 2023.

Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secure borrowings</u> (Note 28)		
Bank borrowings	\$ -	\$ 1,936
Less: Presented as due within one year	(-)	(1,936)
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>

Bank borrowings are secured by the building of the Company and shall be repaid in installments each month starting from October 2013, with settlement in October 2023. As of December 31, 2022, the effective annual interest rate was 2.08%.

XVIII. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Remunerations of employees and Directors payable	\$ 33,650	\$ 11,374
Bonuses payable	11,738	10,207
Salaries payable	10,413	9,806
Insurance premium payable	2,461	3,072
Service fees payable	2,792	1,795
Equipment payments payables	182	85
Others	<u>21,532</u>	<u>22,811</u>
	<u>\$ 82,768</u>	<u>\$ 59,150</u>
Other current liabilities		
Advance (Note)	\$ 9,063	\$ 29,778
Receipts under custody	646	550
Others	<u>49</u>	<u>134</u>
	<u>\$ 9,758</u>	<u>\$ 30,462</u>
Other non-current liabilities		
Advance (Note)	<u>\$ 14,242</u>	<u>\$ 23,304</u>

Note: The Company has entered into a trademark licensing contract of NT\$82,860 thousand (US\$3,000 thousand), and the amount was fully collected in cash in January 2022. The Company allocates and recognizes trademark licensing income on a straight-line basis; it recognized trademark licensing income of NT\$29,778 thousand in both 2023 and 2022 (accounted for as other income).

XIX. Retirement benefit plan

(I) Defined contribution plans

The pension system under the “Labor Pension Act” applicable to the Company is a defined contribution plan managed by the government, and the Company appropriates 6% of the monthly salaries of employees to the personal accounts with the Bureau of Labor Insurance.

(II) Defined benefit plans

The pension system, organized in accordance with the “Labor Standards Act” of R.O.C., is a defined benefit plan managed by the government. The payment of an employee’s retirement pension is calculated based on the service seniority and average wages during the six months before the approved retirement date. The Company appropriates 6% of the total monthly salaries of employees as the pension for the Supervisory Committee of Labor Retirement Reserve to deposit in the account with the Bank of Taiwan in the name of the Committee. At the end of the year, if it is estimated that the balance of the account is not sufficient to make the payments for laborers who are estimated to fulfill the retirement conditions in the following year, the Company will appropriate the difference in a lump sum by the end of March in the following year. The Bureau of Labor Funds, Ministry of Labor, is entrusted with the management of the account, and the Company has no right to affect the investment and management strategies.

The amount of the defined benefit plan included in the consolidated balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Defined benefit obligation	\$ 46,420	\$ 54,458
Fair value of plan assets	(<u>47,847</u>)	(<u>37,727</u>)
Net defined benefit liabilities	(<u>\$ 1,427</u>)	<u>\$ 16,731</u>

Changes in net defined benefit liabilities (assets) are as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2022	<u>\$ 63,268</u>	<u>(\$ 35,120)</u>	<u>\$ 28,148</u>
Service costs			
Current period service costs	87	-	87
Interest expenses (income)	<u>316</u>	<u>(183)</u>	<u>133</u>
Recognized in profit or loss	<u>\$ 403</u>	<u>(\$ 183)</u>	<u>\$ 220</u>
Remeasurement			
Compensation of plan assets (except for amounts included in net interest)	-	(2,743)	(2,743)
Actuarial losses - experience adjustments	<u>(3,744)</u>	<u>-</u>	<u>(3,744)</u>
Recognized in other comprehensive income	<u>(3,744)</u>	<u>(2,743)</u>	<u>(6,487)</u>
Appropriated by the employer	<u>-</u>	<u>(5,150)</u>	<u>(5,150)</u>
Benefit payments	<u>(5,469)</u>	<u>5,469</u>	<u>-</u>
December 31, 2022	<u>54,458</u>	<u>(37,727)</u>	<u>16,731</u>
Service costs			
Interest expenses (income)	<u>681</u>	<u>(505)</u>	<u>176</u>
Recognized in profit or loss	<u>681</u>	<u>(505)</u>	<u>176</u>
Remeasurement			
Compensation of plan assets (except for amounts included in net interest)	-	(476)	(476)
Actuarial gains - experience adjustments	<u>(3,702)</u>	<u>-</u>	<u>(3,702)</u>
Recognized in other comprehensive income	<u>(3,702)</u>	<u>(476)</u>	<u>(4,178)</u>
Appropriated by the employer	<u>-</u>	<u>(14,156)</u>	<u>(14,156)</u>
Benefit payments	<u>(5,017)</u>	<u>5,017</u>	<u>-</u>
December 31, 2023	<u>\$ 46,420</u>	<u>(\$ 47,847)</u>	<u>(\$ 1,427)</u>

The amount of the defined benefit plan recognized in profit or loss is summarized by function as follows:

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 45	\$ 57
Sales and marketing expenses	20	23
General and administrative expenses	20	27
Research and development expenses	<u>91</u>	<u>113</u>
	<u>\$ 176</u>	<u>\$ 220</u>

The Company is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, bank deposits, and other targets by way of self-utilization or entrusted management; however, the amount available for allocation of the Company’s plan assets shall not be lower than the gains calculated at the interest rate for two-year time deposits with local banks.
2. Interest rate risks: A decrease in the government bonds interest rate will lead to an increase in the current value of the defined benefit obligations; however, debt investment returns of plan assets will also increase; both items have partial offsetting effects on net defined benefit liabilities.
3. Salary risks: The calculation of the current value of defined benefit obligations refers to the future salaries of the plan’s participants. Therefore, an increase in the salaries of the plan’s participants will result in an increase in the current value of defined benefit obligations.

The actuarial valuation for the current value of defined benefit obligations of the Company is performed by a qualified actuary; the material assumption adopted on the measurement date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.25%
Expected increase rate of salaries	3.00%	3.00%

If there are reasonable and possible changes in a material actuarial assumption and when all other assumptions remain unchanged, the increase (decrease) in the current value of defined benefit obligations is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increased by 0.25%	<u>(\$ 800)</u>	<u>(\$ 1,041)</u>
Decreased by 0.25%	<u>\$ 824</u>	<u>\$ 1,073</u>
Expected increase rate of salaries		
Increased by 1.00%	<u>\$ 3,425</u>	<u>\$ 4,505</u>
Decreased by 1.00%	<u>(\$ 3,114)</u>	<u>(\$ 4,070)</u>

As actuarial assumptions may be correlated, the possibility of having changes in a single assumption is low; therefore, the abovementioned sensitivity analysis may not be able to reflect the actual changes in the current value of defined benefit obligations.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount expected to be appropriated in one year	<u>\$ 14,156</u>	<u>\$ 5,150</u>
Average maturity of defined benefit obligations	9.8 years	10.7 years

XX. Equity

(I) Common stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>128,000</u>	<u>128,000</u>
Authorized capital	<u>\$ 1,280,000</u>	<u>\$ 1,280,000</u>
Number of issued and paid-in shares (in thousands)	<u>56,737</u>	<u>70,921</u>
Issued share capital	<u>\$ 567,365</u>	<u>\$ 709,206</u>

The par value of issued ordinary shares is NT\$10 per share, and each share is entitled to one vote and the right to receive dividends.

On June 28, 2023, the shareholders' meeting approved the resolution to reduce its capital and return the capital contribution in cash in the amount of NT\$141,841 thousand and reduce the paid-in capital in the amount of 14,184 thousand shares; the paid-in capital after the capital reduction was NT\$567,365 thousand, and the capital reduction ratio is approximately 20%. The capital reduction was approved and declared effective on August 9, 2023 by the FSC, and the base date of capital reduction was September 8, 2023 resolved by the Board of Directors on August 10, 2023. The alteration registration had been made on September 19, 2023.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Available for loss</u>		
<u>compensation, cash</u>		
<u>distribution, or appropriation</u>		
<u>to share capital (Note)</u>		
Premium of share issuance	\$ 2,658	\$ 6,913
Premium of corporate bond		
conversion	31,731	31,731
Treasury share transactions	9,357	9,357
<u>Only available for loss</u>		
<u>compensation</u>		
Uncollected dividends of		
shareholders' past due	<u>207</u>	<u>207</u>
	<u>\$ 43,953</u>	<u>\$ 48,208</u>

Note: Such capital reserve may be used in loss compensation, and may be used in cash distribution or appropriation to share capital when the Company has no loss; however, appropriation to share capital is limited to a certain ratio of the paid-in ratio.

(III) Retained earnings and dividend policy

According to the requirements of earning distribution policy in the Articles of Incorporation, if the Company records earnings from the final account of the year, after paying taxes and compensating cumulative losses according to the law, the Company shall appropriate 10% as the statutory surplus reserve. For the remaining earnings, the Company shall appropriate or reverse special surplus reserve according to the requirements of laws and regulations. Shall there be remaining balances, the Company shall combine such balances with the cumulated undistributed earnings, and the Board shall prepare the proposal for earning distribution and submit it to the shareholders' meeting for the resolution of distributing dividends and bonuses to shareholders. For the distribution policy of remuneration of employees and Directors stipulated in the Articles of Incorporation, please refer to Note 22 (7).

In addition, according to the requirements of the Articles of Incorporation, the Company responds to the current and future development plans and takes investment environments, capital requirements, and domestic and foreign competition status into account, with equal consideration given to shareholders' benefits. The Board shall prepare the proposal for earning distribution, and the shareholders' meeting shall make the resolution. Distribution of shareholders' dividends/bonuses may be made in shares

or cash; however, in principle, the ratio of cash dividends to the total distribution amount shall not be less than 10%.

The appropriation of the legal reserve shall be until its balance reaches the total paid-in capital of the Company. Legal reserve may be used in loss compensation. When the Company has no loss, the part of the legal reserve that exceeds the total paid-in capital for 25% may be distributed in cash.

The Company held its annual shareholders' meetings on June 28, 2023 and June 29, 2022 and the proposals for earning distribution for 2022 and 2021 approved as resolutions are as follows:

	2022	2021
Legal reserve	<u>\$ 7,389</u>	<u>\$ 3,166</u>
Special reserve	<u>(\$ 302)</u>	<u>\$ 83</u>
Cash dividends	<u>\$ 66,665</u>	<u>\$ 28,368</u>
Cash dividends per share (NT\$)	<u>\$ 0.94</u>	<u>\$ 0.40</u>

In addition, on June 28, 2023, the Board of the Company intended to distribute cash of NT\$4,255 thousand from its capital reserve, NT\$0.06 per share.

On March 12,
, the proposal for the earning distribution of 2023 discussed by the Board is as follows:

	2023
Legal reserve	<u>\$ 20,384</u>
Special reserve	<u>(\$ 35)</u>
Cash dividends	<u>\$181,557</u>
Cash dividends per share (NT\$)	<u>\$ 3.20</u>

The proposal for the earning distribution and the proposal for the cash distribution from the capital reserve of 2023 are expected to be resolved at the annual shareholders' meeting to be convened on June 25, 2024.

(IV) Special reserve

	2023	2022
Beginning balance	<u>\$ 3,088</u>	<u>\$ 3,005</u>
(Reversal) Appropriation of special reserve	<u>(302)</u>	<u>83</u>
Ending balance	<u>\$ 2,786</u>	<u>\$ 3,088</u>

(V) Other Components of Equity

Exchange differences on translation of foreign operations

	2023	2022
Beginning balance	(\$ 2,786)	(\$ 3,088)
Generated during the year		
Translation difference of		
foreign operations	<u>35</u>	<u>302</u>
Ending balance	(\$ <u>2,751</u>)	(\$ <u>2,786</u>)

XXI. Net revenue

	2023	2022
Revenue from contracts with customers		
Income from product sales	\$601,439	\$402,957
Service revenue	<u>47,658</u>	<u>35,285</u>
	<u>\$649,097</u>	<u>\$438,242</u>

(I) Description of contracts with customers

1. Sales revenue of products

Refer to the sales of optical transport network access equipment, U interface and MDSL interface multiplexer, network management systems, Internet access equipment, time-slot interchanger, and other products.

2. Service revenue

Partial contracts entered into with customers include educational training services and software/hardware installation services.

(II) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 9)	<u>\$ 230,989</u>	<u>\$ 41,771</u>	<u>\$ 130,098</u>
Contract assets - current			
Sales of products	<u>\$ 233</u>	<u>\$ 32,776</u>	<u>\$ 148,875</u>
Contract liabilities - current			
Sales of products	<u>\$ 4,561</u>	<u>\$ 3,002</u>	<u>\$ 1,112</u>

Changes in contract assets and liabilities are primarily due to the difference in the point of time fulfilling the performance obligations and the point of time that customers make payments.

The amount of contract liabilities at the beginning of the year recognized as revenue of the current period is as follows:

	<u>2023</u>	<u>2022</u>
<u>Contract liabilities from the beginning of the year</u>		
Sales of products	<u>\$ 2,650</u>	<u>\$ 393</u>
(III) Breakdown of revenue from contracts with customers		
For the details of revenue, please refer to Note 32.		
XXII. <u>Net income</u>		
(I) Interest income		
	<u>2023</u>	<u>2022</u>
Bank deposits	<u>\$ 15,525</u>	<u>\$ 4,029</u>
(II) Other income		
	<u>2023</u>	<u>2022</u>
Trademark licensing income (Note 18)	\$ 29,778	\$ 29,778
Income and expenses of investment properties		
Rental income	6,418	6,322
Depreciation of investment properties	(1,139)	(1,142)
Dividend income	46	43
Others	<u>1,392</u>	<u>1,118</u>
	<u>\$ 36,495</u>	<u>\$ 36,119</u>
(III) Other gains and losses		
	<u>2023</u>	<u>2022</u>
Net gains on currency exchange	\$ 2,307	\$ 32,598
Net (losses) gains on financial assets at fair value through profit or loss	990	(508)
Others	<u>-</u>	<u>(2,096)</u>
	<u>\$ 3,297</u>	<u>\$ 29,994</u>

(IV) Finance costs

	2023	2022
Interest of lease liabilities	\$ 1,269	\$ 1,159
Interest of bank borrowings	<u>553</u>	<u>89</u>
	<u>\$ 1,822</u>	<u>\$ 1,248</u>

(V) Depreciation and amortization

	2023	2022
Summary of depreciation expenses by function		
Operating cost	\$ 6,130	\$ 5,281
Operating expenses	8,602	8,996
Other expenses	<u>1,139</u>	<u>1,142</u>
	<u>\$ 15,871</u>	<u>\$ 15,419</u>
Summary of amortization expenses by function		
Operating cost	\$ 557	\$ 128
Operating expenses	<u>3,953</u>	<u>3,530</u>
	<u>\$ 4,510</u>	<u>\$ 3,658</u>

(VI) Employee benefits expense

	2023	2022
Short-term employee benefits	<u>\$207,858</u>	<u>\$176,620</u>
Post-employment benefits (Note 19)		
Defined contribution plans	6,861	6,558
Defined benefit plans	<u>176</u>	<u>220</u>
	<u>7,037</u>	<u>6,778</u>
Other employee benefits	<u>11,304</u>	<u>8,843</u>
Total employee benefits expenses	<u>\$226,199</u>	<u>\$192,241</u>
Summary by function		
Operating cost	\$ 39,150	\$ 33,304
Operating expenses	<u>187,049</u>	<u>158,937</u>
	<u>\$226,199</u>	<u>\$192,241</u>

(VII) Remunerations of employees and Directors

According to the requirements of the Articles of Incorporation, if there is any balance after retaining the amount for compensating cumulative losses, the Company shall distribute no less than 10% and no more than 5% of the net income before tax and before deduction remuneration of employees and Directors of the year as remuneration of employees and remuneration of Directors, respectively. In 2023 and 2022, remuneration of employees and remuneration of Directors were resolved by the Board on March 12, 2024 and March 28, 2023, respectively, as follows:

Estimated ratio

	<u>2023</u>	<u>2022</u>
Remuneration of employees	10%	10%
Directors' remuneration	2%	2%

Amount

	<u>2023</u>		<u>2022</u>	
	<u>Cash</u>	<u>Shares</u>	<u>Cash</u>	<u>Shares</u>
Remuneration of employees	\$ 28,042	\$ -	\$ 9,478	\$ -
Directors' remuneration	5,608	-	1,896	-

If there is any change in the amount after the approval date for the publication of the consolidated financial statements, it shall be treated as a change in accounting estimate, and adjusted and accounted for in the following year.

In 2022 and 2021, the actual distribution amount of remuneration of employees and remuneration of Directors has no difference from the amount recognized in the 2022 and 2021 consolidated financial statements.

For information on the remuneration of employees and remuneration of Directors resolved by the Board of the Company, please visit “MOPS” of the Taiwan Stock Exchange for inquiries.

(VIII) Foreign currency exchange gains and losses

	<u>2023</u>	<u>2022</u>
Total gains on currency exchange	<u>\$ 2,307</u>	<u>\$ 32,598</u>

XXIII. Income tax

(I) Income tax recognized in profit or losses

The major components of income tax expenses are as follows:

	<u>2023</u>	<u>2022</u>
Income tax of the period		
Generated during the year	\$ 49,908	\$ 9,510
Additional tax on undistributed earnings	-	2
Adjustments from prior years	<u>434</u>	<u>2,048</u>
	50,342	11,560

(Cont'd)

(Cont'd)

	<u>2023</u>	<u>2022</u>
Deferred income tax		
Generated during the year	(\$ 3,236)	\$ 4,440
Income tax expenses recognized in profit or losses	<u>\$ 47,106</u>	<u>\$ 16,000</u>

The reconciliation of accounting income and income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Net income before tax	<u>\$246,765</u>	<u>\$ 83,403</u>
Income tax expense at the statutory rate	\$ 49,353	\$ 16,681
Non-deductible items in determining taxable income	-	1,069
Tax-exempted income	(85)	(9)
Adjustments in temporary differences	(1,429)	283
Investment tax credits during the period	(1,167)	(4,074)
Additional tax on undistributed earnings	-	2
Adjustments from prior years	<u>434</u>	<u>2,048</u>
Income tax expenses recognized in profit or losses	<u>\$ 47,106</u>	<u>\$ 16,000</u>

(II) Tax liability

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax liability		
Income tax payable	<u>\$ 48,424</u>	<u>\$ 9,235</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

<u>Deferred income tax assets</u>	<u>Beginning balance</u>	<u>Changes during the year</u>	<u>Ending balance</u>
Temporary difference			
Unrealized allowance for inventory valuation and obsolescence losses	\$ 5,629	\$ 810	\$ 6,439
Others	<u>84</u>	<u>(84)</u>	<u>-</u>
	<u>\$ 5,713</u>	<u>\$ 726</u>	<u>\$ 6,439</u>

(Cont'd)

(Cont'd)

Deferred income tax liabilities	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized exchange gains	\$ 3,455	(\$ 2,510)	\$ 945

2022

Deferred income tax assets	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized allowance for inventory valuation and obsolescence losses	\$ 4,854	\$ 775	\$ 5,629
Unrealized exchange losses	1,733	(1,733)	-
Others	111	(27)	84
	\$ 6,698	(\$ 985)	\$ 5,713

Deferred income tax liabilities	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized exchange gains	\$ -	\$ 3,455	\$ 3,455

(IV) Deductible temporary differences of deferred income tax assets not recognized in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 55,878	\$ 63,866

(V) Assessment of tax

The profit-seeking business income tax declarations of the Company as of 2021 have been approved by the taxation authority.

XXIV. Earnings per share

(In New Taiwan Dollars per share)

	2023	2022
Basic earnings per share	\$ 3.00	\$ 0.95
Diluted earnings per share	\$ 2.97	\$ 0.94

Net income and the weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net income for the year

	<u>2023</u>	<u>2022</u>
Net income used to calculate basic and diluted earnings per share	<u>\$199,659</u>	<u>\$ 67,403</u>

Shares

Unit: thousand shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used to calculate basic earnings per share	66,490	70,921
Impacts of potential ordinary shares with diluted effects:		
Remuneration of employees	<u>651</u>	<u>512</u>
Weighted average number of ordinary shares used to calculate diluted earnings per share	<u>67,141</u>	<u>71,433</u>

If the Company may choose to distribute remuneration of employees in stock or in cash, when calculating the diluted earnings per share, it assumes that remuneration of employees will be distributed in stock and calculates the diluted earnings per share by including the weighted average number of outstanding shares when potential ordinary shares have diluted effects. When calculating diluted earnings per share before resolving the number of shares for the distribution of remuneration of employees in the following year, the Company continues to consider the diluted effects of such potential ordinary shares.

XXV. Capital risk management

The Company engages in capital management to ensure all enterprises within the Group can optimize the balance of liabilities and equity with a precondition of continuing operations so as to maximize shareholders' return. The overall strategy of the Company has no significant change.

The capital structure of the Company is composed of equity (i.e., share capital, capital reserve, retained earnings, and other equity items).

The Company is not required to comply with other external capital requirements.

XXVI. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

The management of the Company considers that the carrying amounts of financial assets and financial liabilities not measured at fair value are equivalent to their fair value.

(II) Information on fair value - financial instruments at fair value on a repeatability basis

1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial asset measured</u> <u>at fair value through</u> <u>profit or loss</u>				
Domestic listed stocks	\$ 211	\$ -	\$ -	\$ 211
Beneficiary certificates	<u>10,330</u>	<u>-</u>	<u>-</u>	<u>10,330</u>
	<u>\$ 10,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,541</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial asset measured</u> <u>at fair value through</u> <u>profit or loss</u>				
Domestic listed stocks	\$ 3,375	\$ -	\$ -	\$ 3,375
Beneficiary certificates	<u>30,171</u>	<u>-</u>	<u>-</u>	<u>30,171</u>
	<u>\$ 33,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,546</u>

In 2023 and 2022, there was no measurement transfer between level 1 and level 2 fair value.

(III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss	\$ 10,541	\$ 33,546
Financial assets at amortized costs (Note 1)	616,707	432,003
<u>Financial liabilities</u>		
Measured at amortized costs (Note 2)	310,223	90,724

Note 1: The balance includes cash and cash equivalents, financial assets at amortized costs (current and non-current), accounts receivable, other receivables, and other financial assets at amortized costs.

Note 2: The balance includes accounts payable, other payables, long-term borrowings (including those due within one year), and other financial liabilities at amortized costs.

(IV) Financial risk management purpose and policy

The Company's main financial instruments include investments in equity instruments, cash and cash equivalents, accounts receivable, bank borrowings, accounts payable, and lease liabilities. The financial management department of the Company provides services for all business departments, coordinates the entrance to domestic and international financial markets for operations, analyzes the internal risk of exposure based on the level and width of risks, and monitors and manages financial risks related to the operations of the Company. Such risks include market risks (including exchange rate risks, interest rate risks, and other price risks), credit risks, and liquidity risks.

1. Market risk

The major financial risks assumed by the Company due to its operating activities are the risk of changes in exchange rates (please refer to (1) below for details) and the risk of changes in interest rates (please refer to (2) below for details).

There is no change in the exposure to financial instrument market risks of the Company and its management and measurement methods of such exposures.

(1) Exchange rate risks

The Company engages in sales and purchases denominated in foreign currencies, resulting in the exposure of the Company to changes in exchange rates. The management of exchange rate exposure of the Company is to utilize natural hedging methods for risk management within the scope permitted under its policies.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company on the balance sheet date, please refer to Note 29.

Sensitivity analysis

The Company is primarily affected by the fluctuation of the USD's exchange rate.

The following table describes the sensitivity analysis of the Company when the exchange rate of the functional currency appreciates and

depreciates by 1% for each of the relevant foreign currencies. The sensitivity ratio used to report to the major management within the Company for exchange rate risks is 1%, which also represents the scope of reasonable and possible changes in exchange rates assessed by the management. The sensitivity analysis only includes outstanding monetary items in foreign currencies, and adjustments are made to their translation at the end of the period based on a change of 1%. The positive figures in the following table refer to the increase in net income before tax when NTD depreciates by 1% against relevant currencies; when NTD appreciates by 1% against relevant currencies, the effects on net income before tax will be the same amount in negative.

	Effects of USD	
	2023	2022
Profit or loss	\$2,686(i)	\$ 3,300(i)

- (i) Primarily originated from cash and cash equivalents, accounts receivable, other receivables, and accounts payable denominated in USD that is outstanding on the balance sheet date with no cash flow hedging performed.

(2) Interest rate risks

Interest rate exposure arising from the borrowing of capital at fixed and floating rates by entities within the Company. The Company manages the interest rates risk by maintaining an adequate portfolio of fixed and variable interest rates.

The carrying amount of financial assets and financial liabilities under interest rate exposure on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risks		
- Financial assets	\$278,503	\$282,187
- Financial liabilities	52,585	49,268
With cash flow interest rate risks		
- Financial assets	105,043	106,119
- Financial liabilities	192,000	1,936
<u>Sensitivity analysis</u>		

The following sensitivity analysis is based on the risk exposure to the interest rates risk of non-derivative instruments on the balance sheet date.

Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding on the balance sheet date was outstanding throughout the reporting period. The rate of change used to report to the major management within the Group is an increase or decrease of 0.1% in the interest rate, which also represents the scope of reasonable and possible changes in interest rates assessed by the management.

With other variables remaining unchanged, if the interest rate increases/decreases by 0.1%, the net income before tax of the Company will increase/decrease by NT\$87 thousand and NT\$104 thousand in 2023 and 2022, respectively, primarily due to the interest rate exposure of net assets at variable interest rates.

(3) Other price risks

The Company has equity price exposure arising from its investments in equity securities. Such equity investments are not held for trading purposes but strategic investments; the Company is not actively trading such investments. In addition, the Company has appointed a particular team to monitor price risks and evaluate the timing to increase the hedging positions of the risks hedged.

Sensitivity analysis

The following sensitivity analysis is based on the equity price on the balance sheet date.

If the equity price increases/decreases by 5%, net income before tax in 2023 and 2022 will increase/decrease by NT\$527 thousand and NT\$1,677 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through profit or loss.

2. Credit risks

Credit risks refer to risks of financial losses of the Group resulting from the delay in performing contract obligations of counterparties. As of the balance sheet date, the maximum credit risk exposure of financial losses that may incur to the Company due to non-performance of obligations by counterparties and the provision of financial guarantees is the carrying amount of financial assets recognized in the consolidated balance sheet.

To mitigate credit risks, the management of the Company has appointed a dedicated team to be responsible for the decision of loan limits, loan approval, and other monitoring procedures to ensure that appropriate actions are adopted for the recovery of overdue amounts receivable. In addition, the Company reviews the recoverable amount of amounts receivables on a case-by-case basis on the balance sheet date to ensure impairment losses are provided for amounts receivable not recoverable. Accordingly, the management of the Company considers that the credit risks of the Company have reduced significantly.

3. Liquidity risks

The Company supports its operations and mitigates the effects of cash flow fluctuation by managing and maintaining abundant positions of cash and cash equivalents. The management of the Company monitors the use status of financing limits with banks and ensures compliance with the terms of borrowing contracts.

Bank borrowings represent a material source of liquidity to the Company. As of December 31, 2023 and 2022, the Group has not utilized any financing limit; please refer to the description of the financing limit in (2) below.

(1) Table of liquidity and interest rate risks of non-derivate financial liabilities

The maturity analysis of remaining contracts for non-derivative liabilities is prepared in accordance with the earliest date on which the Company may be requested to make repayment based on the undiscounted cash flow of financial liabilities (including principals and estimated interests). Therefore, bank borrowings that the Company may be requested to repay immediately are set out in the earliest period in the following table, without considering the probability of banks exercising their rights immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the repayment dates agreed upon.

December 31, 2023

	Request of instant payment or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 10,519	\$ 22,252	\$ 2,684	\$ -	\$ 35,455
Other payables	73,335	8,561	872	-	82,768
Lease liabilities	289	578	2,600	67,224	70,691
Instruments at floating interest rates	-	192,181	-	-	192,181
	<u>\$ 84,143</u>	<u>\$ 223,572</u>	<u>\$ 6,156</u>	<u>\$ 67,224</u>	<u>\$ 381,095</u>

Further information on the maturity analysis of the abovementioned financial liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 3,467	\$ 12,680	\$ 11,398	\$ 11,398	\$ 11,398	\$ 20,350
Instruments at floating interest rates	192,181	-	-	-	-	-
	<u>\$ 195,648</u>	<u>\$ 12,680</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 20,350</u>

December 31, 2022

	Request of instant payment or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 11,239	\$ 18,342	\$ 57	\$ -	\$ 29,638
Other payables	7,760	45,497	5,893	-	59,150
Lease liabilities	190	380	1,711	65,943	68,224
Instruments at floating interest rates	195	391	1,368	-	1,954
	<u>\$ 19,384</u>	<u>\$ 64,610</u>	<u>\$ 9,029</u>	<u>\$ 65,943</u>	<u>\$ 158,966</u>

Further information on the maturity analysis of the abovementioned financial liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 2,281	\$ 9,119	\$ 11,398	\$ 11,398	\$ 11,398	\$ 22,630
Instruments at floating interest rates	1,954	-	-	-	-	-
	<u>\$ 4,235</u>	<u>\$ 9,119</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 22,630</u>

(2) Financing limit

	December 31, 2023	December 31, 2022
Non-secured bank borrowings limits		
- Amount not utilized	<u>\$ 20,000</u>	<u>\$ -</u>

(Cont'd)

(Cont'd)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured bank borrowings limits (may be extended with the consent of both parties)		
- Amount utilized	\$192,000	\$ 1,936
- Amount not utilized	<u>344,073</u>	<u>352,875</u>
	<u>\$536,073</u>	<u>\$354,811</u>

XXVII. Related party transactions

When preparing the consolidated financial statements, transactions, accounting balances, gains and losses between the Company and subsidiaries (who are related parties of the Company) are eliminated in full; therefore, they are not disclosed in the note.

Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 19,325	\$ 18,070
Post-employment benefits	678	375
Other employee benefits	<u>153</u>	<u>144</u>
	<u>\$ 20,156</u>	<u>\$ 18,589</u>

The salary of Directors and other major management is determined by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged assets

The following assets were provided as collateral for bank borrowings, performance guarantees, and lease deposits:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits pledged (accounted for financial assets at amortized costs - current)	\$101,627	\$ -
Time deposits pledged (accounted for financial assets at amortized costs - non-current)	12,056	12,026
Property, plant and equipment and investment properties	22,560	23,425
Refundable deposits	<u>32,911</u>	<u>30,212</u>
	<u>\$169,154</u>	<u>\$ 65,663</u>

XXIX. Assets and liabilities in foreign currencies of material effects

The following information is presented as a summary of foreign currencies other than functional currencies of entities within the Company, and the exchange rates disclosed are the exchange rates used to translate such foreign currencies into functional currency. Assets and liabilities in foreign currencies of material effects are as follows:

Unit: Foreign currencies/NT\$ thousand

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Assets in foreign currencies			
<u>Monetary items</u>			
USD	\$ 9,358	30.705	\$ 287,337
JPY	21,367	0.217	4,641
GBP	105	39.150	4,111
RMB	943	4.327	4,080
			<u>\$ 300,169</u>
Liabilities in foreign currencies			
<u>Monetary items</u>			
USD	611	30.705	\$ 18,761
RMB	544	4.327	2,354
			<u>\$ 21,115</u>

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Assets in foreign currencies			
<u>Monetary items</u>			
USD	\$ 11,235	30.71	\$ 345,027
RMB	1,257	4.408	5,541
EURO	155	32.72	5,072
GBP	104	37.09	3,857
			<u>\$ 359,497</u>

(Cont'd)

(Cont'd)

Liabilities in foreign currencies	Foreign currency	Exchange rate	Carrying amount
<u>Monetary items</u>			
USD	489	30.71	<u>\$ 15,017</u>

(Losses) gains (unrealized) on currency exchange of material effects are as follows:

	2023		2022	
Foreign currency	Exchange rate	Net exchange gains or losses	Exchange rate	Net exchange gains or losses
USD	30.705	<u>\$ 4,239</u>	30.71	<u>\$ 17,269</u>

XXX. Disclosures notes

(I) Information on significant transactions:

1. Financings provided to others: None.
2. Endorsements and guarantees provided to others: None
3. Marketable securities held (excluding investments in the equity of subsidiaries).
(Table 1)
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None
10. Others: The business relationship between the parent and the subsidiaries and significant transactions between them (Table 5)

(II) Information on investees (Table 2)

(III) Information on investments in Mainland China:

1. Name of investees in Mainland China, major scope of business, paid-in capital, investment methods, outward/inward remittance of capital, shareholding ratio,

carrying amount of investments at the end of the period, gains or losses on investments remitted back, and investment limits in Mainland China. (Table 3)

2. Material transactions that occurred directly or indirectly via a third-party region with investees in Mainland China, their prices, payment conditions, and unrealized gains or losses: (Table 4)

- (1) Purchase amount and ratio and ending balance and ratio of relevant amounts payable.
- (2) Sales amount and ratio and ending balance and ratio of relevant amounts receivable.
- (3) Amount of property transaction and gains or losses arising thereof.
- (4) Ending balance of note endorsements/guarantees of provision of collateral and its purpose.
- (5) Maximum balance of fund accommodation, closing balance, interest rate range, and total interest of the period.
- (6) Other transactions have material effects on the profit or loss of the period or financial position (i.e., provision or receipt of services).

- (IV) Information on major shareholders: Name of major shareholders with a shareholding of 5% or above and shareholding ratio. (Table 6)

XXXI. Segment information

- (I) Segment income, operating achievements, and total assets and liabilities of segments:

The operating decision-maker of the Company focuses on the financial information of products to allocate resources and evaluate segment performance; each product has similar economic features, each product adopts similar procedures, and products are sold via unified and centralized sales methods; therefore, the Company is reported as a single operating segment. Furthermore, for the segment information provided by the Company to the operating decision-maker for review, the measurement basis is equivalent to that of financial statements; therefore, the consolidated statement of comprehensive income in 2023 and 2022 may be referred to for the reportable segment income and operating achievements in 2023 and 2022. The consolidated balance sheet as of December 31, 2023 and 2022 may be referred to for the reportable segment assets as of December 31, 2023 and 2022.

(II) Revenue from major products

Revenue from major products of the Company is analyzed as follows:

Product	2023	2022
Optical transport network access equipment	\$356,445	\$236,872
U interface and MDSL interface multiplexer	148,394	132,501
Network management system	27,923	7,003
Internet access equipment	10,875	3,039
Time-slot interchanger	5,461	3,582
Others	99,999	55,245
	<u>\$649,097</u>	<u>\$438,242</u>

(III) Geographic information

Information on the revenue of continuing operations from external customers by operating venue and on non-current assets by location of assets is set out as follows:

	External customer		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Europe	\$ 209,894	\$ 85,562	\$ -	\$ -
Taiwan	204,480	107,240	228,770	223,352
America	118,741	101,558	-	-
Asia (other than Taiwan)	87,222	102,028	5,470	5,941
Others	28,760	41,854	-	-
	<u>\$ 649,097</u>	<u>\$ 438,242</u>	<u>\$ 234,240</u>	<u>\$ 229,293</u>

Non-current assets exclude deferred income tax assets, refundable deposits, and financial instruments.

(IV) Major customers

The breakdown of customers who account for 10% of the Company's net revenue or above is as follows:

	2023	2022
Customer A	<u>\$107,296</u>	<u>\$ 90,308</u>
Customer B	<u>\$104,464</u>	<u>\$ 78,171</u>
Customer C	<u>\$101,173</u>	Note

Note: Sales revenue has not reached 10% of the Company's revenue.

Loop Telecommunication International, Inc. and its subsidiaries
Marketable securities held
December 31, 2023

Table 1

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Names of companies held	Category of marketable securities	Name of marketable securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
					Shares (In Thousands)	Carrying amount	Shareholding ratio (%)	Market price	
The Company	Fund	Union Money Market Fund	—	Financial assets at fair value through profit or loss - Current	761	\$ 10,330	-	\$ 10,330	Note 1
	Common shares	TPK Holding Co., Ltd.	—	Financial assets at fair value through profit or loss - Current	3	109	-	109	Note 1
	Common shares	G-TECH Optoelectronics Corporation	—	Financial assets at fair value through profit or loss - Current	2	51	-	51	Note 1
	Common shares	Sunspring Metal Corporation	—	Financial assets at fair value through profit or loss - Current	2	51	-	51	Note 1
	Preferred shares	Formerica Optoelectronics Inc.	—	Financial assets at fair value through profit or loss - Current	8	-	-	-	—

Note 1: Calculated based on the closing price of shares on December 31, 2023.

Note 2: As of December 31, 2023 the abovementioned securities were not provided for guarantee, pledge, or being restricted from use due to other agreements.

Loop Telecommunication International, Inc. and its subsidiaries
Information on investees, location, and other relevant information
For the year ended December 31, 2023

Table 2

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Name of the investors	Name of the investees	Location	Main business line	Original / investment amount		Held at the end of the period			Net loss of the investee for the period (Note)	Investment losses recognized during the period (Note)	Remarks
				Ending balance of the period	End of the preceding period	Shares (In Thousands)	Ratio (%)	Carrying amount (Note)			
The Company	Tech-Plan (BVI) Ltd.	BVI	Investment business	USD 4,016 thousand	USD4,016 thousand	4,016	100	\$ 412	(\$ 194)	(\$ 194)	Subsidiary of the Company
	Loop Telecom NA, Inc.	The U.S.	Development and trading of digital communication equipment and software	USD 5 thousand	USD 5 thousand	5	100	153	-	-	Subsidiary of the Company
Tech-Plan (BVI) Ltd.	Maxi View Holdings Ltd.	Hong Kong	Investment business	USD1,616 thousand	USD1,616 thousand	1,616	100	(293)	(72)	(72)	Sub-subsidiary of the Company
	Loop Telecommunication International Ltd.	Cayman	Investment business	USD2,400 thousand	USD2,400 thousand	2,400	100	712	(122)	(122)	Sub-subsidiary of the Company

Note: Calculated based on the financial statements of the same period audited by Accountants.

Loop Telecommunication International, Inc. and its subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2023

Table 3

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Investee in Mainland China	Main business line	Paid-in capital	Method of investment	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Investment flows		Accumulated investment amount of remittance from Taiwan at the end of the period	Shareholding ratio of the Company's direct or indirect investments (%)	Investment gains or losses recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Accumulated inward remittance of earnings as of the end of the period
					Outflow	Inflow					
Tianjin Loop Electron Technology Co., Ltd.	Development and trading of digital communication equipment and software	USD850 thousand	Note 1	USD296 thousand and RMB500 thousand (\$ 11,252) Note 3	\$ -	\$ -	USD296 thousand and RMB500 thousand (\$ 11,252) Note 3	100	\$ 391	(\$ 515)	\$ -
Tianjin Loop Technology Co.,Ltd	Development and trading of digital communication equipment and software	USD600 thousand	Note 1	USD300 thousand (\$ 9,212) Note 6	-	-	USD 300 thousand (\$ 9,212) Note 6	100	(463)	(2,287)	-
Chongqing Loop Technology Co., Ltd.	R&D, design, production, processing, and trading of digital communication equipment	USD2,400 thousand	Note 1	USD2,400 thousand (\$ 73,692)	-	-	USD2,400 thousand (\$ 73,692)	100	(122)	704	-

Accumulated Investment in Mainland China at the end of the period (Note 5)	Investment amounts authorized by Investment Commission, MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs is 60% of the net worth
USD 3,882 thousand and RMB 500 thousand (\$ 121,361)	USD 5,536 thousand (\$ 169,983)	\$505,916

Note 1: Investment in the company in Mainland China through investing in establishing a company in a third-party region.

Note 2: Calculated based on the financial statements of the same period audited by Accountants.

Note 3: Maxi View Holdings Ltd. was established through the investments from earnings distributed by Tianjin Loop Communication Equipment Co., Ltd. Maxi View Holdings Ltd. acquired the residual equity of Tianjin Loop Electron Technology Co., Ltd. at RMB500 thousand in August 2019, and its shareholding ratio increased from 75% to 100%.

Note 4: For those involving foreign currencies, they are translated into NTD at the exchange rates on December 31, 2023 using the following rate: US\$1=NT\$30.705 and RMB\$1=NT\$4.327.

Note 5: Include the cumulative outward remittance amount of US\$886 thousand to Hangzhou Loop Electronics Co., Ltd. and Hangzhou Loop Smart Instrument Co., Ltd.

Note 6: Exclude the investment amount of US\$300 thousand from the earnings of Maxi View Holdings Ltd..

Loop Telecommunication International, Inc. and its subsidiaries

Material transactions that occurred directly or indirectly via a third-party region with investees in Mainland China, their prices, payment conditions, unrealized gains or losses, and other relevant information

For the year ended December 31, 2023

Table 4

(In Thousands of New Taiwan Dollars)

Investee in Mainland China	Transaction category	Purchases and sales		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gains or losses	Remarks
		Amount	Ratio		Amount	Ratio		
Tianjin Loop Technology Co.,Ltd	Sales	\$ 704	0.11%	—	\$ -	-	\$ -	—
	Purchases	5,609	2.74%	—	(827)	2.13%	-	—
Chongqing Loop Technology Co., Ltd.	Purchases	13,555	6.62%	—	(3,177)	8.18%	-	—

Note: For transactions between related parties, the transacting price is determined by both parties with reference to the market status; however, the collection of payments for goods shall be subject to the capital status of the related parties.

Loop Telecommunication International, Inc. and its subsidiaries
The business relationship between the parent and the subsidiaries and significant transactions between them
For the year ended December 31, 2023

Table 5

(In Thousands of New Taiwan Dollars)

No.	Company	Counter-party	Relationship with the counterparty (Note 1)	Status of transaction			
				Account	Amount	Transaction conditions (Note 2)	Ratio to the consolidated total revenue or total assets
0	The Company	Chongqing Loop Technology Co., Ltd.	1	Purchases	\$ 13,555	—	2.09%
				Accounts payable	3,177	—	0.25%
				Other prepayments	1,646	—	0.13%
		Tianjin Loop Technology Co.,Ltd	1	Sales	704	—	0.11%
				Purchases	5,609	—	0.86%
				Other receivables	695	—	0.05%
				Prepayments for goods	3,618	—	0.28%
				Accounts payable	827	—	0.06%
		Tianjin Loop Electron Technology Co., Ltd.	1	Other prepayments	87	—	-
		Loop Telecom NA, Inc.	1	Temporary payments	31	—	-

Note 1: 1 refers to transactions between the parent company and subsidiaries.

Note 2: The selling price provided by the Company to related parties is equivalent to other customers; however, the credit period for general customers is 30 to 60 days, and for related parties is 180 days; however, the collection is temporarily made based on the capital status of subsidiaries at present.

Loop Telecommunication International, Inc.

Information on major shareholders

December 31, 2023

Table 6

Name of major shareholder	Shares	
	Number of shares held (share)	Ownership
Yeh Maw-Lin	5,625,844	9.91%

Note 1: Information on the major shareholder in the table is provided by the centralized depository enterprise on the last business day of the current quarter for the calculation of the total number of ordinary shares and preferred shares of the Company with non-physical registration completed (including treasury shares) held by shareholders, in aggregate, reaching 5% or above. The share capital in the consolidated financial statements of the Company may differ from the actual number of shares delivered with non-physical registration completed due to a different preparation or calculation basis.

Note 2: Regarding the abovementioned data, if the shareholding of shareholders is entrusted, the individual account of the consignor for whom the trustee opens the trust account shall be presented separately. For the declaration of insiders with over 10% of equity according to the Securities and Exchange Act by a shareholder, the shareholding includes shareholding of the shareholder plus shares delivered to a trust that has rights to determine the utilization of trusted properties; for data on insider equity declaration, please refer to MOPS.

Loop Telecommunication International, Inc.

Parent Company Only Financial Statements for
The Years Ended December 31, 2023 and 2022
And Independent Auditors' Report

Address: 7F, No.8, Xin'an Road, Hsinchu Science Park
Tel: (03)5787696

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Independent Auditors' Report Translated from Chinese

Opinion

We have audited the accompanying parent company only balance sheet of Loop Telecommunication International, Inc. (the “Company”) as of December 31, 2023 and 2022, 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, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We comply with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China and independent of the Company. We have also fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

Revenue recognition

1. The major revenue sources of Company includes the production and sales of user remote line disconnectors, high-speed network access equipment, smart network resource management selectors, and other relevant products. As revenue has material effects on the 2023 parent company only financial statements of Loop Telecommunication International, Inc., revenue recognition involves manual control operations, and there are risks related to sales counterparties and the authenticity of transactions due to the significant growth in the revenue from partial customers, we have identified the revenue recognition as a key audit matter. For the accounting policies of revenue recognition, please refer to Note 4.(12) to the parent company only financial statements.

2. In response to the abovementioned risks, we have performed the following audit procedures:

(1) Understand and test the internal control systems and procedures related to the cycle of sales transactions to identify and evaluate the effectiveness of the internal control procedures involved in making sales transactions.

(2) Sample whether internal orders are approved by the responsible supervisor.

(3) Sample whether external orders and transportation documents have been obtained for revenue recognition and whether the amount and the invoiced amount are consistent.

(4) Sample whether the amount of collection after the period for relevant sales income transactions, remittance certificates, and counterparties is consistent with the amount of revenue recognition and counterparties.

Responsibilities of the Management and Those Charged with Governance for the Individual 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 the 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 the 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 opinions on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 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.

Deloitte & Touche Taiwan

Accountant Huang Yu-Feng

Accountant Tseng Jian-Ming

Approval No. of the Securities and Futures
Bureau

Tai-Cai-Zheng-Liu-Zi No.0920123784

Approval No. of the Financial Supervision-
Commission

Jin-Guan-Shen-Zheng-Zi No.1100356048

March 12, 2024

Notice to Readers

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

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

Loop Telecommunication International, Inc.

Parent Company Only Balance Sheet

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents (Notes 4 and 6)	\$ 264,406	21	\$ 355,599	33
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	10,541	1	33,546	3
Financial assets at amortized cost - current (Notes 4 and 8)	103,169	8	15,773	2
Contract assets - current (Notes 4 and 21)	233	-	32,776	3
Net accounts receivable (Notes 4, 5, 9, and 21)	230,989	18	41,771	4
Accounts receivable - related party (Notes 4, 5, and 27)	-	-	201	-
Other receivables (Notes 4, 9 and 27)	1,835	-	886	-
Inventories (Notes 4, 5, and 10)	372,867	29	310,379	29
Other current assets (Notes 16 and 27)	12,730	1	7,541	1
Total current assets	996,770	78	798,472	75
Non-current assets				
Financial assets at amortized cost - non-current (Notes 4, 8, and 28)	12,056	1	12,026	1
Investments accounted for using equity method (Notes 4 and 11)	565	-	1,145	-
Property, plant and equipment (Notes 4, 12, and 28)	149,883	12	142,313	13
Right-of-use assets (Notes 4 and 13)	43,608	3	40,543	4
Investment property (Notes 4, 14, and 28)	30,719	2	31,858	3
Intangible assets (Notes 4 and 15)	4,560	-	8,638	1
Deferred income tax assets (Notes 4 and 23)	6,439	1	5,713	-
Refundable deposits (Note 28)	32,911	3	30,212	3
Net defined benefit assets (Notes 4 and 19)	1,427	-	-	-
Total non-current assets	282,168	22	272,448	25
Total assets	\$ 1,278,938	100	\$ 1,070,920	100
Financial liabilities and equity				
Current liabilities				
Short-term borrowings (Notes 4, 17, and 28)	\$ 192,000	15	\$ -	-
Contract liabilities - current (Notes 4 and 21)	4,561	-	3,002	-
Accounts payable	34,839	3	29,581	3
Accounts payable - related party (Note 27)	4,004	-	1,775	-
Other payables (Note 18)	72,977	6	49,032	5
Income tax payable (Notes 4 and 23)	48,424	4	9,235	1
Lease liabilities - current (Notes 4 and 13)	2,256	-	1,159	-
Long-term liabilities - current portion (Notes 4, 17, and 28)	-	-	1,936	-
Other current liabilities (Note 18)	9,674	1	30,328	3
Total current liabilities	368,735	29	126,048	12
Non-current liabilities				
Deferred income tax liabilities (Notes 4 and 23)	945	-	3,455	-
Lease liabilities - non-current (Notes 4 and 13)	50,329	4	48,109	4
Net defined benefit liabilities - non-current (Notes 4 and 19)	-	-	16,731	2
Guarantee deposits	1,493	-	1,190	-
Other non-current liabilities (Note 18)	14,242	1	23,304	2
Total non-current liabilities	67,009	5	92,789	8
Total liabilities	435,744	34	218,837	20
Equity (Note 20)				
Common stock	567,365	44	709,206	66
Capital surplus	43,953	4	48,208	5
Retained earnings				
Legal reserve	26,563	2	19,174	2
Special reserve	2,786	-	3,088	-
Unappropriated earnings	205,278	16	75,193	7
Total retained earnings	234,627	18	97,455	9
Other equity	(2,751)	-	(2,786)	-
Total equity	843,194	66	852,083	80
Total Liabilities and Equity	\$ 1,278,938	100	\$ 1,070,920	100

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

Loop Telecommunication International, Inc.
Parent Company Only Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars,
Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Net revenue (Notes 4, 21, and 27)	\$ 648,696	100	\$ 438,234	100
Cost of revenue (Notes 4, 10, 22, and 27)	<u>205,560</u>	<u>32</u>	<u>202,874</u>	<u>46</u>
Gross profit	443,136	68	235,360	54
Unrealized gross profit on sales with subsidiaries (Note 4)	(<u>421</u>)	<u>-</u>	<u>978</u>	<u>-</u>
Realized gross profit	<u>442,715</u>	<u>68</u>	<u>236,338</u>	<u>54</u>
Operating expenses (Note 22)				
Sales and marketing expenses	52,099	8	44,264	10
General and administrative expenses	44,712	7	40,509	9
Research and development expenses	<u>152,224</u>	<u>23</u>	<u>134,715</u>	<u>31</u>
Subtotal	<u>249,035</u>	<u>38</u>	<u>219,488</u>	<u>50</u>
Income from operations	<u>193,680</u>	<u>30</u>	<u>16,850</u>	<u>4</u>
Non-revenue and expenses (Note 22)				
Interest income	15,516	2	4,016	1
Other income	36,270	6	35,576	8
Other gains and losses	3,297	-	31,530	7
Finance costs	(1,804)	-	(1,228)	-
Share of losses of subsidiaries accounted for using equity method (Note 4)	(<u>194</u>)	<u>-</u>	(<u>3,341</u>)	(<u>1</u>)
Total non- operating income and expenses	<u>53,085</u>	<u>8</u>	<u>66,553</u>	<u>15</u>

(Cont'd)

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	2023		2022	
	Amount	%	Amount	%
Income before income tax	\$ 246,765	38	\$ 83,403	19
Income tax expenses (Notes 4 and 23)	<u>47,106</u>	<u>7</u>	<u>16,000</u>	<u>4</u>
Net income	<u>199,659</u>	<u>31</u>	<u>67,403</u>	<u>15</u>
Other comprehensive income (Notes 4, 19, and 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit obligation	4,178	-	6,487	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>35</u>	<u>-</u>	<u>302</u>	<u>-</u>
Other comprehensive income, net of income tax	<u>4,213</u>	<u>-</u>	<u>6,789</u>	<u>2</u>
Total comprehensive income	<u>\$ 203,872</u>	<u>31</u>	<u>\$ 74,192</u>	<u>17</u>
Earnings per share (Note 24)				
Basic	<u>\$ 3.00</u>		<u>\$ 0.95</u>	
Diluted	<u>\$ 2.97</u>		<u>\$ 0.94</u>	

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

Loop Telecommunication International, Inc.
Parent Company Only Statement of Changes in Equity
For the years ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars; unless specified otherwise)								
	Capital stock			Retained earnings			Other Equity	
	Shares (1,000 shares)	Amount	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Total equity
Balance on January 1, 2022	70,921	\$ 709,206	\$ 48,208	\$ 16,008	\$ 3,005	\$ 32,920	(\$ 3,088)	\$ 806,259
Earnings distribution and appropriation in 2021								
Legal reserve	-	-	-	3,166	-	(3,166)	-	-
Special reserve	-	-	-	-	83	(83)	-	-
Cash dividends of shareholders	-	-	-	-	-	(28,368)	-	(28,368)
Net income in 2022	-	-	-	-	-	67,403	-	67,403
Other comprehensive income, net of income tax in 2022	-	-	-	-	-	6,487	302	6,789
Total comprehensive income in 2022	-	-	-	-	-	73,890	302	74,192
Balance of December 31, 2022	70,921	709,206	48,208	19,174	3,088	75,193	(2,786)	852,083
Capital reduction	(14,184)	(141,841)	-	-	-	-	-	(141,841)
Earnings distribution and appropriation in 2022								
Legal reserve	-	-	-	7,389	-	(7,389)	-	-
Special reserve	-	-	-	-	(302)	302	-	-
Cash dividends of shareholders	-	-	-	-	-	(66,665)	-	(66,665)
Cash distribution from capital reserve	-	-	(4,255)	-	-	-	-	(4,255)
Net income in 2023	-	-	-	-	-	199,659	-	199,659
Other comprehensive income, net of income tax in 2023	-	-	-	-	-	4,178	35	4,213
Total comprehensive income in 2023	-	-	-	-	-	203,837	35	203,872
Balance of December 31, 2023	<u>56,737</u>	<u>\$ 567,365</u>	<u>\$ 43,953</u>	<u>\$ 26,563</u>	<u>\$ 2,786</u>	<u>\$ 205,278</u>	<u>(\$ 2,751)</u>	<u>\$ 843,194</u>

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

Loop Telecommunication International, Inc.
Parent Company Only Statement of Cash Flows
For the years ended December 31, 2023 and 2022

	(In Thousands of New Taiwan Dollars)	
	2023	2022
Cash flows from operating activities		
Income before income tax	\$ 246,765	\$ 83,403
Item of profit or loss:		
Depreciation expense	15,412	14,688
Amortization expense	4,510	3,658
Net losses (gains) on financial assets at fair value through profit or loss	(990)	508
Finance costs	1,804	1,228
Interest income	(15,516)	(4,016)
Dividend income	(46)	(43)
Allowance for inventory valuation and obsolescence losses	4,051	3,876
Share of losses of subsidiaries accounted for using the equity method	194	3,341
Unrealized gains on sales with subsidiaries	421	(978)
Net gains on foreign exchange	12,551	(25,977)
Changes in operating assets and liabilities		
Contract assets	32,543	116,099
Accounts receivable (including those from related parties)	(190,985)	88,190
Other receivables (including those from related parties)	(660)	2,585
Inventories	(66,539)	(18,743)
Other current assets	(5,189)	4,123
Contract liabilities	1,559	1,890
Accounts payable (including those to related parties)	7,925	(13,377)
Other payables	23,617	10,967
Net defined benefit assests and liability	(20,654)	29,688
Net defined benefit liability	(13,980)	(4,930)
Other non-current liabilities	(9,062)	23,304
Cash from operations	27,731	319,484
Interest paid	(1,555)	(1,228)
Income tax paid	(11,153)	(9,367)
Net cash generated by operating activities	<u>15,023</u>	<u>308,889</u>

(Cont'd)

(Cont'd)

	2023	2022
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	(\$ 1,023,345)	(\$ 335,426)
Disposal of financial assets at amortized cost	935,919	333,765
Acquisition of financial assets at fair value through profit or loss	-	(33,733)
Disposal of financial assets at fair value through profit or loss	23,995	-
Acquisition of property, plant and equipment	(19,297)	(2,236)
Refundable deposits paid	(2,699)	(16,167)
Acquisition of intangible assets	(432)	(6,797)
Interest received	15,272	3,180
Dividends received	46	43
Net cash used in investing activities	(<u>70,541</u>)	(<u>57,371</u>)
Cash flows from financing activities		
Increasing in short-term debt	192,000	-
Repayment of long-term debt	(1,936)	(2,289)
Guarantee deposits received (refunded)	303	(83)
Repayment for the principal of lease liabilities	(2,197)	(2,308)
Cash dividends paid	(70,920)	(28,368)
Capital reduction	(<u>141,841</u>)	-
Net cash used in financing activities	(<u>24,591</u>)	(<u>33,048</u>)
Effect of exchange rate changes on cash and cash equivalents	(<u>11,084</u>)	<u>24,136</u>
Net (decrease) increase in cash and cash equivalents during the year	(91,193)	242,606
Cash and cash equivalents, beginning of year	<u>355,599</u>	<u>112,993</u>
Cash and cash equivalents, end of year	<u>\$ 264,406</u>	<u>\$ 355,599</u>

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

Loop Telecommunication International, Inc.
Notes to the Parent-Only Financial Statements
For the years ended December 31, 2023 and 2022
((In Thousands of New Taiwan Dollars; unless specified otherwise))

I. Company History

Loop Telecommunication International, Inc. (the “Company”) was established in Hsinchu Science Park in December 1991 and commenced its operation in December of the same year. The Company primarily engages in the R&D, development, production, manufacturing, and sales of user remote line disconnectors, protectors and their components, line reactors and their components, subtitle phones and their components, and smart network resource management multiplexers.

Shares of the Company were listed on Taipei Stock Exchange for trading in February 2001 and transferred to Taiwan Stock Exchange for listing and trading in August 2002.

The parent company's only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency.

II. Approval date and procedures of the financial statements

The parent company only financial statements were approved by the Board on March 12, 2024.

III. New standards, amendments and interpretations adopted:

- (I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations IFRIC(IFRIC), and SIC Interpretations(SIC) (collectively “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not cause significant change to the Company’s accounting policies.

(II) IFRSs endorsed by the FSC that are applicable in 2024

<u>New, revised or amended standards and interpretations</u>	<u>Effective date issued by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date of approval for the publication of the parent company only financial statements, the Company has been continuing the evaluation of the amendments to the standards and interpretations above would not have a material effects on the financial positions and financial performance.

(III) The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, revised or amended standards and interpretations</u>	<u>Effective date issued by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 -Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Group recognizes any effect as an adjustment to the opening

balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the exchange differences on translation of foreign operations.

As of the date of approval for the publication of the parent company only financial statements, the Company has been continuing the evaluation regarding the effects of the amendments to standards and interpretations above on the financial positions and financial performance; relevant effects will be disclosed upon the completion of the evaluation.

IV. Summary of significant accounting policies

(I) Statement of compliance

The parent company only financial statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

Except for financial instruments at fair value and net defined benefit liabilities recognized based on the presentt value of defined benefit obligations less the fair value of plan assets, the parent company only financial statements are prepared based on historical costs.

The measurement of fair value is divided into levels 1 to 3 based on the observable level and significance of relevant inputs:

1. Level 1 input: Refer to quotations (unadjusted) of equivalent assets or liabilities available in the active market on the measurement date.
2. Level 2 input: Refer to direct (i.e., prices) or indirect (i.e., inferred from prices) observable inputs of assets or liabilities other than level 1 quotations
3. Level 3 input: Refer to unobservable inputs of assets or liabilities.

When preparing the parent company only financial statements, the Company adopts the equity method for the treatment of the subsidiaries it invested investment. To allow the profit or loss of the year, other comprehensive income, and equity in the parent company only financial statements to be equivalent to profit or loss of the year, other comprehensive income, and equity attributable to owners of the Company in the Company's consolidated financial statements, "investments accounted for using the equity method," "share of profit or loss of subsidiaries certain accounting differences accounted for using the equity method," and relevant equity items are adjusted under the parent company only basis and consolidation basis.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted for being used for exchange or settling liabilities over 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities expected to be settled within 12 months after the reporting period (they shall be current liabilities even if a long-term refinancing or re-arranged payment agreement is entered into after the balance sheet date and before the approval of the publication of the financial statements); and
3. Liabilities with a settlement deadline that cannot be unconditionally deferred to at least 12 months after the reporting period. However, terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

Liabilities that are not current assets or current liabilities described above are non-current assets and non-current liabilities.

(IV) Foreign currency

When preparing the parent company only financial statements, transactions in currencies other than the functional currency of the Company (foreign currencies) are translated into functional currencies at the exchange rate on the transaction date for records.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from the delivery of monetary items or the translation of monetary items are recognized in profit or loss in the year of occurrence.

Non-monetary items in foreign currencies at fair value are translated at the exchange rate on the date determining the fair value, and the exchange difference arising thereof is presented as profit or loss of the period; however, for changes in fair value recognized in other comprehensive income, exchange difference arising thereof shall be recognized in other comprehensive income.

Non-monetary items in foreign currencies at historical costs shall be translated at the exchange rate on the transaction date without re-translation.

When preparing the parent company only financial statements, assets and liabilities of the Company's foreign operations (including subsidiaries in different countries or using currencies different from the Company) are translated into NTD at the exchange rate on each balance sheet date. Items of income and expenses are translated at the average exchange rate of the period, and the exchange difference arising thereof is recognized in other comprehensive income.

(V) Inventory

Inventory includes raw materials, work-in-progress, and finished goods. Inventories are stated at the lower of cost or net realizable value. Except for inventories of the same category, the comparison of the lower of cost and net realizable value is made on an item-by-item basis. The net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses. The weighted average method is adopted for the calculation of the costs of inventory.

(VI) Investments in subsidiaries

The Company adopts the equity method for treating investments in subsidiaries. Subsidiaries are entities the Company has control over.

Under the equity method, investments are initially recognized at costs, and the carrying amount after the acquisition increases/decreases in the share of profit or loss of subsidiaries and other comprehensive income and profit allocation entitled to the Company. In addition, changes in other equity of subsidiaries entitled to the Company are recognized based on the shareholding ratio.

Changes in the Company's ownership interest in a subsidiary that do not result in loss of control are treated as equity transactions. The carrying amount of investments and the differences between the fair value of considerations paid or received are directly recognized as equity.

If the share of loss of subsidiaries of the Company equals or exceeds the interests in such subsidiaries (including the carrying amount of subsidiaries under the equity method and other long-term equity of net investment components in such subsidiaries that is substantially attributable to the Company), it continues to recognize losses based on the shareholding ratio.

When assessing impairment, the Company considers cash-generating units and compares their recoverable amount and carrying amount for the financial statements as a whole. Subsequently, if the recoverable amount of assets increases, the reversal

of impairment losses is recognized as gains; however, the carrying amount of assets after the reversal of impairment losses shall not exceed the carrying amount of such assets less amortization that should be provided when no impairment loss is recognized. The impairment losses attributable to goodwill may not be reversed subsequently.

Unrealized profit or loss of downstream transactions between the Company and subsidiaries are eliminated in the parent company only financial statements. Profit or loss arising from upstream and side stream transactions between the Company and subsidiaries are recognized in the parent company only financial statements within the scope that are not related to the interest of the Company in subsidiaries.

(VII) Property, plant and equipment

Property, plant and equipment are recognized at costs, and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses.

The Company separately provides depreciation for each material component of property, plant and equipment within the useful life on a straight-line basis. The Company shall examine the estimated useful life, residual value, and depreciation method at least at the end of each year and postpone the effects of changes in applicable accounting estimation.

For the derecognition of property, plant and equipment, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss.

(VIII) Investment properties

Investment properties refer to properties held for earning rental or capital appreciation or both (including right-of-use assets that fulfill the definition of investment properties).

Self-owned investment properties are initially measured at costs (including transaction costs), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses.

Investment properties obtained via leases are initially measured at costs (including the initial measurement of lease liabilities), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses, with adjustments made to the remeasurement of lease liabilities.

Depreciation is provided for all investment properties on a straight-line basis.

For properties under property, plant and equipment, their carrying amounts are transferred to investment properties upon the end of the self-use period.

For the derecognition of investment properties, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss.

(IX) Intangible assets

1. Individually acquired

Intangible assets with definite useful life that are individually acquired are initially measured at costs, and subsequently measured at the amount of costs less cumulative amortization and cumulative impairment losses. Intangible assets are amortized on a straight-line basis within their useful life. The Company shall examine the estimated useful life, residual value, and amortization method at least at the end of each year and postpone the effects of changes in applicable accounting estimation. Intangible assets with indefinite useful life are presented at costs less cumulative impairment losses.

2. Derecognition

For the derecognition of intangible assets, the difference between the net disposal considerations and the carrying amount of such assets is recognized in profit or loss of the period.

(X) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company evaluates whether there is any indication of impairment of property, plant and equipment, right-of-use assets, and intangible assets on each balance sheet date. If any such indication of impairment exists, then the asset's recoverable amount is estimated. If the recoverable amount of the individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less disposal costs and its value in use. If the recoverable amount of individual assets or cash-generating units is lower than their carrying amounts, the carrying amount of such assets or cash-generating units shall be reduced to the recoverable amount, and the impairment losses shall be recognized in profit or loss.

If impairment losses are subsequently reversed, the carrying amount of such assets or cash-generating units shall be increased to the recoverable amount after amendments; however, the increased carrying amount shall not exceed the carrying

amount determined of the carrying amount of such assets or cash-generating units if there were no impairment losses recognized in prior years (less amortization or depreciation). The reversal of impairment losses is recognized in profit or loss.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contract terms of such instruments.

For the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit or loss, they shall be measured at the carrying amount plus the transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized by adopting trade date accounting.

(1) Measurement category

On initial recognition, financial assets are classified as financial assets at amortized cost and financial assets at fair value through profit or loss.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated as measuring at value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, and their dividends and remeasurement gains or losses are recognized in other income and other gains and losses, respectively. For the determination method of fair value, please refer to Note 26.

B. Financial assets measured at amortized cost

If the financial assets of the Company concurrently fulfill both of the following conditions, they are recognized as financial assets at amortized costs:

- a. Held under a certain operating model, and the purpose of the model is to hold financial assets to collect contract cash flows; and

- b. Contract terms generate cash flows on particulate dates, and such cash flows are fully used to pay the principal and interests of the outstanding principal.

Financial assets at amortized costs (including cash and cash equivalents, accounts receivable and other receivables at amortized costs) are measured at a total carrying amount determined by using the effective interest method less amortized costs of any impairment losses after the initial recognition; any gains or losses on exchange gains are recognized in profit or loss.

Cash equivalents include short-term and high-liquidity time deposits within 3 months that can be converted to a fixed amount of cash at any time with minor risk of changes in value, and are used to satisfy short-term cash commitments instead of investments or other purposes.

(2) Impairment of financial assets and contract assets

The Company evaluates the impairment losses of financial assets at amortized costs (including accounts receivable) and contract assets based on ECL on each balance sheet date.

Loss allowance of accounts receivables and contract assets are recognized based on the lifetime ECL. For other financial assets, the Company evaluates whether credit risks have significantly increased after the initial recognition. If there is no significant increase, the Company recognizes loss allowance based on the 12-month ECL; if there is a significant increase, the Company recognizes loss allowance based on the lifetime ECL.

ECL is average credit loss using default risks as its weight. 12-month ECL refers to ECL that may arise from possible defaults of financial instruments within 12 months after the reporting date; lifetime ECL refers to ECL that may arise from all defaults of financial instruments during the lifetime.

The Company reduces the carrying amount via the allowance account for the impairment losses of all financial assets.

(3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset become invalid, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

For the derecognition of financial assets at amortized cost, the difference between the carrying amount and the considerations received is recognized in profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the amount after deducting direct issuance costs from the obtained proceeds.

The retrieval of the Company's own equity instruments is recognized and deducted under equity. Acquisition, disposals, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized costs by adopting the effective interest method.

(2) Derecognition of financial liabilities

For the derecognition of financial liabilities, the difference between the carrying amount and the considerations paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

(XII) Revenue recognition

After the Company has identified the performance obligations in a contract with a customer, it allocates the transaction price to each performance obligation and recognizes income when fulfilling each performance obligation.

1. Sales revenue of products

Sales revenue of products is primarily from the sales of optical transport network access equipment, U interface and MDSL interface multiplexer, network management systems, Internet access equipment, time-slot interchanger, and other products. From the shipping of products sold, customers

are entitled to pricing and use, hold the primary responsibilities for reselling, and assume the risks of product obsolescence. The Company recognizes income and contract assets at the point of time and transfers them to accounts receivable after the performance of the remaining obligations. Prepayments for the sales of products are recognized as contract liabilities before the products arrive.

2. Service revenue

Service revenue arises from educational training services and software/hardware installation services.

With educational training services and software/hardware installation services provided by the Company, customers also obtain and consume performance benefits. The Company recognizes relevant income based on the service provided by technicians over time during the contract period. It is agreed in contracts that customers shall make payments after the installation and acceptance; therefore, the Company recognizes contract assets when providing services and transfers them to accounts receivable upon the completion of installation and acceptance.

(XIII) Lease

The Company evaluates whether a contract is (or includes) a lease on the establishment date of the contract.

1. The Company as the lessor

All leases are classified as operating leases.

Under operating leases, lease payments are recognized as gains during the relevant leasing period on a straight-line basis.

Variable rentals not subject to the index or rate used in the lease agreement are recognized as gains during the period.

When a lease contains elements of land and building, the Company evaluates the classification of elements into financing lease or operating lease depending on whether the majority of all risks and compensation of the ownership of each element is transferred to the lessee. Lease payments are allocated to land and buildings based on the corresponding ratio of the fair value of leasing rights of land and buildings on the establishment date of the contract. If lease payments may be reliably allocated to such two elements, each element is treated based on the applicable lease classification. If lease payments may not be reliably allocated to such two elements, the overall lease is classified as a

financing lease; however, if such two elements are evidently in line with the standards of operating leases, the overall lease is classified as an operating lease.

2. The Company as the lessee

Except for lease payments of low-value target asset leases and short-term leases with recognition exemption applicable recognizing as expenses within the leasing period on a straight-line basis, right-of-use assets and lease liabilities are recognized for other leases on the commencement date of leases.

Right-of-use assets obtained via leases are initially measured at costs (including the initial measurement of lease liabilities), and subsequently measured at the amount of costs less cumulative depreciation and cumulative impairment losses, with adjustments made to the remeasurement of lease liabilities. Apart from those complying with the definition of investment properties, right-of-use assets are separately presented in the parent company only balance sheet. For the recognition and measurement of right-of-use assets fulfilling the definition of investment properties, please refer to the accounting policies of investment properties in (VIII).

Depreciation is provided for investment properties on a straight-line basis from the commencement date of the lease to the earlier of the expiry of the useful life or the expiry of the leasing period.

Lease liabilities are initially measured at the current value of lease payments (including fixed payments). If the implied interest rate of leases may be easily confirmed, lease payments are discounted by using the interest rate. If the interest rate may not be easily confirmed, the incremental borrowing interest rate of lessees is used.

Subsequently, lease liabilities are measured at amortized costs, and the interest expenses are allocated during the leasing period. If there is any change in lease payment in the future resulting from the index or rate used to determine the lease payment during the leasing period, the Company remeasures lease liabilities and makes adjustments to right-of-use assets accordingly; however, if the carrying amount of the right-of-use assets is reduced to nil, the remaining remeasurement amount shall be recognized in profit or loss. Lease liabilities are separately presented in the parent company only balance sheet.

(XIV) Borrowing costs

All borrowing costs are recognized as profit or loss during the period of occurrence.

(XV) Employees benefits

1. Short-term employee benefits

Liabilities related to short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employees' services.

2. Post-employment benefits

Pension of the defined contribution plan is recognized as expenses based on the amount of pension to be contributed during the period in which employees provide their services.

The projected unit credit method is adopted for the actuarial valuation of defined benefit costs of the defined benefit plan (including service costs, net profit, and remeasurement). Current period service costs and net interest of net defined liabilities (assets) are recognized as employee benefit expenses upon occurrence. Remeasurements (including actuarial gains or losses and plan asset compensation after interest) are recognized in other comprehensive income and presented as other equity upon the occurrence and will not be reclassified to profit or loss subsequently.

Net defined benefit liabilities (assets) are the appropriation deficit (surplus) of the defined benefit plan. Net defined benefit assets shall not exceed the current value of the amount of appropriation refunded from the plan or the amount of appropriation that may be reduced in the future.

3. Severance benefits

The Company recognizes severance benefit liabilities when it can no longer cancel the offer of severance benefits or recognize relevant reorganization costs (the earlier).

(XVI) Income tax

Income tax expenses are the sum of income tax of the period and deferred income tax.

1. Income tax of the period

The additional income tax on undistributed earnings calculated based on the Income Tax Act of the Republic of China is recognized during the year of the shareholders' resolution.

Adjustments to income taxes payable in prior years are recognized as income tax of the period.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of assets and liabilities accounted for and the taxation basis for calculating income tax.

Deferred income tax liabilities shall be recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is likely to offset the deductible temporary differences and income tax credits arising from R&D and other expenses.

Temporary taxable differences related to subsidiaries it invested are recognized as deferred income tax liabilities, except when the Company is able to control the point of time to reverse the temporary differences, and such temporary differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investments are only recognized as deferred income tax assets when it is likely that there will be sufficient taxable income to realize the temporary differences and when it is expected to be within the reversal scope in the foreseeable future.

The carrying amount of deferred income tax assets is re-examined on each balance sheet date, and the carrying amount is adjusted for those having no possible, sufficient taxable income to recover the entire or partial assets. For those not recognized as deferred income tax assets initially, the Company also re-examines them on each balance sheet date and increases their carrying amounts when it is likely to have taxable income to recover the entire or partial assets in the future.

Deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized, respectively, and the tax rate is based on the tax rate and tax laws enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax reflects the tax consequences of the method for recovering or settling

the carrying amount of its assets and liabilities by the Company after the balance sheet date.

3. Deferred income tax of the period

Deferred income tax of the period is recognized in profit or loss; however, deferred income tax related to items recognized in other comprehensive income or directly included in equity is recognized in other comprehensive income or directly included in equity, respectively.

V. Significant accounting judgments and key source of uncertainties for estimations and assumptions

When adopting accounting policies, the management shall make relevant judgments, estimations, and assumptions based on its historical experience and other relevant factors when it is difficult to obtain relevant information from other sources. Actual results may differ from these estimates.

Uncertainties for estimations and assumptions

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumption of the Company for default probability and default loss ratio. The Company considers its historical experience, current market status, and forward-looking information to form the assumptions and select the input value for impairment assessment. For the material assumptions and inputs adopted, please refer to Note 9. If the actual cash flow in the future is less than the Company's expectations, there may be material impairment losses.

(II) Inventory impairment

The net realizable value of inventories is estimated based on the balance of estimated selling price during the course of normal operations less the estimated costs required to be invested in until the completion and the costs required until the completion of sales; such estimates are evaluated based on the current market condition and the historical sales experience of similar products; any change in the market condition may materially affect the results of such estimates.

VI. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash in hand and working capital	\$ 268	\$ 270
Bank checks and demand deposits	89,460	89,541
Cash equivalents (investments with an initial expiry within 3 months)		
Time deposits with banks	<u>174,678</u>	<u>265,788</u>
	<u>\$264,406</u>	<u>\$355,599</u>

The market interest range of deposits and time deposits with banks on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.001%~1.45%	0.001%~3.80%
Time deposits	1.10%~5.21%	0.92%~4.40%

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Measured at fair value through profit or loss		
- Domestic listed stocks	\$ 211	\$ 3,375
- Beneficiary certificates	<u>10,330</u>	<u>30,171</u>
	<u>\$ 10,541</u>	<u>\$ 33,546</u>

VIII. Financial assets at amortized costs

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Time deposits with an initial expiry exceeding 3 months	\$ 1,542	\$ 15,773
Time deposits pledged	<u>101,627</u>	<u>-</u>
	<u>\$103,169</u>	<u>\$ 15,773</u>
<u>Non-current</u>		
Time deposits pledged	<u>\$ 12,056</u>	<u>\$ 12,026</u>

- (I) The interest rate range of time deposits with an initial expiry exceeding 3 months and time deposits pledged is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with an initial expiry exceeding 3 months	1.12%	3.77%
Time deposits pledged	0.55%~5.33%	0.32%~1.44%

(II) For information on financial assets at amortized costs, please refer to Note 28.

IX. Accounts receivable and other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts receivables</u>		
Financial assets measured at amortized cost		
Total carrying amount	\$231,554	\$ 42,336
Less: loss allowance	(<u>565</u>)	(<u>565</u>)
	<u>\$230,989</u>	<u>\$ 41,771</u>
<u>Other receivables</u>		
Others	<u>\$ 1,835</u>	<u>\$ 886</u>

The average credit period of product sales is settled by month or within 30 to 90 days from the issuance of the invoice; no interest is accrued for accounts receivable. The Company adopts the policy to engage in transactions with counterparties with equivalent ratings. For the credit rating information, the Company rated major customers based on publicly available financial information and historical transaction records and allocated the total transaction amount to different customers with qualified credit ratings. In addition, it regularly reviews and approves the credit limits of counterparties to manage its credit exposure.

The Company recognizes loss allowance of accounts receivable based on lifetime expected credit loss. Lifetime expected credit loss is calculated by using the provision matrix, which considers the past default records and current financial positions of customers, industrial and economic status, and considers GDP and the unemployment rate. Based on the Company's past experience of credit losses, there is no material difference between the loss patterns of different customer bases; therefore, customer bases are not further distinguished for the provision matrix, and the expected credit loss rate is determined based on the number of overdue days of accounts receivable.

Loss allowance of accounts receivable measured based on the provision matrix is as follows:

December 31, 2023

	Not overdue	Overdue for 1 to 60 days	Overdue for 61 to 120 days	Overdue for 121 to 364 days	Overdue for 365 days or above	Total
Total carrying amount	\$ 231,270	\$ -	\$ -	\$ 9	\$ 275	\$ 231,554
Loss allowance (lifetime ECL)	(281)	-	-	(9)	(275)	(565)
Amortized costs	<u>\$ 230,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,989</u>

December 31, 2022

	Current	Overdue for 1 to 60 days	Overdue for 61 to 120 days	Overdue for 121 to 364 days	Overdue for 365 days or above	Total
Total carrying amount	\$ 40,169	\$ 407	\$ 647	\$ 168	\$ 945	\$ 42,336
Loss allowance (lifetime ECL)	-	-	-	-	(565)	(565)
Amortized costs	<u>\$ 40,169</u>	<u>\$ 407</u>	<u>\$ 647</u>	<u>\$ 168</u>	<u>\$ 380</u>	<u>\$ 41,771</u>

Changes in loss allowance of accounts receivable are as follows:

	2023	2022
Balance at the beginning and the end of the year	<u>\$ 565</u>	<u>\$ 565</u>

X. Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 70,616	\$ 79,748
Work in progress	43,465	39,077
Raw material	<u>258,786</u>	<u>191,554</u>
	<u>\$372,867</u>	<u>\$310,379</u>

The nature of costs of sales is as follows:

	2023	2022
Costs of goods sold	\$199,543	\$198,024
Losses for market price decline and obsolete and slow-moving inventories	<u>4,051</u>	<u>3,876</u>
	<u>\$203,594</u>	<u>\$201,900</u>

XI. Investments accounted for using the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in subsidiaries</u>		
Tech-Plan (BVI) Ltd.	\$ 412	\$ 992
Loop Telecom NA, Inc.	<u>153</u>	<u>153</u>
	<u>\$ 565</u>	<u>\$ 1,145</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Ownership interest and voting right percentage</u>		
Tech-Plan (BVI) Ltd.	100%	100%
Loop Telecom NA, Inc.	100%	100%

For details of subsidiaries indirectly held by the Company, please refer to Note 30.

In 2023 and 2022, the share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method is recognized based on the financial statements of the same period of subsidiaries audited by Accountants.

XII. Property, plant and equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>R&D equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Costs</u>							
Balance on January 1, 2023	\$213,195	\$ 5,073	\$ 13,802	\$ 542	\$ 5,206	\$ 1,285	\$239,103
Addition	-	5,231	11,091	820	1,287	965	19,394
Disposal	-	(1,640)	(6,109)	-	(2,462)	(427)	(10,638)
Balance on December 31, 2023	<u>\$213,195</u>	<u>\$ 8,664</u>	<u>\$ 18,784</u>	<u>\$ 1,362</u>	<u>\$ 4,031</u>	<u>\$ 1,823</u>	<u>\$247,859</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2023	\$ 79,326	\$ 2,577	\$ 10,170	\$ 324	\$ 3,540	\$ 853	\$ 96,790
Depreciation	5,210	1,571	3,409	124	1,061	449	11,824
Disposal	-	(1,640)	(6,109)	-	(2,462)	(427)	(10,638)
Balance on December 31, 2023	<u>\$ 84,536</u>	<u>\$ 2,508</u>	<u>\$ 7,470</u>	<u>\$ 448</u>	<u>\$ 2,139</u>	<u>\$ 875</u>	<u>\$ 97,976</u>
Net amount on December 31, 2023	<u>\$128,659</u>	<u>\$ 6,156</u>	<u>\$ 11,314</u>	<u>\$ 914</u>	<u>\$ 1,892</u>	<u>\$ 948</u>	<u>\$149,883</u>
<u>Costs</u>							
Balance on January 1, 2022	\$213,195	\$ 4,141	\$ 17,005	\$ 542	\$ 5,924	\$ 2,660	\$243,467
Addition	-	1,672	58	-	324	-	2,054
Disposal	-	(740)	(3,261)	-	(1,042)	(1,375)	(6,418)
Balance on December 31, 2022	<u>\$213,195</u>	<u>\$ 5,073</u>	<u>\$ 13,802</u>	<u>\$ 542</u>	<u>\$ 5,206</u>	<u>\$ 1,285</u>	<u>\$239,103</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2022	\$ 74,130	\$ 2,217	\$ 10,242	\$ 233	\$ 3,449	\$ 1,895	\$ 92,166
Depreciation	5,196	1,100	3,189	91	1,133	333	11,042
Disposal	-	(740)	(3,261)	-	(1,042)	(1,375)	(6,418)
Balance on December 31, 2022	<u>\$ 79,326</u>	<u>\$ 2,577</u>	<u>\$ 10,170</u>	<u>\$ 324</u>	<u>\$ 3,540</u>	<u>\$ 853</u>	<u>\$ 96,790</u>
Net amount on December 31, 2022	<u>\$ 133,869</u>	<u>\$ 2,496</u>	<u>\$ 3,632</u>	<u>\$ 218</u>	<u>\$ 1,666</u>	<u>\$ 432</u>	<u>\$142,313</u>

As there was no indication of impairment in 2023 and 2022, the Company did not perform any impairment assessment.

Depreciation expenses are provided for based on the following useful lives on a straight-line basis:

Buildings	11 to 51 years
Machinery and equipment	4 years
R&D equipment	4 years
Transportation equipment	6 years
Office equipment	4 years
Other equipment	4 to 5 years

The material components of the Company's building are primarily plant and interior fitting, and the depreciation is provided based on their useful life of 35 to 51 years and 11 years, respectively.

For the amount of property, plant and equipment pledged for borrowings, please refer to Note 28.

XIII. Lease agreement

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 39,195	\$ 40,543
Buildings	<u>4,413</u>	<u>-</u>
	<u>\$ 43,608</u>	<u>\$ 40,543</u>
	<u>2023</u>	<u>2022</u>
Addition of right-of-use assets	<u>\$ 5,514</u>	<u>\$ 1,217</u>
Depreciation expenses of right-of-use assets		
Land	\$ 1,348	\$ 1,349
Buildings	<u>1,101</u>	<u>1,155</u>
	<u>\$ 2,449</u>	<u>\$ 2,504</u>
Gains on the sublease of right-of-use assets (accounted for as other income)	(<u>\$ 598</u>)	(<u>\$ 590</u>)

Except for the additional and recognition of depreciation fees, right-of-use assets of the Company have no material sub-lease or impairment in 2023 and 2022.

(II) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 2,256</u>	<u>\$ 1,159</u>
Non-current	<u>\$ 50,329</u>	<u>\$ 48,109</u>

The range of discount rate of lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	2.30%	2.30%
Buildings	2.93%	-

(III) Material leasing activities and terms

The Company also rents certain land and buildings for use as plant, office, and dormitory, with a leasing period of 5 to 51 years. Lease payments may be adjusted for the land lease in Hsinchu Science Park based on the announced land price and other reasons at all times. Upon the end of the leasing period, the Company has no preemptive right for the acquisition of land and buildings it rented, and it is agreed that the Company may not sublease or transfer the entire or partial lease target without the consent of the lessor.

In 2019, the Company subleased partial right-of-use assets to Company A; relevant right-of-use assets are presented as investment properties; please refer to Note 14.

(IV) Other leases

	<u>2023</u>	<u>2022</u>
Expenses of short-term leases	<u>\$ -</u>	<u>\$ 57</u>
Total cash (outflow) of leases	<u>(\$ 3,466)</u>	<u>(\$ 3,524)</u>

The Company chose the application of recognition exemption for employee dormitory and office leases that fulfill the conditions of short-term leases and do not recognize relevant right-of-use assets and lease liabilities for such leases.

XIV. Investment properties

	<u>Completed investment properties</u>	<u>Right-of-use assets</u>	<u>Total</u>
<u>Costs</u>			
Balance on January 1, 2023	<u>\$ 39,159</u>	<u>\$ 7,969</u>	<u>\$ 47,128</u>

(Cont'd)

(Cont'd)

	Completed investment properties	Right-of-use assets	Total
<u>Cumulative depreciation</u>			
Balance on January 1, 2023	\$ 14,259	\$ 1,011	\$ 15,270
Depreciation	<u>899</u>	<u>240</u>	<u>1,139</u>
Balance on December 31, 2023	<u>\$ 15,158</u>	<u>\$ 1,251</u>	<u>\$ 16,409</u>
Net amount on December 31, 2023	<u>\$ 24,001</u>	<u>\$ 6,718</u>	<u>\$ 30,719</u>
<u>Costs</u>			
Balance on January 1, 2022	\$ 39,159	\$ 7,937	\$ 47,096
Addition	<u>-</u>	<u>32</u>	<u>32</u>
Balance on December 31, 2022	<u>\$ 39,159</u>	<u>\$ 7,969</u>	<u>\$ 47,128</u>
<u>Cumulative depreciation</u>			
Balance on January 1, 2022	\$ 13,357	\$ 771	\$ 14,128
Depreciation	<u>902</u>	<u>240</u>	<u>1,142</u>
Balance on December 31, 2022	<u>\$ 14,259</u>	<u>\$ 1,011</u>	<u>\$ 15,270</u>
Net amount on December 31, 2022	<u>\$ 24,900</u>	<u>\$ 6,958</u>	<u>\$ 31,858</u>

During the leasing period, rental commitments commence after the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rental commitment of investment properties	<u>\$ 11,981</u>	<u>\$ 17,550</u>

The depreciation of investment properties is provided for based on the following useful lives on a straight-line basis:

Completed investment properties	35 to 51 years
Right-of-use assets	20 years

The fair value of investment properties is measured at the level 3 input by the independent appraiser Integration Appraiser Firm which is not a related party. The appraisal is performed by adopting the weighted average of the cost approach and the market comparison approach, and unobservable material inputs adopted include the discount rate; the fair value derived from the assessment is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value measurement	<u>\$ 66,348</u>	<u>\$ 66,684</u>

For the amount of investment properties pledged for borrowings, please refer to Note 28.

XV. Intangible assets

	<u>Software</u>
<u>Costs</u>	
Balance on January 1, 2023	\$ 15,465
Individually acquired	432
Disposal	(2,828)
Balance on December 31, 2023	<u>\$ 13,069</u>
<u>Cumulative amortization</u>	
Balance on January 1, 2023	\$ 6,827
Amortization expense	4,510
Disposal	(2,828)
Balance on December 31, 2023	<u>\$ 8,509</u>
Net amount on December 31, 2023	<u>\$ 4,560</u>
<u>Costs</u>	
Balance on January 1, 2022	\$ 8,801
Individually acquired	6,797
Disposal	(133)
Balance on December 31, 2022	<u>\$ 15,465</u>
<u>Cumulative amortization</u>	
Balance on January 1, 2022	\$ 3,302
Amortization expense	3,658
Disposal	(133)
Balance on December 31, 2022	<u>\$ 6,827</u>
Net amount on December 31, 2022	<u>\$ 8,638</u>

The Company provides for the amortization fees of intangible assets based on a straight-line basis over 3 years.

XVI. Other assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Temporary payments	\$ 5,405	\$ 658
Prepayments for goods	4,930	5,290
Other prepayments	1,837	524
Overpaid sales tax	475	975
Prepaid insurance premium	83	94
	<u>\$ 12,730</u>	<u>\$ 7,541</u>

XVII. Borrowings

Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secure borrowings (Note 28)</u>		
Bank borrowings	<u>\$192,000</u>	<u>\$ -</u>

The range of interest rates for bank loans were from 1.79% to 1.90% on December 31, 2023.

Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secure borrowings (Note 28)</u>		
Bank borrowings	\$ -	\$ 1,936
Less: Presented as due within one year	-	(1,936)
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>

Bank borrowings are secured by the building of the Company and shall be repaid in installments each month starting from October 2013, with settlement in October 2023. As of December 31, 2022, the effective annual interest rate was 2.08%.

XVIII. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
<u>Other payables</u>		
Remunerations of employees and		
Directors payable	\$ 33,650	\$ 11,374
Bonuses payable	11,738	10,207
Salaries payable	9,679	9,046
Insurance premium payable	2,461	3,072
Service fees payable	2,792	1,795
Equipment payments payables	182	85
Others	12,475	13,453
	<u>\$ 72,977</u>	<u>\$ 49,032</u>

(Cont'd)

(Cont'd)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other liabilities		
Advance (Note)	\$ 9,063	\$ 29,778
Receipts under custody	581	550
Others	<u>30</u>	<u>-</u>
	<u>\$ 9,674</u>	<u>\$ 30,328</u>
Other non-current liabilities		
Advance (Note)	<u>\$ 14,242</u>	<u>\$ 23,304</u>

Note: The Company has entered into a trademark licensing contract of NT\$82,860 thousand (US\$3,000 thousand), and the amount was fully collected in cash in January 2022. The Company allocates and recognizes trademark licensing income on a straight-line basis; it recognized trademark licensing income of NT\$29,778 thousand in both 2023 and 2022 (accounted for as other income).

XIX. Retirement benefit plan

(I) Defined contribution plans

The pension system under the “Labor Pension Act” applicable to the Company is a defined contribution plan managed by the government, and the Company appropriates 6% of the monthly salaries of employees to the personal accounts with the Bureau of Labor Insurance.

(II) Defined benefit plans

The pension system, organized in accordance with the “Labor Standards Act” of R.O.C, is a defined benefit plan managed by the government. The payment of an employee’s retirement pension is calculated based on the service seniority and average wages during the six months before the approved retirement date. The Company appropriates 6% of the total monthly salaries of employees as the pension for the Supervisory Committee of Labor Retirement Reserve to deposit in the account with the Bank of Taiwan in the name of the Committee. At the end of the year, if it is estimated that the balance of the account is not sufficient to make the payments for laborers who are estimated to fulfill the retirement conditions in the following year, the Company will appropriate the difference in a lump sum by the end of March in the following year. The Bureau of Labor Funds, Ministry of Labor, is entrusted with the

management of the account, and the Company has no right to affect the investment and management strategies.

The amount of the defined benefit plan included in the parent company only balance sheet is set out as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Defined benefit obligation	\$ 46,420	\$ 54,458
Fair value of plan assets	(47,847)	(37,727)
Net defined benefit liabilities	<u>(\$ 1,427)</u>	<u>\$ 16,731</u>

Changes in net defined benefit liabilities (assets) are as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2022	<u>\$ 63,268</u>	(<u>\$ 35,120</u>)	<u>\$ 28,148</u>
Service costs			
Current period service costs	87	-	87
Interest expenses (income)	<u>316</u>	(<u>183</u>)	<u>133</u>
Recognized in profit or loss	<u>\$ 403</u>	(<u>\$ 183</u>)	<u>\$ 220</u>
Remeasurement			
Compensation of plan assets (except for amounts included in net interest)	-	(2,743)	(2,743)
Actuarial losses – experience adjustments	(<u>3,744</u>)	<u>-</u>	(<u>3,744</u>)
Recognized in other comprehensive income	(<u>3,744</u>)	(<u>2,743</u>)	(<u>6,487</u>)
Appropriated by the employer	<u>-</u>	(<u>5,150</u>)	(<u>5,150</u>)
Benefit payment	(<u>5,469</u>)	<u>5,469</u>	<u>-</u>
December 31, 2022	<u>54,458</u>	(<u>37,727</u>)	<u>16,731</u>
Service costs			
Interest expenses (income)	<u>681</u>	(<u>505</u>)	<u>176</u>
Recognized in profit or loss	<u>681</u>	(<u>505</u>)	<u>176</u>

(Cont'd)

(Cont'd)

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Remeasurement			
Compensation of plan assets (except for amounts included in net interest)	\$ -	(476)	(476)
Actuarial gains – experience adjustments	(<u>3,702</u>)	<u>-</u>	(<u>3,702</u>)
Recognized in other comprehensive income	(<u>3,702</u>)	(<u>476</u>)	(<u>4,178</u>)
Appropriated by the employer	<u>-</u>	(<u>14,156</u>)	(<u>14,156</u>)
Benefit payment	(<u>5,017</u>)	<u>5,017</u>	<u>-</u>
December 31, 2023	<u>\$ 46,420</u>	(<u>\$ 47,847</u>)	(<u>\$ 1,427</u>)

The amount of the defined benefit plan recognized in profit or loss is summarized by function as follows:

	2023	2022
Operating cost	\$ 45	\$ 57
Sales and marketing expenses	20	23
General and administrative expenses	20	27
Research and development expenses	<u>91</u>	<u>113</u>
	<u>\$ 176</u>	<u>\$ 220</u>

The Company is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, bank deposits, and other targets by way of self-utilization or entrusted management; however, the amount available for allocation of the Company’s plan assets shall not be lower than the gains calculated at the interest rate for two-year time deposits with local banks.
2. Interest rate risks: A decrease in the government bonds interest rate will lead to an increase in the current value of the defined benefit obligations; however, debt

investment returns of plan assets will also increase; both items have partial offsetting effects on net defined benefit liabilities.

3. Salary risks: The calculation of the current value of defined benefit obligations refers to the future salaries of the plan's participants. Therefore, an increase in the salaries of the plan's participants will result in an increase in the current value of defined benefit obligations.

The actuarial valuation for the current value of defined benefit obligations of the Company is performed by a qualified actuary; the material assumption adopted on the measurement date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.25%
Expected increase rate of salaries	3.00%	3.00%

If there are reasonable and possible changes in a material actuarial assumption and when all other assumptions remain unchanged, the increase (decrease) in the current value of defined benefit obligations is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increased by 0.25%	<u>(\$ 800)</u>	<u>(\$ 1,041)</u>
Decreased by 0.25%	<u>\$ 824</u>	<u>\$ 1,073</u>
Expected increase rate of salaries		
Increased by 1.00%	<u>\$ 3,425</u>	<u>\$ 4,505</u>
Decreased by 1.00%	<u>(\$ 3,114)</u>	<u>(\$ 4,070)</u>

As actuarial assumptions may be correlated, the possibility of having changes in a single assumption is low; therefore, the abovementioned sensitivity analysis may not be able to reflect the actual changes in the current value of defined benefit obligations.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount expected to be appropriated in one year	<u>\$ 14,156</u>	<u>\$ 5,150</u>
Average maturity of defined benefit obligations	9.8 years	10.7 years

XX. Equity

(I) Common stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>128,000</u>	<u>128,000</u>
Authorized capital	<u>\$ 1,280,000</u>	<u>\$ 1,280,000</u>
Number of issued and paid-in shares (in thousands)	<u>56,737</u>	<u>70,921</u>
Issued share capital	<u>\$ 567,365</u>	<u>\$ 709,206</u>

The par value of issued ordinary shares is NT\$10 per share, and each share is entitled to one vote and the right to receive dividends.

On June 28, 2023, the shareholders' meeting approved the resolution to reduce its capital and return the capital contribution in cash in the amount of NT\$141,841 thousand and reduce the paid-in capital in the amount of 14,184 thousand shares; the paid-in capital after the capital reduction was NT\$567,365 thousand, and the capital reduction ratio is approximately 20%. The capital reduction was approved and declared effective on August 9, 2023 by the FSC, and the base date of capital reduction was September 8, 2023 resolved by the Board of Directors on August 10, 2023. The alteration registration had been made on September 19, 2023.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Available for loss</u>		
<u>compensation, cash</u>		
<u>distribution, or appropriation</u>		
<u>to share capital (Note)</u>		
Premium of share issuance	\$ 2,658	\$ 6,913
Premium of corporate bond conversion	31,731	31,731
Treasury share transactions	9,357	9,357
<u>Only available for loss</u>		
<u>compensation</u>		
Uncollected dividends of shareholders' past due	<u>207</u>	<u>207</u>
	<u>\$ 43,953</u>	<u>\$ 48,208</u>

Note: Such capital reserve may be used in loss compensation, and may be used in cash distribution or appropriation to share capital when the Company has no loss; however, appropriation to share capital is limited to a certain ratio of the paid-in ratio.

(III) Retained earnings and dividend policy

According to the requirements of earning distribution policy in the Articles of Incorporation, if the Company records earnings from the final account of the year, after paying taxes and compensating cumulative losses according to the law, the Company shall appropriate 10% as the statutory surplus reserve. For the remaining earnings, the Company shall appropriate or reverse special surplus reserve according to the requirements of laws and regulations. Shall there be remaining balances, the Company shall combine such balances with the cumulated undistributed earnings, and the Board shall prepare the proposal for earning distribution and submit it to the shareholders' meeting for the resolution of distributing dividends and bonuses to shareholders. For the distribution policy of remuneration of employees and Directors stipulated in the Articles of Incorporation, please refer to Note 22 (7).

In addition, according to the requirements of the Articles of Incorporation, the Company responds to the current and future development plans and takes investment environments, capital requirements, and domestic and foreign competition status into account, with equal consideration given to shareholders' benefits. The Board shall prepare the proposal for earning distribution, and the shareholders' meeting shall make the resolution. Distribution of shareholders' dividends/bonuses may be made in shares or cash; however, in principle, the ratio of cash dividends to the total distribution amount shall not be less than 10%.

The appropriation of the legal reserve shall be until its balance reaches the total paid-in capital of the Company. Legal reserve may be used in loss compensation. When the Company has no loss, the part of the legal reserve that exceeds the total paid-in capital for 25% may be distributed in cash.

The Company held its annual shareholders' meetings on June 28, 2023 and June 29, 2022 and the proposals for earning distribution for 2022 and 2021 approved as resolutions are as follows:

	2022	2021
Legal reserve	<u>\$ 7,389</u>	<u>\$ 3,166</u>
Special reserve	<u>(\$ 302)</u>	<u>\$ 83</u>
Cash dividends	<u>\$ 66,665</u>	<u>\$ 28,368</u>
Cash dividends per share (NT\$)	<u>\$ 0.94</u>	<u>\$ 0.40</u>

In addition, on June 28, 2023, the Board of the Company intended to distribute cash of NT\$4,255 thousand from its capital reserve, NT\$0.06 per share.

On March 12, 2024, the proposal for the earning distribution of 2023 discussed by the Board is as follows:

	2023
Legal reserve	<u>\$ 20,384</u>
Special reserve	<u>(\$ 35)</u>
Cash dividends	<u>\$181,557</u>
Cash dividends per share (NT\$)	<u>\$ 3.20</u>

The proposal for the earning distribution and the proposal for the cash distribution from the capital reserve of 2023 are expected to be resolved at the annual shareholders' meeting to be convened on June 25, 2024.

(IV) Special reserve

	2023	2022
Beginning balance	<u>\$ 3,088</u>	<u>\$ 3,005</u>
(Reversal) Appropriation of special reserve	<u>(302)</u>	<u>83</u>
Ending balance	<u>\$ 2,786</u>	<u>\$ 3,088</u>

(V) Other Components of Equity

Exchange differences on translation of foreign operations

	2023	2022
Beginning balance	<u>(\$ 2,786)</u>	<u>(\$ 3,088)</u>
Generated during the year		
Translation difference of foreign operations	<u>35</u>	<u>302</u>
Ending balance	<u>(\$ 2,751)</u>	<u>(\$ 2,786)</u>

XXI. Net revenue

	2023	2022
Revenue from contracts with customers		
Revenue from product sales	\$601,038	\$402,949
Service revenue	<u>47,658</u>	<u>35,285</u>
	<u>\$648,696</u>	<u>\$438,234</u>

(I) Description of contracts with customers

1. Sales revenue of products

Refer to the sales of optical transport network access equipment, U interface and MDSL interface multiplexer, network management systems, Internet access equipment, time-slot interchanger, and other products.

2. Service revenue

Partial contracts entered into with customers include educational training services and software/hardware installation services.

(II) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 9)	<u>\$ 230,989</u>	<u>\$ 41,771</u>	<u>\$ 129,573</u>
Contract assets - current			
Sales of products	<u>\$ 233</u>	<u>\$ 32,776</u>	<u>\$ 148,875</u>
Contract liabilities - current			
Sales of products	<u>\$ 4,561</u>	<u>\$ 3,002</u>	<u>\$ 1,112</u>

Changes in contract assets and liabilities are primarily due to the difference in the point of time fulfilling the performance obligations and the point of time that customers make payments.

The amount of contract liabilities at the beginning of the year recognized as revenue of the current period is as follows:

	2023	2022
<u>Contract liabilities from the beginning of the year</u>		
Sales of products	<u>\$ 2,650</u>	<u>\$ 393</u>

(III) Breakdown of revenue from contracts with customers

	2023	2022
<u>Primary geographical markets</u>		
Europe	\$209,894	\$ 85,562
Taiwan	204,480	107,240
America	118,741	101,558
Asia (other than Taiwan)	87,222	102,028
Others	<u>28,359</u>	<u>41,846</u>
	<u>\$648,696</u>	<u>\$438,234</u>
<u>Major products</u>		
Optical transport network access equipment	\$356,445	\$236,872
U interface and MDSL interface multiplexer	148,394	132,501
Network management system	27,923	7,003
Internet access equipment	10,875	3,039
Time-slot interchanger	5,461	3,582
Others	<u>99,598</u>	<u>55,237</u>
	<u>\$648,696</u>	<u>\$438,234</u>

XXII. Net income

(I) Interest income

	2023	2022
Bank deposits	<u>\$ 15,516</u>	<u>\$ 4,016</u>

(II) Other income

	2023	2022
Trademark licensing income (Note 18)	\$ 29,778	\$ 29,778
Income and expenses of investment properties		
Rental income	6,418	6,322
Depreciation of investment properties	(1,139)	(1,142)
Dividend income	46	43
Others	<u>1,167</u>	<u>575</u>
	<u>\$ 36,270</u>	<u>\$ 35,576</u>

(III) Other gains and losses

	2023	2022
Net gains on currency exchange	\$ 2,307	\$ 32,598
Net (losses) gains on financial assets at fair value through profit or loss	990	(508)
Others	<u>-</u>	<u>(560)</u>
	<u>\$ 3,297</u>	<u>\$ 31,530</u>

(IV) Finance costs

	2023	2022
Interest of lease liabilities	\$ 1,269	\$ 1,159
Interest of bank borrowings	<u>535</u>	<u>69</u>
	<u>\$ 1,804</u>	<u>\$ 1,228</u>

(V) Depreciation and amortization

	2023	2022
Summary of depreciation expenses by function		
Operating cost	\$ 6,129	\$ 5,281
Operating expenses	8,144	8,265
Other expenses	<u>1,139</u>	<u>1,142</u>
	<u>\$ 15,412</u>	<u>\$ 14,688</u>

(Cont'd)

(Cont'd)

	2023	2022
Summary of amortization expenses by function		
Operating cost	\$ 557	\$ 128
Operating expenses	<u>3,953</u>	<u>3,530</u>
	<u>\$ 4,510</u>	<u>\$ 3,658</u>
(VI) Employee benefits expense		
	2023	2022
Short-term employee benefits	<u>\$192,725</u>	<u>\$163,185</u>
Post-employment benefits (Note 19)		
Defined contribution plans	6,861	6,558
Defined benefit plans	<u>176</u>	<u>220</u>
	<u>7,037</u>	<u>6,778</u>
Other employee benefits	<u>11,033</u>	<u>6,898</u>
Total employee benefits expenses	<u>\$210,795</u>	<u>\$176,861</u>
Summary by function		
Operating cost	\$ 39,091	\$ 33,277
Operating expenses	<u>171,704</u>	<u>143,584</u>
	<u>\$210,795</u>	<u>\$176,861</u>

(VII) Remunerations of employees and Directors

According to the requirements of the Articles of Incorporation, if there is any balance after retaining the amount for compensating cumulative losses, the Company shall distribute no less than 10% and no more than 5% of the net income before tax and before deduction remuneration of employees and Directors of the year as remuneration of employees and remuneration of Directors, respectively. In 2023 and 2022, remuneration of employees and remuneration of Directors were resolved by the Board on March 12, 2024 and March 28, 2023, respectively, as follows:

Estimated ratio

	2023	2022
Remuneration of employees	10%	10%
Remuneration of Directors	2%	2%

Amount

	2023		2022	
	Cash	Shares	Cash	Shares
Remuneration of employees	\$ 28,042	\$ -	\$ 9,478	\$ -
Directors' remuneration	5,608	-	1,896	-

If there is any change in the amount after the approval date for the publication of the parent company only financial statements, it shall be treated as a change in accounting estimate, and adjusted and accounted for in the following year.

In 2022 and 2021, the actual distribution amount of remuneration of employees and remuneration of Directors has no difference from the amount recognized in the 2022 and 2021 consolidated financial statements.

For information on the remuneration of employees and remuneration of Directors resolved by the Board of the Company, please visit “MOPS” of the Taiwan Stock Exchange for inquiries.

(VIII) Foreign currency exchange gains and losses

	2023	2022
Total gains on currency exchange	<u>\$ 2,308</u>	<u>\$ 32,598</u>

XXIII. Income tax

(I) Income tax recognized in profit or losses

The major components of income tax expenses are as follows:

	2023	2022
Income tax of the period		
Generated during the year	\$ 49,908	\$ 9,510
Additional tax on undistributed earnings	-	2
Adjustments from prior years	<u>434</u>	<u>2,048</u>
	50,342	11,560
Deferred income tax		
Generated during the year	(<u>3,236</u>)	<u>4,440</u>
Income tax expenses recognized in profit or losses	<u>\$ 47,106</u>	<u>\$ 16,000</u>

The reconciliation of accounting income and income tax expenses is as follows:

		<u>2023</u>	<u>2022</u>
Net income before tax		<u>\$246,765</u>	<u>\$ 83,403</u>
Income tax expense calculated at the statutory tax rate based on net profit before tax		\$ 49,353	\$ 16,681
Non-deductible items in determining taxable income		-	1,069
Tax-exempted income		(85)	(9)
Unrecognized deductible temporary differences		(1,429)	283
Investment tax credits offset during the period	63	(1,167)	(4,074)
Additional tax on undistributed earnings	63	-	2
Adjustments from prior years		<u>434</u>	<u>2,048</u>
Income tax expenses recognized in profit or losses		<u>\$ 47,106</u>	<u>\$ 16,000</u>
(II) Tax liability			

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax liability		
Income tax payable	<u>\$ 48,424</u>	<u>\$ 9,235</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

Deferred income tax assets	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized exchange losses	\$ 5,629	\$ 810	\$ 6,439
Others	<u>84</u>	(<u>84</u>)	<u>-</u>
	<u>\$ 5,713</u>	<u>\$ 726</u>	<u>\$ 6,439</u>
Deferred income tax liabilities	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized exchange gains	<u>\$ 3,455</u>	(<u>\$ 2,510</u>)	<u>\$ 945</u>

2022

Deferred income tax assets	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized allowance for inventory valuation and obsolescence losses	\$ 4,854	\$ 775	\$ 5,629
Unrealized exchange losses	1,733	(1,733)	-
Others	111	(27)	84
	<u>\$ 6,698</u>	<u>(\$ 985)</u>	<u>\$ 5,713</u>
Deferred income tax liabilities	Beginning balance	Changes during the year	Ending balance
Temporary difference			
Unrealized exchange gains	\$ -	\$ 3,455	\$ 3,455

- (IV) Deductible temporary differences of deferred income tax assets not recognized in the parent company only balance sheet

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 55,878</u>	<u>\$ 63,866</u>

- (V) Assessment of tax

The profit-seeking business income tax declarations of the Company as of 2021 have been approved by the taxation authority.

XXIV. Earnings per share

(In New Taiwan Dollars per share)

	2023	2022
Basic earnings per share	<u>\$ 3.00</u>	<u>\$ 0.95</u>
Diluted earnings per share	<u>\$ 2.97</u>	<u>\$ 0.94</u>

Net income and the weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net income for the year

	2023	2022
Net income used to calculate basic and diluted earnings per share	<u>\$199,659</u>	<u>\$ 67,403</u>

Shares

	Unit: thousand shares	
	2023	2022
Weighted average number of ordinary shares used to calculate basic earnings per share	66,490	70,921
Impacts of potential ordinary shares with diluted effects:		
Remuneration of employees	<u>651</u>	<u>512</u>
Weighted average number of ordinary shares used to calculate diluted earnings per share	<u>67,141</u>	<u>71,433</u>

If the Company may choose to distribute remuneration of employees in stock or in cash, when calculating the diluted earnings per share, it assumes that remuneration of employees will be distributed in stock and calculates the diluted earnings per share by including the weighted average number of outstanding shares when potential ordinary shares have diluted effects. When calculating diluted earnings per share before resolving the number of shares for the distribution of remuneration of employees in the following year, the Company continues to consider the diluted effects of such potential ordinary shares.

XXV. Capital risk management

The Company engages in capital management to ensure all enterprises within the Company can optimize the balance of liabilities and equity with a precondition of continuing operations so as to maximize shareholders' return. The overall strategy of the Company has no significant change.

The capital structure of the Company is composed of equity (i.e., share capital, capital reserve, retained earnings, and other equity items).

The Company is not required to comply with other external capital requirements.

XXVI. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

The management of the Company considers that the carrying amounts of financial assets and financial liabilities not measured at fair value are equivalent to their fair value.

(II) Information on fair value - financial instruments at fair value on a repeatability basis

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial asset measured at fair value through profit or loss</u>				
Domestic listed stocks	\$ 211	\$ -	\$ -	\$ 211
Beneficiary certificates	<u>10,330</u>	<u>-</u>	<u>-</u>	<u>10,330</u>
	<u>\$ 10,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,541</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial asset measured at fair value through profit or loss</u>				
Domestic listed stocks	\$ 3,375	\$ -	\$ -	\$ 3,375
Beneficiary certificates	<u>30,171</u>	<u>-</u>	<u>-</u>	<u>30,171</u>
	<u>\$ 33,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,546</u>

In 2023 and 2022, there was no measurement transfer between level 1 and level 2 fair value.

(III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss	\$ 10,541	\$ 33,546
Financial assets at amortized costs (Note 1)	612,455	426,256
<u>Financial liabilities</u>		
Measured at amortized costs (Note 2)	303,820	82,324

Note 1: The balance includes cash and cash equivalents, financial assets at amortized costs (current and non-current), accounts receivable (including those from related parties), other receivables (including those from related parties), and other financial assets at amortized costs.

Note 2: The balance includes accounts payable (including those to related parties), other payables, long-term borrowings (including those due within one year), and other financial liabilities at amortized costs.

(IV) Financial risk management purpose and policy

The Company's main financial instruments include investments in equity instruments, cash and cash equivalents, accounts receivable, bank borrowings, accounts payable, and lease liabilities. The financial management department of the Company provides services for all business departments, coordinates the entrance to domestic and international financial markets for operations, analyzes the internal risk of exposure based on the level and width of risks, and monitors and manages financial risks related to the operations of the Company. Such risks include market risks (including exchange rate risks, interest rate risks, and other price risks), credit risks, and liquidity risks.

1. Market risks

The major financial risks assumed by the Company due to its operating activities are the risk of changes in exchange rates (please refer to (1) below for details) and the risk of changes in interest rates (please refer to (2) below for details).

There is no change in the exposure to financial instrument market risks of the Company and its management and measurement methods of such exposures.

(1) Exchange rate risks

The Company engages in sales and purchases denominated in foreign currencies, resulting in the exposure of the Company to changes in exchange rates. The management of exchange rate exposure of the Company is to utilize natural hedging methods for risk management within the scope permitted under its policies.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company on the balance sheet date, please refer to Note 30.

Sensitivity analysis

The Company is primarily affected by the fluctuation of the USD exchange rate.

The following table describes the sensitivity analysis of the Company when the exchange rate of the functional currency appreciates and depreciates by 1% for each of the relevant foreign currencies. The sensitivity ratio used to report to the major management within the Group for exchange rate risks is 1%, which also represents the scope of

reasonable and possible changes in exchange rates assessed by the management. The sensitivity analysis only includes outstanding monetary items in foreign currencies, and adjustments are made to their translation at the end of the period based on a change of 1%. The positive figures in the following table refer to the increase in net income before tax when NTD depreciates by 1% against relevant currencies; when NTD appreciates by 1% against relevant currencies, the effects on net income before tax will be the same amount in negative.

	Effects of USD	
	2023	2022
Profit or loss	\$ 2,685(i)	\$ 3,299(i)

(i) Primarily originated from cash and cash equivalents, accounts receivable, other receivables, and accounts payable denominated in USD that is outstanding on the balance sheet date with no cash flow hedging performed.

(2) Interest rate risks

Interest rate exposure arising from the borrowing of capital at fixed and floating rates by entities within the Company. The Company manages the interest rates risk by maintaining an adequate portfolio of fixed and variable interest rates.

The carrying amount of financial assets and financial liabilities under interest rate exposure on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risks		
- Financial assets	\$278,503	\$282,187
- Financial liabilities	52,585	49,268
With cash flow interest rate risks		
- Financial assets	100,496	100,545
- Financial liabilities	192,000	1,936

Sensitivity analysis

The following sensitivity analysis is based on the risk exposure to the interest rates risk of non-derivative instruments on the balance sheet date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding on the balance sheet date was outstanding throughout the reporting period. The rate of change is expressed as the interest rate increases or decreases by 0.1% when reporting to the key management internally, which also represents the management's assessment of the reasonable and possible scope of change in interest rates.

With other variables remaining unchanged, if the interest rate increases/decreases by 0.1%, the net income before tax of the Company in 2023 and 2022 will increase/decrease by NT\$92 thousand and NT\$99 thousand in 2023 and 2022, respectively, primarily due to the interest rate exposure of net assets at variable interest rates.

(3) Other price risks

The Company has equity price exposure arising from its investments in equity securities. Such equity investments are not held for trading purposes but strategic investments; the Company is not actively trading such investments. In addition, the Company has appointed a particular team to monitor price risks and evaluate the timing to increase the hedging positions of the risks hedged.

Sensitivity analysis

The following sensitivity analysis is based on the equity price on the balance sheet date.

If the equity price increases/decreases by 5%, net income before tax in 2023 and 2022 will increase/decrease by NT\$527 thousand and NT\$1,677 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through profit or loss.

2. Credit risks

Credit risks refer to risks of financial losses of the Company resulting from the delay in performing contract obligations of counterparties. As of the balance sheet date, the maximum credit risk exposure of financial losses that may incur to the Company due to non-performance of obligations by counterparties and the

provision of financial guarantees is the carrying amount of financial assets recognized in the consolidated balance sheet.

To mitigate credit risks, the management of the Company has appointed a dedicated team to be responsible for the decision of loan limits, loan approval, and other monitoring procedures to ensure that appropriate actions are adopted for the recovery of overdue amounts receivable. In addition, the Company reviews the recoverable amount of amounts receivables on a case-by-case basis on the balance sheet date to ensure impairment losses are provided for amounts receivable not recoverable. Accordingly, the management of the Company considers that the credit risks of the Company have reduced significantly.

3. Liquidity risks

The Company supports its operations and mitigates the effects of cash flow fluctuation by managing and maintaining abundant positions of cash and cash equivalents. The management of the Company monitors the use status of financing limits with banks and ensures compliance with the terms of borrowing contracts.

Bank borrowings represent a material source of liquidity to the Company. As of December 31, 2023 and 2022, the Company has not utilized any financing limit; please refer to the description of the financing limit in (3) below.

(1) Table of liquidity and interest rate risks of non-derivate financial liabilities

The maturity analysis of remaining contracts for non-derivative liabilities is prepared in accordance with the earliest date on which the Company may be requested to make repayment based on the undiscounted cash flow of financial liabilities (including principals and estimated interest). Therefore, bank borrowings that the Company may be requested to repay immediately are set out in the earliest period in the following table, without considering the probability of banks exercising their rights immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the repayment dates agreed upon.

December 31, 2023

	Request of instant payment or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 10,519	\$ 21,636	\$ 2,684	\$ -	\$ 34,839
Other payables	69,161	2,944	872	-	72,977
Lease liabilities	289	578	2,600	67,224	70,691
Instruments at floating interest rates	-	192,181	-	-	192,181
	<u>\$ 79,969</u>	<u>\$ 217,339</u>	<u>\$ 6,156</u>	<u>\$ 67,224</u>	<u>\$ 370,688</u>

Further information on the maturity analysis of the abovementioned financial liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 3,467	\$ 12,680	\$ 11,398	\$ 11,398	\$ 11,398	\$ 20,350
Instruments at floating interest rates	192,181	-	-	-	-	-
	<u>\$ 195,648</u>	<u>\$ 12,680</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 20,350</u>

December 31, 2022

	Request of instant payment or less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 11,239	\$ 18,342	\$ -	\$ -	\$ 29,581
Other payables	3,152	41,435	4,445	-	49,032
Lease liabilities	190	380	1,711	65,943	68,224
Instruments at floating interest rates	195	391	1,368	-	1,954
	<u>\$ 14,776</u>	<u>\$ 60,548</u>	<u>\$ 7,524</u>	<u>\$ 65,943</u>	<u>\$ 148,791</u>

Further information on the maturity analysis of the abovementioned financial liabilities is as follows:

	Less than 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Over 20 years
Lease liabilities	\$ 2,281	\$ 9,119	\$ 11,398	\$ 11,398	\$ 11,398	\$ 22,630
Instruments at floating interest rates	1,954	-	-	-	-	-
	<u>\$ 4,235</u>	<u>\$ 9,119</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 11,398</u>	<u>\$ 22,630</u>

(2) Financing limit

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-secured bank borrowing limits		
Amount not utilized	<u>\$ 20,000</u>	<u>\$ -</u>
Secured bank borrowing limits (may be extended with the consent of both parties)		
- Amount utilized	\$192,000	\$ 1,936
- Amount not utilized	<u>344,073</u>	<u>352,875</u>
	<u>\$536,073</u>	<u>\$354,811</u>

XXVII. Related party transactions

Transactions between the Company and its related parties are as follows:

(I) Names and relationships with related parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Tianjin Loop Technology Co.,Ltd	Subsidiary
Tianjin Loop Electron Technology Co., Ltd.	Subsidiary
Chongqing Loop Technology Co., Ltd.	Subsidiary
Loop Telecom NA, Inc	Subsidiary

(II) Operating revenue

<u>Accounting item</u>	<u>Type of related parties</u>	<u>2023</u>	<u>2022</u>
Operating revenue	Subsidiary	<u>\$ 704</u>	<u>\$ 347</u>

(III) Purchases

<u>Type of related parties</u>	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ 19,164</u>	<u>\$ 11,441</u>

The Company purchases from and sales to related parties without purchasing from other suppliers and sales to other customers as there is no market price available for comparison; the transacting price is determined by both parties with reference to the market status.

(IV) Amounts receivable from related parties

Accounting item	Type of related parties	December 31, 2023	December 31, 2022
Accounts receivable (including those from related parties)	Tianjin Loop Technology Co.,Ltd	\$ <u>-</u>	\$ <u>201</u>
Other receivables (including those from related parties)	Tianjin Loop Technology Co.,Ltd	\$ <u>695</u>	\$ <u>-</u>

No guarantee is received for amounts due from related parties that are outstanding.

In 2023 and 2022, no loss provision was made for amounts due from related parties.

(V) Prepayments for goods (accounted for as other current assets)

Accounting item	Type of related parties	December 31, 2023	December 31, 2022
Prepayments for goods	Tianjin Loop Technology Co.,Ltd	\$ <u>3,618</u>	\$ <u>5,244</u>

(VI) Prepayments (accounted for as other current assets)

Accounting item	Type of related parties	December 31, 2023	December 31, 2022
Temporary payments	Loop Telecom NA, Inc	\$ <u>31</u>	\$ <u>31</u>

(VII) Other prepayments (accounted for as other current assets)

Accounting item	Type of related parties	December 31, 2023	December 31, 2022
Other prepayments	Tianjin Loop Technology Co.,Ltd	\$ 87	\$ 13
	Chongqing Loop Technology Co., Ltd	<u>1,646</u>	<u>35</u>
		\$ <u>1,733</u>	\$ <u>48</u>

(VIII) Amounts payable to related parties

Accounting item	Type of related parties	December 31, 2023	December 31, 2022
Accounts payable - related parties	Chongqing Loop Technology Co., Ltd.	\$ 3,177	\$ 1,018
	Tianjin Loop Technology Co.,Ltd	<u>827</u>	<u>757</u>
		\$ <u>4,004</u>	\$ <u>1,775</u>

No guarantee is provided for the balance of amounts payable to related parties that are outstanding.

(IX) Salary of the major management

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 19,325	\$ 18,070
Post-employment benefits	678	375
Other employee benefits	<u>153</u>	<u>144</u>
	<u>\$ 20,156</u>	<u>\$ 18,589</u>

The salary of Directors and other major management is determined by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged assets

The following assets were provided as collateral for bank borrowings, performance guarantees, and lease deposits:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits pledged (accounted for financial assets at amortized costs - current)	\$101,627	\$ -
Time deposits pledged (accounted for financial assets at amortized costs - non-current)	12,056	12,026
Property, plant and equipment and investment properties	22,560	23,425
Refundable deposits	<u>32,911</u>	<u>30,212</u>
	<u>\$169,154</u>	<u>\$ 65,663</u>

XXIX. Assets and liabilities in foreign currencies of material effects

The following information is presented as a summary of foreign currencies other than the functional currency of the Company, and the exchange rates disclosed are the exchange rates used to translate such foreign currencies into functional currency. Assets and liabilities in foreign currencies of material effects are as follows:

Unit Foreign currencies/NT\$ thousand

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Assets in foreign currencies			
<u>Monetary items</u>			
USD	\$ 9,354	30.705	\$ 287,215
JPY	21,367	0.217	4,641
GBP	105	39.150	4,111
RMB	943	4.327	4,080
			<u>\$ 300,047</u>
Liabilities in foreign currencies			
<u>Monetary items</u>			
USD	\$ 611	30.705	\$ 18,761
RMB	544	4.327	2,354
			<u>\$ 21,115</u>

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Assets in foreign currencies			
<u>Monetary items</u>			
USD	\$ 11,232	30.71	\$ 344,935
RMB	1,257	4.408	5,541
EURO	155	32.72	5,072
GBP	104	37.09	3,857
			<u>\$ 359,405</u>
Liabilities in foreign currencies			
<u>Monetary items</u>			
USD	489	30.71	<u>\$ 15,017</u>

(Losses) gains (unrealized) on currency exchange of material effects are as follows:

	2023		2022	
Foreign currency	Exchange rate	Net exchange gains or losses	Exchange rate	Net exchange gains or losses
USD	30.705	<u>\$ 4,239</u>	30.71	<u>\$ 17,269</u>

XXX. Disclosures notes

(I) Information on significant transactions:

1. Financings provided to others: None.
2. Endorsements and guarantees provided to others: None
3. Marketable securities held at the end of the period (excluding investments in the equity of subsidiaries). (Table 1)
4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None

(II) Information on investees (Table 2)

(III) Information on investments in Mainland China:

1. Name of investees in Mainland China, major scope of business, paid-in capital, investment methods, outward/inward remittance of capital, shareholding ratio, carrying amount of investments at the end of the period, gains or losses on investments remitted back, and investment limits in Mainland China. (Table 3)
2. Material transactions that occurred directly or indirectly via a third-party region with investees in Mainland China, their prices, payment conditions, and unrealized gains or losses: (Table 4)
 - (1) Purchase amount and ratio and ending balance and ratio of relevant amounts payable.
 - (2) Sales amount and ratio and ending balance and ratio of relevant amounts receivable.
 - (3) Amount of property transaction and gains or losses arising thereof.
 - (4) Ending balance of note endorsements/guarantees of provision of collateral and its purpose.

- (5) Maximum balance of fund accommodation, closing balance, interest rate range, and total interest of the period.
 - (6) Other transactions have material effects on the profit or loss of the period or financial position (i.e., provision or receipt of services).
- (IV) Information on major shareholders: Name of major shareholders with a shareholding of 5% or above and shareholding ratio. (Table 5)

Loop Telecommunication International, Inc.

Marketable securities held

December 31, 2023

Table 1

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Names of companies held	Category of marketable securities	Name of marketable securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
					Shares (In Thousands)	Carrying amount	Shareholding ratio (%)	Market price	
The Company	Fund	Union Money Market Fund	—	Financial assets at fair value through profit or loss - Current	761	\$ 10,330	-	\$ 10,330	Note 1
The Company	Common shares	TPK Holding Co., Ltd.	—	Financial assets at fair value through profit or loss - Current	3	109	-	109	Note 1
The Company	Common shares	G-TECH Optoelectronics Corporation	—	Financial assets at fair value through profit or loss - Current	2	51	-	51	Note 1
The Company	Common shares	Sunspring Metal Corporation	—	Financial assets at fair value through profit or loss - Current	2	51	-	51	Note 1
The Company	Preferred shares	Formerica Optoelectronics Inc.	—	Financial assets at fair value through profit or loss - Current	8	-	-	-	-

Note 1: Calculated based on the net assets of funds and closing price of shares on December 31, 2023.

Note 2: As of December 31, 2023 the abovementioned securities were not provided for guarantee, pledge, or being restricted from use due to other agreements.

Loop Telecommunication International, Inc.
Information on investees, location, and other relevant information
For the year ended December 31, 2023

Table 2

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Name of the investors	Name of the investees	Location	Main business line	Original / investment amount		Held at the end of the period			Net loss of the investee for the period (Note)	Investment losses recognized during the period (Note)	Remarks
				Ending balance of the period	End of the preceding period	Shares (In Thousands)	Ratio (%)	Carrying amount (Note)			
The Company	Tech-Plan (BVI) Ltd.	BVI	Investment business	USD4,016 thousand	USD4,016 thousand	4,016	100	\$ 412	(\$ 194)	(\$ 194)	Subsidiary of the Company
	Loop Telecom NA, Inc.	The U.S.	Development and trading of digital communication equipment and software	USD 5 thousand	USD 5 thousand	5	100	153	-	-	Subsidiary of the Company
Tech-Plan (BVI) Ltd.	Maxi View Holdings Ltd.	Hong Kong	Investment business	USD1,616 thousand	USD1,616 thousand	1,616	100	(293)	(72)	(72)	Sub-subsidiary of the Company
	Loop Telecommunication International Ltd.	Cayman	Investment business	USD2,400 thousand	USD2,400 thousand	2,400	100	712	(122)	(122)	Sub-subsidiary of the Company

Note: Calculated based on the financial statements of the same period audited by Accountants.

Loop Telecommunication International, Inc.
Information on investments in Mainland China
For the year ended December 31, 2023

Table 3

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Investee in Mainland China	Main business line	Paid-in capital	Method of investment	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Investment flows		Accumulated investment amount of remittance from Taiwan at the end of the period	Shareholding ratio of the Company's direct or indirect investments (%)	Investment gains or losses recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Accumulated inward remittance of earnings as of the end of the period
					Outflow	Inflow					
Tianjin Loop Electron Technology Co., Ltd.	Development and trading of digital communication equipment and software	USD850 thousand	Note 1	USD296 thousand and RMB500 thousand (\$ 11,252) Note 3	\$ -	\$ -	USD296 thousand and RMB500 thousand (\$ 11,252) Note 3	100	\$ 391	(\$ 515)	\$ -
Tianjin Loop Technology Co., Ltd.	Development and trading of digital communication equipment and software	USD600 thousand	Note 1	USD300 thousand (\$ 9,212) Note 6	-	-	USD300 thousand (\$ 9,212) Note 6	100	(463)	(2,287)	-
Chongqing Loop Technology Co., Ltd.	R&D, design, production, processing, and trading of digital communication equipment	USD2,400 thousand	Note 1	USD2,400 thousand (\$ 73,692)	-	-	USD2,400 thousand (\$ 73,692)	100	(122)	704	-

Accumulated Investment in Mainland China at the end of the period (Note 5)	Investment amounts authorized by Investment Commission, MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs is 60% of the net worth
USD 3,882 thousand and RMB 500 thousand (\$ 121,361)	USD 5,536 thousand (\$ 169,983)	\$505,916

Note 1: Investment in the company in Mainland China through investing in establishing a company in a third-party region.

Note 2: Calculated based on the financial statements of the same period audited by Accountants.

Note 3: Maxi View Holdings Ltd. was established through the investments from earnings distributed by Tianjin Loop Communication Equipment Co., Ltd. Maxi View Holdings Ltd. acquired the residual equity of Tianjin Loop Electron Technology Co., Ltd. at RMB500 thousand in August 2019, and its shareholding ratio increased from 75% to 100%.

Note 4: For those involving foreign currencies, they are translated into NTD at the exchange rates on December 31, 2023 using the following rate: US\$1=NT\$30.705 and RMB\$1=NT\$4.327.

Note 5: Include the cumulative outward remittance amount of US\$886 thousand to Hangzhou Loop Electronics Co., Ltd. and Hangzhou Loop Smart Instrument Co., Ltd.

Note 6: Exclude the investment amount of US\$300 thousand from the earnings of Maxi View Holdings Ltd..

Loop Telecommunication International, Inc.

Material transactions that occurred directly or indirectly via a third-party region with investees in Mainland China, their prices, payment conditions, unrealized gains or losses, and other relevant information

For the year ended December 31, 2023

Table 4

(In Thousands of New Taiwan Dollars)

Investee in Mainland China	Transaction category	Purchases and sales		Transaction conditions (Note)	Notes and accounts receivable (payable)		Unrealized gains or losses	Remarks
		Amount	Ratio		Amount	Ratio		
Tianjin Loop Technology Co.,Ltd	Sales	\$ 704	0.11%	—	\$ -	-	\$ -	—
	Purchases	5,609	2.74%	—	(827)	2.13%	-	—
Chongqing Loop Technology Co., Ltd.	Purchases	13,555	6.62%	—	(3,177)	8.18%	-	—

Note: For transactions between related parties, the transacting price is determined by both parties with reference to the market status; however, the collection of payments for goods shall be subject to the capital status of the related parties.

Loop Telecommunication International, Inc.

Information on major shareholders

December 31, 2023

Table 5

Name of major shareholder	Shares	
	Number of shares held (share)	Ownership
Yeh Maw-Lin	5,625,844	9.91%

Note 1: Information on the major shareholder in the table is provided by the centralized depository enterprise on the last business day of the current quarter for the calculation of the total number of ordinary shares and preferred shares of the Company with non-physical registration completed (including treasury shares) held by shareholders, in aggregate, reaching 5% or above. The share capital in the parent company only financial statements of the Company may differ from the actual number of shares delivered with non-physical registration completed due to different preparation or calculation basis.

Note 2: Regarding the abovementioned data, if the shareholding of shareholders is entrusted, the individual account of the consignor for whom the trustee opens the trust account shall be presented separately. For the declaration of insiders with over 10% of equity according to the Securities and Exchange Act by a shareholder, the shareholding includes shareholding of the shareholder plus shares delivered to a trust that has rights to determine the utilization of trusted properties; for data on insider equity declaration, please refer to MOPS.

§List of Major Accounting Items§

<u>Item</u>	<u>No./index</u>
Breakdown of assets, liabilities, and equity items	
Breakdown of cash and cash equivalents	Breakdown 1
Breakdown of financial assets at fair value through profit or loss - current	Note 7
Breakdown of accounts receivable	Breakdown 2
Breakdown of inventories	Breakdown 3
Breakdown of other assets	Note 16
Breakdown of changes in investments accounted for using the equity method	Breakdown 4
Breakdown of changes in property, plant and equipment	Note 12
Breakdown of changes in right-of-use assets	Breakdown 5
Breakdown of changes in investment properties	Note 14
Breakdown of changes in intangible assets	Note 15
Breakdown of deferred income tax assets	Note 23 (3)
Breakdown of accounts payable	Breakdown 6
Breakdown of other liabilities	Note 18
Breakdown of lease liabilities	Breakdown 7
Breakdown of long-term bank borrowings	Breakdown 8
Breakdown of profit or loss items	
Breakdown of operating revenue	Breakdown 9
Breakdown of operating costs	Breakdown 10
Breakdown of operating expenses	Breakdown 11
Breakdown of financial costs	Note 22 (4)
Summary of employee benefits and depreciation and amortization expenses that occurred during the period by function	Breakdown 12

Loop Telecommunication International, Inc.

Breakdown of cash and cash equivalents

December 31, 2023

Breakdown 1

(In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Bank deposits		
	Time deposits (Note 1)	\$289,903
	Deposits in foreign currency (Note 2)	60,370
	Demand deposit	28,726
	Checking account deposits	<u>364</u>
		379,363
Cash in hand and working capital		<u>268</u>
Subtotal		379,631
Transferred to financial assets at amortized cost - current (Note 3)		(103,169)
Transferred to financial assets at amortized cost - non-current (Note 4)		(<u>12,056</u>)
Total		<u>\$264,406</u>

Note 1: Expired by July 2024 successively with an interest rate per annum ranging from 0.55% to 5.33%.

Note 2: Refer to approximately US\$1,564 thousand (the exchange rate was US\$1 = NT\$30.705), EUR\$80 thousand (the exchange rate was EUR\$1 = NT\$33.98), GBP\$105 thousand (the exchange rate was GBP\$1 = NT\$39.15) and other petty foreign currencies, including RMB and AUD.

Note 3: Time deposits with an initial expiry exceeding 3 months.

Note 4: Time deposits pledge with a bank as the collateral for the performance guarantee of the Company.

Loop Telecommunication International, Inc.

Breakdown of accounts receivable

December 31, 2023

Breakdown 2

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Non-related party	
Customer A	\$101,490
Customer B	51,318
Customer C	36,224
Customer D	24,857
Others (Note)	<u>17,665</u>
	231,554
Less: loss allowance	(<u>565</u>)
Net amount	<u>\$230,989</u>

Note: The balance of each customer has not exceeded 5% of the balance of the item.

Loop Telecommunication International, Inc.

Breakdown of inventories

December 31, 2023

Breakdown 3

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Costs	Net realizable value (Note 2)
Finished goods	\$ 70,616	\$199,746
Work in progress	43,465	128,647
Raw material	<u>258,786</u>	<u>264,318</u>
	<u>\$372,867</u>	<u>\$592,711</u>

Note 1: The combined insurance amount of inventory and property, plant and equipment were NT\$562,481 thousand.

Note 2: Inventories are stated at the lower of cost or net realizable value. Except for inventories of the same category, the comparison of the lower of cost and net realizable value is made on an item-by-item basis.

Loop Telecommunication International, Inc.
Breakdown of changes in investments accounted for using the equity method
For the year ended December 31, 2023

Breakdown 4

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Name of the investees	Beginning balance		Investment losses recognized by using the equity method (Note 1)	Amount of translation adjustments	Others (Note 2)	Ending balance			
	Shares (In Thousands)	Amount				Number of shares (1,000 shares)	Shareholding (%)	Amount	Net value of equity (Note 2)
Tech-Plan (BVI) Ltd.	4,016	\$ 992	(\$ 194)	\$ 35	(\$ 421)	4,016	100	\$ 412	\$ 412
Loop Telecom NA, Inc.	5	<u>153</u>	<u>-</u>	<u>-</u>	<u>-</u>	5	100	<u>153</u>	<u>153</u>
		<u>\$ 1,145</u>	<u>(\$ 194)</u>	<u>\$ 35</u>	<u>(\$ 421)</u>			<u>\$ 565</u>	<u>\$ 565</u>

Note 1: Calculated based on the financial statements audited by Accountants.

Note 2: Include the unrealized losses on sales of the year were NT\$421 thousand.

Loop Telecommunication International, Inc.

Breakdown of changes in right-of-use assets

For the year ended December 31, 2023

Breakdown 5

(In Thousands of New Taiwan Dollars)

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Costs			
Balance on January 1, 2023	\$ 46,267	\$ 4,852	\$ 51,119
Addition	<u>-</u>	<u>5,514</u>	<u>5,514</u>
Balance on December 31, 2023	<u>\$ 46,267</u>	<u>\$ 10,366</u>	<u>\$ 56,633</u>
Cumulative depreciation			
Balance on January 1, 2023	\$ 5,724	\$ 4,852	\$ 10,576
Depreciation	<u>1,348</u>	<u>1,101</u>	<u>2,449</u>
Balance on December 31, 2023	<u>\$ 7,072</u>	<u>\$ 5,953</u>	<u>\$ 13,025</u>
Net amount on December 31, 2023	<u>\$ 39,195</u>	<u>\$ 4,413</u>	<u>\$ 43,608</u>

Loop Telecommunication International, Inc.

Breakdown of accounts payable

December 31, 2023

Breakdown 6

(In Thousands of New Taiwan Dollars)

Supplier	Amount
Accounts payable - related parties	<u>\$ 4,004</u>
Accounts payable - non-related parties:	
WT Microelectronics	9,905
Qinyi Enterprise	2,386
Avnet	2,335
Kintech Electronics	2,045
Others (Note)	<u>18,168</u>
	<u>34,839</u>
Total	<u>\$ 38,843</u>

Note: The balance of each supplier has not exceeded 5% of the balance of the item.

Loop Telecommunication International, Inc.

Breakdown of lease liabilities

December 31, 2023

Breakdown 7

(In Thousands of New Taiwan Dollars;
unless specified otherwise)

<u>Name</u>	<u>Leasing period</u>	<u>Discount rate</u>	<u>Ending balance</u>
Land	1996.06~2026.12 and 2019.08~2038.12	2.30%	\$ 48,109
Building	2023.01~2027.12	2.93%	4,476
Less: Lease liabilities - current			(<u>2,256</u>)
Lease liabilities - non-current			<u>\$ 50,329</u>

Loop Telecommunication International, Inc.

Breakdown of long-term bank borrowings

December 31, 2023

Breakdown 8

(In Thousands of New Taiwan Dollars; unless specified otherwise)

Lenders	Summary	Borrowing amount	Contract period	Interest rate range (%)	Pledge or Guarantee
Bank borrowings					
Yuanta Commercial Bank	Borrowings on pledge	\$ 100,000	2023.12.06~2024.01. 08	1.79	Financial assets at amortized cost – current
Yuanta Commercial Bank	Borrowings on pledge	72,000	2023.12.06~2024.03. 04	1.84	Financial assets at amortized cost – current
Yuanta Commercial Bank	Borrowings on pledge	<u>20,000</u>	2023.12.06~2024.01. 09	1.90	Property, plant and equipment
		<u>\$ 192,000</u>			

Loop Telecommunication International, Inc.

Breakdown of operating revenue

For the year ended December 31, 2023

Breakdown 9

(In Thousands of New Taiwan Dollars;
unless specified otherwise)

Item	Quantity (thousand machines)	Amount
Optical transport network access equipment	14	\$356,445
U interface multiplexer and MDSL interface multiplexer	14	148,394
Network management system	2	27,923
Internet access equipment	-	10,875
Time-slot interchanger	-	5,461
Others	18	<u>99,598</u>
Total		<u>\$648,696</u>

Loop Telecommunication International, Inc.

Breakdown of operating costs

For the year ended December 31, 2023

Breakdown 10

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw material	
Raw materials at the beginning of the year	\$191,554
Purchase of materials during the year	208,021
Other outward transfers	6,748
Raw materials at the end of the year	(258,786)
Raw material used	147,537
Direct labor costs	8,027
Manufacturing expenses	<u>62,011</u>
Manufacturing costs	217,575
Work-in-progress at the beginning of the year	39,077
Purchase of materials during the year	1,853
Other inward transfers	6,946
Work-in-progress at the end of the year	(<u>43,465</u>)
Cost of finished good	221,986
Finished good at the beginning of the year	79,748
Inward transfers or transfers to others of fees	(27,524)
Finished good at the end of the year	(<u>70,616</u>)
Total costs of sales	203,594
Service costs	<u>1,966</u>
Total operating cost	<u>\$205,560</u>

Loop Telecommunication International, Inc.

Breakdown of operating expenses

For the year ended December 31, 2023

Breakdown 11

(In Thousands of New Taiwan Dollars)

Item	Sales and marketing expenses	General and administrative expenses	Research and development expenses
Salary expenses	\$ 26,698	\$ 23,338	\$ 96,811
Service fees	10,442	5,609	1,876
Insurance premium	1,336	1,370	7,283
Depreciation	427	740	6,977
Indirect materials	-	-	18,208
Others (Note)	<u>13,196</u>	<u>13,655</u>	<u>21,069</u>
Total	<u>\$ 52,099</u>	<u>\$ 44,712</u>	<u>\$ 152,224</u>

Note: The amount of each entry item has not exceeded 5% of the amount of the item.

Loop Telecommunication International, Inc.

Summary of employee benefits and depreciation and amortization expenses that occurred during the period by function

For the years ended December 31, 2023 and 2022

Breakdown 12

(In Thousands of New Taiwan Dollars)

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	\$ 32,720	\$ 146,847	\$ 179,567	\$ 27,470	\$ 123,309	\$ 150,779
Labor and health insurance	3,169	9,989	13,158	2,889	9,516	12,405
Pension costs	1,518	5,519	7,037	1,447	5,331	6,778
Directors' remuneration	-	5,608	5,608	-	1,968	1,968
Other employee benefits expense	1,684	3,741	5,425	1,471	3,460	4,931
Total	<u>\$ 39,091</u>	<u>\$ 171,704</u>	<u>\$ 210,795</u>	<u>\$ 33,277</u>	<u>\$ 143,584</u>	<u>\$ 176,861</u>
Depreciation	<u>\$ 6,129</u>	<u>\$ 8,144</u>	<u>\$ 14,273</u>	<u>\$ 5,281</u>	<u>\$ 8,265</u>	<u>\$ 13,546</u>
Amortization expense	<u>\$ 557</u>	<u>\$ 3,953</u>	<u>\$ 4,510</u>	<u>\$ 128</u>	<u>\$ 3,530</u>	<u>\$ 3,658</u>

Note 1: The number of employees of the year and the preceding year was 156 persons and 153 persons, respectively, and the number of Directors who are not concurrently employees was 8 persons and 7 persons, respectively.

Note 2: Companies whose shares are listed on TWSE or TPEx for trading shall additionally disclose the following information:

- (1) The average employee benefits expenses of the year were NT\$1,386 thousand ("total employee benefits expenses of the year - total Directors' Remuneration"/"number of employees of the year - number of Directors who are not concurrently employees"). The average employee benefits expenses of the preceding year were NT\$1,198 thousand ("total employee benefits expenses of the preceding year - total Directors' Remuneration"/"number of employees of the preceding year - number of Directors who are not concurrently employees").
- (2) The average salary expenses of employees of the year were NT\$1,213 thousand (total salary expenses of the year/"number of employees of the year - number of Directors who are not concurrently employees").
The average salary expenses of employees of the preceding year were NT\$1,033 thousand (total salary expenses of the preceding year/"number of employees of the preceding year - number of Directors who are not concurrently employees").
- (3) The average adjustments and changes in salary expenses reached 17.42% ("average salary expenses of employees of the year - average salary expenses of employees of the preceding year"/average salary expenses of employees of the preceding year).
- (4) The remuneration of supervisors for the preceding year was NT\$8 thousand. The Company has established its Audit Committee in place for supervisors in June 2022; therefore, there will no longer be remuneration of supervisors.
- (5) Remuneration policy
 - A. Based on the percentage or scope of remuneration of employees and Directors stipulated in the Company's Articles of Incorporation:
Based on the distribution policy of remuneration of employees and Directors stipulated in the Articles of Incorporation. If the Company records any earnings from its final account of the year, apart from paying all taxes according to the law, it shall first compensate cumulative losses from prior years. It may appropriate special reserve based on the Company's requirements. Then, the remaining balance shall be combined with the cumulative undistributed earnings from prior years; after retaining partial earnings based on the operating status and for a balanced dividend policy, the Company may make distribution after a resolution is made by the shareholders' meeting based on the following principles:
 - a. Remuneration of employees shall be no less than 10%: Remuneration of employees may be made in shares or cash, and the distribution targets may include employees, who fulfill certain conditions, of subordinated companies; such conditions shall be resolved by the Board.
 - b. Remuneration of Directors shall be no more than 5%.
 - c. The remaining shall be shareholders' bonuses.

Loop Telecommunication International,
Inc.

Chairman: Yeh Maw-Lin