

Stock Code: 4536



TOPKEY CORPORATION

2022 Annual Report

Annual Report

Website: <https://mops.twse.com.tw>

Company

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

Publication Date: May 5, 2023



Note to Readers: 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 version shall prevail

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None.

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Table of Contents

	<u>Page</u> <u>No.</u>
I. Letter to Shareholders.....	4
II. Company Profile	4
2.1 Company Overview	
2.1.1 Date of Incorporation	4
2.1.2 Information on Headquarters, Branches and Plant.....	4
2.1.3 Company History	4
III. Corporate Governance	10
3.1 Organization	10
3.1.1 Organization Chart.....	10
3.1.2 Major Corporate Functions.....	11
3.2 Information on the Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of All the Company's Divisions and Branch Units.....	12
3.2.1 Information on the Directors.....	12
3.2.2 Information on the General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of All the Company's Divisions and Branch Unit	17
3.2.3 Remuneration of Directors, General Manager and Assistant General Managers.....	27
3.3 Corporate Governance	34
3.3.1 Board of Directors	34
3.3.2 Audit Committee.....	40
3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”	46
3.3.4 If the company has a remuneration committee or nomination committee in place, the composition and operation of such committee shall be disclosed.....	54
3.3.5 Implementation of Sustainable Development.....	57
3.3.6 Implementation of Ethical Corporate Management	70
3.3.7 If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched	74
3.3.8 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed	75
3.3.9 Implementation of Internal Control System.....	78
3.3.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year 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, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement	79
3.3.11 Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	82
3.3.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof	90
3.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer.....	90
3.3.14 Cybersecurity	90
3.4 Information on CPA Professional Fees	93
3.5 Information on Replacement of CPAs	93
3.6 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed	94
3.7 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	94
IV. Capital Overview	99
4.1 Capital and Shares	99

4.1.1 Source of Capital Stock	99
4.1.2 Capital Formation Process.....	100
4.1.3 Diffusion of Ownership	101
4.1.4 Information on share prices, net worth per share, earnings per share, dividends per share for the past 2 fiscal years	103
4.1.5 Dividend Policy and Implementation.....	104
4.1.6 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting	104
4.1.7 Profit-sharing Compensation of Employees and Directors	104
4.1.8 Share Repurchases by the Company	105
4.2 Issuance of Corporate Bonds	105
4.3 Preferred Shares	106
4.4 Global Depository Receipts	106
4.5 Employee Share Subscription Warrants	106
4.6 New Restricted Employee Shares.....	106
4.7 Issuance of New Shares in Connection with Mergers or Acquisitions or With Acquisitions of Shares of Other Companies	106
4.8 Capital Allocation Plans	106
4.8.1 Analysis of the previous cash capital increase, merger or acquisition, issue of new shares in connection with the acquisition of shares of another company, or plan of utilization of capital from issuance of corporate bonds.....	106
4.8.2 Plan for the current cash capital increase, issuance of corporate bonds, issuance of employee stock warrants, or issuance of new restricted employee shares	106
4.8.3 Current issue of new shares in connection with acquisition of another company's shares	106
4.8.4 Current issue of new shares in connection with acquisition or merger.....	106
V. Overview of Business Operations	107
5.1 Operation of the Company	107
5.1.1 Description of Business	107
5.1.2 Market and Sales Overview.....	124
5.1.3 Number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report.....	130
5.1.4 Disbursements for Environmental Protection	130
5.1.5 Labor Relations	131
5.1.6 Important Contracts.....	133
VI. Financial Information	134
6.1 Financial Summary for the Past 5 Fiscal Years.....	134
6.1.1 Condensed Balance Sheets and Statements of Comprehensive Income	134
6.1.2 The important items which affected the making of uniform comparison on the above- mentioned condensed financial statements, such as accounting changes, corporate mergers, or suspension of work in the operating departments etc., and the impacts of these events on the then current financial reports.....	138
6.1.3 Name of the CPA and the auditor's opinion for the past 5 fiscal years	138
6.1.4 Financial Analysis.....	139
6.2 Audit committee's report for the most recent year's financial statement.....	143
6.3 Financial Reports.....	144
6.3.1 Financial statements and CPA audit reports for the 2 most recent fiscal years	144
6.3.2 Consolidated financial reports audited by CPA for the most recent fiscal year.....	144
6.3.3 If there are CPA audited and certified, or reviewed financial reports and parent company only financial reports for the most recent period during the time after the issuer has registered (or applied for) the offering and issuance of securities and up to the date of publication of the annual report, disclose these reports	144
6.4 Financial Summary and Other Important Matters	144
6.4.1 If the company and its affiliated enterprises have experienced any financial difficulties in the most recent three fiscal years, or in the current year up to the date of publication of the annual report, indicate the impact on the company's financial position.....	144

6.4.2 In case of occurrence of the events under Article 185 of the Company Act in the most recent two years and up to the date of publication of the annual report	144
6.4.3 Subsequent events	144
6.4.4 Other matters.....	144
6.5 Review and Analysis of the Financial Condition and Financial Performance.....	144
6.5.1 Financial Position	144
6.5.2 Financial Performance	145
6.5.3 Cash Flows.....	146
6.5.4 Effect upon financial operations of any major capital expenditures during the most recent fiscal year	147
6.5.5 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.....	148
6.5.6 Risk Management	148
6.5.7 Other Important Matters.....	153
VII. Special Disclosure	154
7.1 Information on Affiliates	154
7.2 The name, incorporation date, address, paid-in capital, and main business items of each affiliate	155
7.3 The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate	156
7.4 Overview of the operations of the affiliates	158
7.5 Consolidated business report of the affiliates.....	159
7.6 Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	160
7.7 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	160
7.8 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	160
7.9 Other matters that require additional description	160
VIII. Appendices	161
8.1 2022 Consolidated Financial Reports of Topkey Corporation.....	161
8.2 2022 Parent Company Only Financial Reports of Topkey Corporation.....	222

I. Letter to Shareholders

Dear Shareholders,

Benefited from continuous popular selling of sports and leisure products, in addition to strenuous efforts of the employees to meet hugely-growing order demands of customers, Topkey Corporation created a record high consolidated revenue in the amount of up to NT\$10.965 billion in 2022. In terms of profit, favored by increase of price and depreciation of NT dollar and RMB against US dollar, the margin in 2022 increased by 4.86% compared with 2021. Moreover, the company's operation scale was expanded with more economic benefits, a good performance was created for the earnings per share in NT\$24.89 in 2022.

Since its establishment, Topkey has adhered to the business philosophy of "sincerity, diligence, innovation and gratitude", working on becoming a human-friendly enterprise with five winning concepts of "customers' satisfaction, employees' pleasure, shareholders' interests, sustainable development, and feedback to the society". Looking forward to the future, in addition to continuing to promote financial information transparency and making corporate governance more sophisticated in compliance with the regulations of the competent authority, the Topkey's management team, in face of the global net zero emissions goal, Topkey will strengthen implementation of ESG in pursuit of corporate consolidated and sustainable development, and fulfil the whole shareholders' commitments and expectations.

The report on 2022 business results is as follows:

1. 2022 Business Report

(1) Implementation Results of Business Plan

As Topkey's parent company only's financial statements indicated, the operating revenue in 2022 was NT\$8.245 billion, accounting for an increase of NT\$2.382 billion compared with NT\$5.863 billion in 2021 with a growth of 40.64%; the margin in 2022 was 22.11%, increasing by 3.04% compared with 19.07% in the previous year; the net profit before tax was 33.27%, increasing by 11.90% compared with 21.37% in the previous year.

As Topkey's consolidated financial statements showed, the net operating revenue in 2022 was NT\$10.965 billion, increasing by NT\$2.273 billion compared with NT\$8.692 billion in 2021 with a growth of 26.16%; benefited from rise of raw materials price, and affected by substantial depreciation of NT dollar and RMB against US dollar, the consolidated margin was 35.40%, increasing by 4.86% compared with 30.54% in the previous year; the consolidated pre-tax net profit was 28.83%, representing a substantial increase of 11.99% compared with 16.84% in the previous year.

As a whole, the net profit after tax, attributable to the Company in 2022, was NT\$2.26 billion, increasing by NT\$1.428 billion more than NT\$832 million in 2021 at a growth rate of 171.76%. The earnings per share after tax was NT\$24.89, growing by 171.72% more than NT\$9.16 in the previous year.

(2) Analysis of Profit and Loss, and Profitability of Topkey's Parent Company Only and Consolidated Financial Reports

Unit: NT\$ Thousand; %

Analysis Items \ Year			2022	2021	Increase (Decrease) (%)
Analysis of Profit and Loss	Operating Revenue	Consolidated	10,965,309	8,691,928	26.16%
		Parent Company Only	8,245,125	5,862,658	40.64%
	Operating Margin	Consolidated	3,881,806	2,654,682	46.22%
		Parent Company Only	1,822,875	1,118,261	63.01%
	After-tax Net Profit (Attributable to Shareholder of the Parent Company)	Parent Company Only/Consolidated	2,260,065	831,647	171.76%
Profitability	Return on Assets (%)	Consolidated	17.04	7.91	115.42%
		Parent Company Only	19.10	8.32	129.57%
	Return on Equity (%)	Consolidated	32.03	14.36	123.05%
		Parent Company Only	33.95	15.13	124.39%
	Ratio of Pre-tax Net Profit to Paid-in Capital (%)	Consolidated	348.07	161.10	116.06%
		Parent Company Only	302.02	137.98	118.89%
	Net Profit (%)	Consolidated	20.61	9.57	115.36%
		Parent Company Only	27.41	14.19	93.16%
	Earnings per Share (Dollar)	Parent Company Only/Consolidated	24.89	9.16	171.72%

(3) Research and Development Results

1. Develop light-weighted and full-suspension trekking frame with weight decreased by 15%.
2. Implement ESG to develop tennis racket by using plant fibres in place of carbon fibres.
3. Develop removable-chine questrial hat.
4. Develop actuation mechanism of new-model helmet lens and obtain practical new-model patent.
5. Develop upgraded small mini C-arm X-ray machine.
6. Develop headrest of advanced development testing equipment with adjustable angle of inclination.
7. Develop accessories for development of movable DR photographing medical diagnosis equipment.

2. Overview of 2023 Business Plan

(1) Business Policy

1. Continue to lay out the future.
2. Reinforce technology innovation.
3. Take the lead for renovation in a fast speed.
4. Implement lean production.

(2) The Company's Future Development Strategies

1. Become the composites technology provider, ranging from concept design to production quality.
2. Fastly develop design drawing and improve production effective and capacity.
3. Enlarge the market share of each product.

(3) Important Production and Marketing Strategies

1. Continue to expand investment in order to diversify operation risks and satisfy customers' demands for orders.
2. Develop new products and new application technology markets.
3. Enhance production efficiency and flexibility in order to shorten production cycles.
4. Continue to promote lean production and increase competitiveness.
5. Continue to make processes lean in order to achieve manpower-saving and improve yield.

(4) Impact of External Competitive Environment, Regulatory Environment and Macro Operation Environment

Although the global COVID-19 pandemic has been weakened this year, and each country has also lifted lockdown one by one to be back to normal life, high inflation urged each country's central bank to drastically hike interest rates one after another, so as to cause slow economic growth of main economies in the world as well as weakness of labor market. Consequently, the enterprises will face a normal operation state with weak consumption this year.

In addition, implementation of net zero emissions and Carbon Border Adjustment Mechanism of Europe and US has become a vital issue affecting operation competitiveness of enterprises. Accordingly, how to introduce low-carbon processes during operation, increase energy efficiency, use low carbon or carbon-free power and fuels, and promote circular economy to save energy, reduce carbon, and further achieve carbon neutrality are the long-term issues which all enterprises need to actively cope with during pursuit of sustainable development and operational strategy planning.

In order to achieve the sustainable development goal, Topkey has established the "Topkey ESG Advisory Committee", and carried out the operations of carbon footprint verification in compliance with the regulations of ISO14064-1. In addition, we have also joined the Bicycling Alliance for Sustainability for striving to move towards the net zero carbon emission goal. Although the external operation environment might suffer interruptions from high inventory of the bike market and weak consumption, Topkey's management team will guild the entire colleagues to perform lean production and enhance competitiveness in order to satisfy customers' commitments. Topkey will also make efforts in promoting the business policy of "continuously laying out the future", "reinforcing technology innovation", "taking the lead for renovation in a fast speed", and "implementing lean production", based on the solid foundation built from long-term focus on composites, concentrate on development of products of composites in each field, and expand their applications for the purpose of ensuring the competition advantages of sustainable development.

I wish all shareholders good health and all the best.

Yours sincerely,

Chairman Wen-Chen Shen

II. Company Profile

2.1 Company Overview

2.1.1 Date of Incorporation

Established on July 11, 1980

2.1.2 Information on Headquarters, Branches and Plant

Headquarters: No. 18, Industrial Park 20th Rd,
Taichung City

Tel : (04)2359-1229

Plant: No. 18, Industrial Park 20th Rd,
Taichung City

Tel : (04)2359-1229

2.1.3 Company History

<u>Year</u>	<u>Important Company Events or Milestones</u>
1980	<ul style="list-style-type: none">• The Company was established in July with a capital of NT\$2 million and 15 employees.• Started manufacturing carbon fiber tennis racket with the trademark of Topway in Feng-yuan, Taichung
1982	<ul style="list-style-type: none">• The new factory in Taichung industrial district was completed and devoted in OEM and ODM research and development and manufactured high value and high-performance racket.• Capital raised to NT\$ 10,000,000.
1983	<ul style="list-style-type: none">• Capital raised to NT\$ 30,000,000 and 250 employees.
1984	<ul style="list-style-type: none">• Capital raised to NT\$ 50,000,000.
1985	<ul style="list-style-type: none">• Introduced automatic equipment to enhance productivity/began to develop composite golf balls.
1986	<ul style="list-style-type: none">• Capital raised to NT\$ 60,000,000 and 350 employees.
1987	<ul style="list-style-type: none">• Self-research and development on high performance equipment (prepreg machine, cope closing machine, vulcanizing machine, computer control cutting machine, etc.).
1988	<ul style="list-style-type: none">• Quality monitoring system commenced.
1990	<ul style="list-style-type: none">• Capital raised to NT\$81,000,000.
1991	<ul style="list-style-type: none">• Utilized new manufacture and management idea to build the new Xiamen factory.• Cycle and aerospace product research and development commenced.
1992	<ul style="list-style-type: none">• Introduced JIT manufacture efficiency management system (75 days→ 60 days) from Japanese corporation, JEMCO, improved manufacture and management process.• Set up research laboratory and engaged in composite material product innovation. The beginning of industrial upgrading project.• Capital raised to NT\$ 113,400,000.
1993	<ul style="list-style-type: none">• Introduced the Taguchi Method.• Introduced Reactive Injection Molding (S-RIM) to manufacture thermoplastic tennis racket.
1994	<ul style="list-style-type: none">• Successfully developed an innovative design, the monocoque bicycle frame.• Successfully developed an innovative design, the composite material safety helmet.

<u>Year</u>	<u>Important Company Events or Milestones</u>
1995	<ul style="list-style-type: none"> ● Merged in the American aerospace composite parts manufacturer, NTP and renamed it as C.S.C., Composite Solution Corp. ● Received ISO-9002:1994 certification.
1996	<ul style="list-style-type: none"> ● Received the Center-Satellite Factory System certification from AIDC. ● The era of OEM in production and marketing has been transformed into the era of BOT (Build to Order).
1997	<ul style="list-style-type: none"> ● CSC received golden quality award from McDonnell Douglas. ● Capital raised to NT\$ 135,500,000.
1998	<ul style="list-style-type: none"> ● Received Northrop Grumman's product quality certification. ● Received ISO-9001:1994 certification.
2002	<ul style="list-style-type: none"> ● Received International Quality System certification, DNV ISO-9001 (2000 version). ● Received International Quality System certification, DNV ISO 13485 (1996 version).
2003	<ul style="list-style-type: none"> ● Self-manufactured heat resistant, smoke-free, and toxic-free fire-resistant material received Aero Standard ABD0031 and FAR25.853 certification.
2004	<ul style="list-style-type: none"> ● The "Aircraft Cabin Seat System-big jet improved version business class seat/enclosure and parts/accessories received the 11th medium and small business innovation prize.
2005	<ul style="list-style-type: none"> ● Received the ISO-9001:2000 and ISO-13485:2003 certification. ● The new factory of Xiamen Yeu Chuan Composite Technology Co.,Ltd. was completed and started put into function.
2006	<ul style="list-style-type: none"> ● The Taichung plant received the AS9100B certification
2007	<ul style="list-style-type: none"> ● Purchased 190 acres of land in Houxi, Xiamen, as the new production base for new aviation product and other product. ● The Aerospace medicine department of Xiamen plant received the AS9100B certification. ● Supply system changed from Solvent Type to Hot Melt, decreased the use of solvent.
2009	<ul style="list-style-type: none"> ● Capital raised to NT\$ 195,500,000- the first capital increase in November. ● Capital raised to NT\$ 350,000,000- the second capital increase in November.
2010	<ul style="list-style-type: none"> ● The Xiamen XinHongZhou's Hou Hsi plant was completed and started put into function. ● Keentech Composite Tech. Co., Ltd. received ISO 14001 Environmental Management System. ● Participated in ACCM-7 held by Taipei International Convention Center and received excellent product innovation prize. ● Capital raised to NT\$ 700,000,000. ● Topkey Foundation is established in December.
2011	<ul style="list-style-type: none"> ● Capital raised to NT\$ 819,000,000.

<u>Year</u>	<u>Important Company Events or Milestones</u>
	<ul style="list-style-type: none"> ● Received the Best Performance Award in the 14th Annual Suppliers Conference of GE Healthcare (China). ● The shares were publicly issued on August 31. ● The shares were traded on October 20. ● Topkey Foundation co-sponsored “Corporate Social Responsibility Forum and Volunteer Service Expo” with Taichung City Government. ● New technology development: Establishment of new generation of phenolic resin formulation & development of 2mm thickness of carbon composite laminate.
2012	<ul style="list-style-type: none"> ● Upgraded C Class of AS9100. ● The seating system for the AirBus 787 all-business-class aircraft will be officially delivered from 2013. Collaboration with Sogerma to develop seat system for Boeing 787 All-Business Class aircraft and delivery fulfill scheduled to be in 2013. ● Topkey Foundation, Taichung City Government, and National Museum of Natural Science jointly host “Taichung Corporate Volunteer Day”. ● New technology development: TF002 resin formulation applied into commercial aircraft seat system. PU base top coating and paint applied into bicycle painting line. UV top coating applied into racket painting line. 20-40mm thickness of carbon composite laminate with high Tg resin system applied into medical component application. ● Keentech Corporation was awarded Credit Management A Class Corporate Certification by Xiamen Entry-Exit Inspection and Quarantine Bureau.
2013	<ul style="list-style-type: none"> ● On April 22, Topkey Group applied for IPO to Taiwan Stock Exchange (TWSE). ● On October 9, Topkey stock officially traded at TWSE. ● Capital raised to NT\$ 908,200,000 in October. ● Topkey Foundation, Taichung City Government, and 33 companies in Taichung jointly organized “2013 Taichung Corporate Volunteer Day”.
2014	<ul style="list-style-type: none"> ● Cosigned the Letter of Intent for cooperation with the National Taipei University of Technology. ● Awarded by MERIDA for the Best Supplier Award. ● Awarded by ZODIAC Aerospace for the 2013 Best Supplier Award. ● CSC was awarded by Boeing for the “Boeing Performance Excellence Award (BPEA) of 2013. ● Awarded by the Ministry of Economic Affairs for the shortlist of the 2nd Taiwan Mittelstand Award in February. ● Awarded by Specialized and Wilson for the Best Supplier Award. ● Officially received NADCAP, a composite process

<u>Year</u>	<u>Important Company Events or Milestones</u>
	<p>certificate (AC7228 PAR Rec.C).</p> <ul style="list-style-type: none"> • Successively received the Certification of AFNOR AS9100Rev C. • Topkey Corporation was awarded the 2014 Taichung City Happy Workplace Three Star Award. • Topkey Foundation and Social Affairs Bureau Taichung City Government jointly organized 3rd “Taichung Corporate Volunteer Day”. • Specialized production line in Xiamen plant has completed AS9100 certification and introduced aerospace-grade quality management system in the production of bicycle parts. • Manufacturing of secondary structural parts of Honda Aircraft Co small business jet such as HondaJet flaps, wing roots sweep angle, directional stabilizer, etc.
2015	<ul style="list-style-type: none"> • The investment application for the establishment of a subsidiary of "Topkey Corporation Central Taiwan Science Park" was approved by 11th Science Parks Review Committee of Ministry of Science and Technology. • Received the NADCAP Annual Review Certification. • Reinvested subsidiary, Keentech Composite Tech.Co., Ltd. (Hou Xi Plant) has been officially put into use. • Reinvested subsidiary, Xiamen Yeu Chuan Composite Technology Co., Ltd. moved into Keentech Composite Tech.Co., Ltd. (Xing Lin Plant). • Reinvested subsidiary, CSC USA moved into a new plant in Sumner City and invited the Mayor of Sumner to attend the opening ceremony. • Awarded by Specialized for the Best Supplier Award. • Co-organized the 2015 Taichung Corporate Volunteer Day with the Taichung City Government in the Taichung Civic Square.
2016	<ul style="list-style-type: none"> • Awarded by MERIDA for the Best Supplier Award. • Reinvested subsidiary, CSC USA was awarded by Boeing for the Best Supplier Award. • The R&D and Innovation Center obtained the ISO IEC-17025 2005 Testing and Calibration Laboratories certification. • Topkey Corporation and Keentech Corporation passed the ISO14001 certification renewal. • The Company has participated in the "Taiwan Industry Innovation Platform Program" organized by the Institute for Information Industry which entrusted by the Industrial Development Bureau, MOEA (IDB) and submitted a plan application "Implementation of the Plan for the Development of Advanced Composite Structures for Aviation Business Class Seats of the MOEA", which has been reviewed and approved. • Topkey Corporation was awarded by Specialized for the “Best Partner Together We Are” in the 2016 iParty. • The Company was awarded by Workforce Development Agency, Ministry of Labor for the silver medal of the Talent Quality-management System (TTQS). • The Company awarded the award certificate and the trophy of the "2016 2nd Labour Model Award of Taichung City-Changhua County-Nantou County".

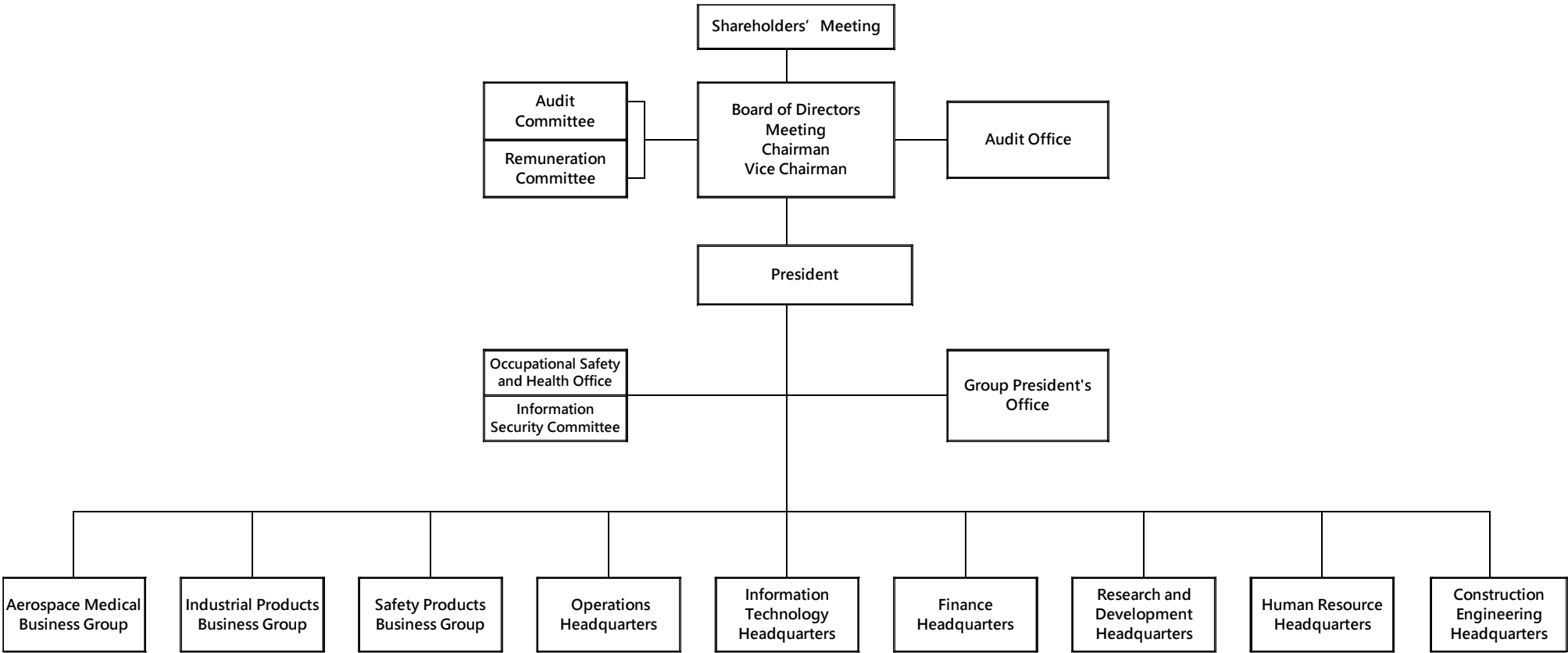
<u>Year</u>	<u>Important Company Events or Milestones</u>
2017	<ul style="list-style-type: none"> • Co-organized the 2016 Taichung Corporate Volunteer Day with the Taichung City Government in the Taichung Civic Square. • The Company awarded the 5th National Industrial Innovation Award of the MOEA. • The Aviation Business Unit of Taichung plant obtained NADCAP certification for ultrasonic non-destructive testing. • Topkey Foundation and the Taichung City Government jointly organized the "2017 Taichung Corporate Volunteer Day" in the Taichung Civic Square. • Successfully developed a new generation of flame-retardant phenolic resin and introduced into the development and mass production of new aviation products. High-performance thermoplastic composites (TPC) have developed a one-step hybrid molding process and successfully introduced medical imaging components with high optical structural characteristics. • The first carbon fiber E-Bike (battery-powered bicycle) was successfully developed into mass production. • Developed a historically breakthrough safety helmet with front-to-back opening and introduced mass production.
2018	<ul style="list-style-type: none"> • Obtained ISO 14001 environmental management system and OHSAS 18001 occupational health and safety management system. • Co-organized the "2018 Taichung Corporate Volunteer Day" in the Taichung World Flora Exposition, Waipu District with the Taichung City Government. • Signed a land lease agreement with the Central Taiwan Science Park Bureau, National Science and Technology Council (NSTC). • The Company's Little Sunshine Volunteer Society awarded by Ministry of Health and Welfare for the "2018 Outstanding Enterprise Volunteer Group Award". • In December, the Board of Directors approved the investment project in Vietnam under the New Southbound Policy (NSP) and signed a land lease agreement with Protrade International Tech Park (PITP) in Vietnam in the same year.
2019	<ul style="list-style-type: none"> • Obtained the qualification approval letter from the MOEA for the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". • The design of the high-impact absorbing safety helmet shell has been granted a new patent in Taiwan. • Passed the TAF (ISO17025) testing laboratory certification extension. • Developed a heat-curable resin formulation for use in industrial products. • Developed high-performance thermoplastic composites for use in the critical structures of specialized medical digital radio frequency detection instruments. • Jointly developed a carbon fiber electric bike E-bike for road

<u>Year</u>	<u>Important Company Events or Milestones</u>
	<p>racing with world-renowned brand customer and entered mass production.</p> <ul style="list-style-type: none"> • Developed a tubular composite automatic rolling machine and put into mass production. • Organized the "Taichung Corporate Volunteer Day" public service project, and river cleanup activity with hundreds of people. Organize a corporate volunteer and achievement sharing event.
2020	<ul style="list-style-type: none"> • Developed a shock-absorbing composite and obtained a US invention patent. • Developed micro-injection molding technology for use in the electronic sensor components. • Developed an ultra-lightweight 600g frame for a road racing bike. • Developed a double-layered, multi-density, and interlocking protective padding and obtained a patent. • "2020 Taichung Corporate Volunteer Day Achievement Sharing Session" to demonstrate 10 years of accumulated service achievements of corporate volunteers.
2021	<ul style="list-style-type: none"> • Developed a road bike with rear shock-absorbing capabilities and entered mass production. • Developed a high-torsion-resistant cage tennis racket and put into mass production • Developed a new carbon fiber helmet process and obtained a new patent. • Organized "Taichung Corporate Volunteer Day" with the theme of "Enterprises Work Together, Sending Love" to send goods to underprivileged families in Taichung. • The Board of Directors approved the revision of the investment amount of Houli District, Central Taiwan Science Park (CTSP) to NT \$2.73 billion.
2022	<ul style="list-style-type: none"> • Held the groundbreaking ceremony for the Houli plant (Phase I) in the CTSP . • Joined the Bicycling Alliance for Sustainability (BAS). • Held the topping out ceremony for the Houli plant (Phase I) in the CTSP. • Consolidated revenue exceeded 10 billion for the first time in 2022.
2023	<ul style="list-style-type: none"> • Together with the Tzu Chi Foundation and the Taichung City Government launched a charity fundraising campaign to support Turkey, all donations and proceeds from the charity sales were fully donated to Turkey for disaster relief. • Topkey (Vietnam) Corporation Company Limited has been officially put into use.

III. Corporate Governance

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Function
Audit Office	<ul style="list-style-type: none"> ● Audit of the financial, business, information and other management units of the parent company and its affiliates.
Group President's Office	<ul style="list-style-type: none"> ● Integration and promotion of the Group's overall strategic development. ● Tracking the development and competitiveness of the Group's businesses. ● Integration and control of major investment plans related to the development of the Group's businesses. ● Group litigation, non-litigation motion handling, legal dispute case handling, contract drafting and review. ● Establishment and review of the soundness and rationality of the Group's internal processes and internal control systems. ● Plan and execute the group's spokesperson system, public relations, and ESG.
Aerospace Medical Business Group	<ul style="list-style-type: none"> ● Formulate the Group's medium- and long-term development strategies and corresponding plans for the aviation medical business. ● Keeping abreast of industry information and customer needs of aviation medical products, developing sales strategies and effectively implementing them. ● Coordinate and manage the development, manufacture, quality performance and continuous optimization of various aviation medical products.
Industrial Products Business Group	<ul style="list-style-type: none"> ● Formulate the Group's medium- and long-term development strategies and corresponding plans for the industrial products business. ● Keeping abreast of industry information and customer needs of industrial products, formulating sales strategies, and effectively implementing them. ● Coordinate and manage the development, manufacture, quality performance and continuous optimization of various industrial products.
Safety Products Business Group	<ul style="list-style-type: none"> ● Formulate the Group's medium- and long-term development strategies and corresponding plans for the safety product business. ● Keeping abreast of industry information and customer needs of safety products, developing sales strategies, and effectively implementing them. ● Coordinate and manage the development, manufacture, quality performance and continuous optimization of various safety products.
Operations Headquarters	<ul style="list-style-type: none"> ● Logistics management and warehousing management and other related work. ● Monitor market price fluctuations and trends for procurement and overseeing various procurement activities.
Information Headquarters	<ul style="list-style-type: none"> ● Planning and establishment of the Group's information system architecture and related application systems and software development and continuous improvement.
Finance Headquarters	<ul style="list-style-type: none"> ● Assist in the formulation of the Group's business objectives and medium- and long-term strategic planning and roll-out controls. ● Coordinate the preparation of the annual operating budget, operation management and performance analysis. ● Plan and organize relevant meetings such as the board meeting and the shareholders' meeting. ● Investor relations maintenance and handling of stock affairs and various announcement operations. ● Coordinate the Group's financial operations such as the collection and disbursement of funds, financing planning, and foreign exchange hedging. ● Coordinate the Group's accounting system and policies, tax planning and handling of various accounting tax operations. ● Coordination and supervision of accounting, taxation, and operational effectiveness of subsidiaries. ● Assist in the analysis and planning of various investment evaluations.
Research and Development Headquarters	<ul style="list-style-type: none"> ● Establishment and improvement of basic technical skills. ● R&D in new materials, new processes, new formulations. ● Establishment and application of computer-aided engineering skills. ● Assist business units with production abnormalities and process improvement.
Human Resource Headquarters	<ul style="list-style-type: none"> ● Develop human resources policy and talent development guidelines. ● Coordinate recruitment and appointment processes. ● Plan and promote the talent development system and talent cultivation. ● Create a competitive salary policy and various action plans.
Construction Engineering Headquarters	<ul style="list-style-type: none"> ● Equipment and engineering related contracting work promotion and execution. ● Planning and maintenance of plant affairs and production process equipment. ● Control and promotion of implementation of major construction projects of the Group.
Occupational Safety and Health Office	<ul style="list-style-type: none"> ● Implement the Company's environment, health, and safety (EHS) policy and requirements, lead the investigation and handling of major EHS-related accidents, and promote and implement the internal operations of the EHS system.

3.2 Information on the Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of All the Company's Divisions and Branch Units

3.2.1 Information on the Directors

1. Name, work experience (academic qualifications), shares held and the nature thereof of director

April 2, 2023 Unit: Shares

Title	Nationality/Place of Incorporation	Name	Gender / Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	Republic of China	Wen-Chen Shen	Male/70-80	2022.05.27.	3 years	1980.07.11	9,654,182	10.63	9,654,182	10.63	2,651,000	2.92	0	0	Honorary Doctor of Engineering, National Taipei University of Technology; Graduated from the Department of Chemical Engineering, National Taipei Institute of Technology of Technology Deputy General Manager of Kuang Nan International Co., Ltd.; 13th "Model of Young Entrepreneurs of the Republic of China"; 4th and 5th President of Taiwan Aerospace Industry Association (TAIA); 2015 member of the Regulatory Review Committee of the government's science and technology development programs; General Manager of the Company; Director of Taiwan Aerospace Corp.	Note 1	Director, General Manager	Pei-Ni Shen	First-degree relative	Note 5
Vice Chairman	Republic of China	Kwei-Lin Chang	Male/50-60	2022.05.27	3 years	2010.06.15	3,226,846	3.55	2,918,846	3.21	220,450	0.24	0	0	Attended the Department of Foreign Languages and Literature, National Chung Hsing University General Manager of Keentech Composite Tech. Co., Ltd., General Manager of the Company's Procurement and Contracting Center, and Director of Topkey Foundation	Note 2	None	None	None	
Director	Republic of China	Tong-Chen Chu	Male/70-	2022.05.27.	3 years	1980.07.11.	3,499,789	3.85	3,483,789	3.84	920,681	1.01	0	0	Graduated from the Department of Chemical Engineering, National Taipei Institute of Technology;	Note 3	None	None	None	

Title	Nationality/Place of Incorporation	Name	Gender / Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	China		80											Deputy Director of Nylon Plant of Formosa Chemicals & Fibre Corporation; General Manager of the Company; President of Rotary Club of Taichung Sheng-Dou;						
Director	Republic of China	Pei-Ni Shen	Female/ 40-50	2022.05.27.	3 years	2007.12.10.	1,922,394	2.12	1,922,394	2.12	0	0	0	0	Master's degree in Physics and Bachelor's degree in Materials from Imperial College of London General Manager/Deputy General Manager of the Company	Note 4	President	Wen-Chen Shen	First-degree relative	Note 5
Director	Republic of China	Kuo-Feng Lin	Male/ 70-80	2022.05.27.	3 years	2010.06.15.	1,392,935	1.53	1,392,935	1.53	0	0	0	0	Graduated from the Foreign Languages and Literature Department, Soochow University Supervisor of the Company	Responsible person of Asia Regent Corporation Supervisor of NK Cells Asoa Co., Ltd., Director of the Company	None	None	None	
Director	Republic of China	Chao-Yuen Chuang	Male/ 60-70	2022.05.27.	3 years	2011.05.16.	0	0	0	0	0	0	0	0	Graduated from National Taichung University of Education Elementary school teacher, Supervisor of the Company	Responsible person of U T Game Co., Ltd. Director of the Company	None	None	None	
Independent Director	Republic of China	Shih-Chien Yang	Male/ 70-80	2022.05.27.	3 years	2011.10.25.	0	0	0	0	0	0	0	0	Ph.D. in Electrical Engineering from Northwestern University, M.S. in Electrical Engineering from Northwestern University, and B.S. in Electrical Engineering from National Taiwan University; National Policy Advisor to the President; Minister without Portfolio of Executive Yuan and Convener of the Executive Yuan Technology Advisory Group; Deputy Minister of the MOEA; Director-general of Industrial Development Bureau(IDB), MOEA; Deputy Director-	Director of Tecom Co., Ltd.; Director of Yageo Corporation; Director of MiTAC Information Technology Corp.; Independent Director of WUS Printed Circuit Co., Ltd.; Independent Director of the Company	None	None	None	

Title	Nationality/Place of Incorporation	Name	Gender / Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															general of CTSP; Independent Director of Yageo Corporation; Director of TECO Electric and Machinery Co., Ltd.;					
Independent Director	Republic of China	Chen-Chi Ma	Male/ 70-80	2022.05.27.	3 years	2016.05.31.	0	0	0	0	0	0	0	0	Ph.D. in Chemical Engineering from North Carolina State University, M.S. in Chemical Engineering from North Carolina State University, and B.S. in Chemical Engineering from National Cheng Kung University; Senior Researcher of LordCorp; Visiting Expert of NSTC and Department of Chemical Engineering of National Tsing Hua University; Deputy Director of R&D Department of National Tsing Hua University; CEO of Tze Chiang Foundation of Science and Technology; Professor of Department of Chemical Engineering of National Tsing Hua University; Chair of Ministry of Education National Chair Professorship; Independent Director of Glotech Industrial Corporation; President of the Polymer Society, Taipei;	Vice Chairman of the International Council of Chemical Association; Executive Director of the Reinforced Plastics Association of the Republic of China; Executive Director of the Society of Plastics Engineers; Independent Director of Shiny Chemical Co., Ltd.; Independent Director of Wah Hong Industrial Corp.; Independent Director of the Company	None	None	None	
Independent Director	Republic of China	Ying-Hwang Yang	Male/ 70-80	2022.05.27.	3 years	2019.05.28.	0	0	0	0	0	0	0	0	Master of Business Administration (EMBA) Program in Management, National Taipei University of Technology; Director and General Manager of Formosa Plastics Marine Corporation; Director of Formosa Plastics Maritime Corp.; Supervisor of Formosa Chemicals & Fibre Corporation; Director, Supervisor and Senior Vice President of Formosa Petrochemical Corporation; Deputy	Independent Director of Tatung System Technologies Inc.; Independent Director of the Company	None	None	None	

Title	Nationality/Place of Incorporation	Name	Gender / Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															General Manager of the General Management Department of Formosa Plastic Group;					
Independent Director	Republic of China	Cherng Lee	Male/ 60-70	2022.05.27.	3 years	2022.05.27.	0	0	0	0	0	0	0	0	Doctor of Laws and Master of Laws, Tulane University, USA; Bachelor of Laws, Tunghai University; Lawyer of Lee & Tsai, Attorney; Dean of the Faculty of Law and Director of the Institute of Law, Tunghai University; Consultant of Direction Int'l Patent Trademark & Law Office;	Independent Director of Rexon Industrial Corp., Ltd., Novatech Co., Ltd. and the Company; Associate Professor of EMBA, Tunghai University	None	None	None	

Note 1: Chairman and Director of New Score Holding Limited, New Score Investment Limited, Musonic Corporation, Composite Solutions Corporation, XPT Investments Co., Limited, EIC Holding Limited, Keentech Composite Tech. Co., Ltd., Xiamen Xin Hong Zhou Precision Technology Co., Ltd., Xiamen Yeu Chuan Composite Technology Co., Ltd., Xiamen Valver Color Sticker Co., Ltd., Ltd., Topkey Vietnam Corporation Company Limited, Chairman of Topkey Foundation, Director of World Trade Center Taichung, National Museum of Natural Science Foundation, Director of Taiwan Reading Culture Foundation; Committee member of the Teacher Chang Foundation; Vice Chairman of Taiwan Composites Association; Executive Director of TAIA; member of Committee for Aviation and Space Industry Development (CASID), MOEA; Executive Director of National Taipei University of Technology Foundation.

Note 2: Vice Chairman of Keentech Composite Tech. Co., Ltd.; Director of Xiamen Xin Hong Zhou Precision Technology Co., Ltd.; Composite Solutions Corporation, EIC Holding Limited, Topkey Vietnam Corporation Company Limited; Supervisor of Xiamen Yeu Chuan Composite Technology Co., Ltd and Vice Chairman of the Company.

Note 3: Director of New Score Investment Limited, XPT Investments Co., Limited, EIC Holding Limited, Xiamen Valver Color Sticker Co., Ltd., Topkey Vietnam Corporation Company Limited and other legal entity; Supervisor of Keentech Composite Tech. Co., Ltd. and Xiamen Xin Hong Zhou Precision Technology Co., Ltd. and Director of the Company; Director of Topkey Foundation.

Note 4: Director/ President of Keentech Composite Tech. Co., Ltd.; Director of Composite Solutions Corporation, Keentech Composite Tech. Co., Ltd., Xiamen Xin Hong Zhou Precision Technology Co., Ltd., Xiamen Yeu Chuan Composite Technology Co., Ltd, Xiamen Valver Color Sticker Co., Ltd., Topkey Vietnam Corporation Company Limited; Director/General Manager

of the Company.

Note 5: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: The Chairman and President of the Company are father and daughter due to the stage-specific need for business succession in the Company. To improve corporate governance, the Company has established an audit committee, and more than half of the directors of the Company are not employees or managers of the Company, and an additional independent director was elected at the shareholders' meeting on May 27, 2022.

3.2.2 Information on the General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of All the Company's Divisions and Branch Unit

1. Name, work experience (academic qualifications), shares held and the nature thereof of management team

April 2, 2023 Unit: Shares

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Republic of China	Pei-Ni Shen	Female	2018.07.01.	1,922,394	2.12	0	0	0	0	Master's degree in Physics from Imperial College of London Bachelor's degree in Materials from Imperial College of London Director of Keentech Composite Tech. Co., Ltd., Deputy General Manager/General Manager of the Company	Note 1	Chairman	Wen-Chen Shen	First-degree relative	Note 9
General Manager, Industrial Products Business Group	Republic of China	Zhong-Xing Shen	Male	2020.01.01.	566,164	0.62	0	0	0	0	Attended to Green River College in Seattle. Graduated from the high school division of private Chung Xian Senior High School Chief of the Rotating Business Division of the Company Executive Vice President of Keentech Composite Tech. Co., Ltd.	Note 2	None	None	None	
General Manager, Safety Products Business Group	Republic of China	Jing-Wei Chang	Male	2010.07.01.	2,000	0	52,000	0.06	0	0	Department of Business Management, Ling Dung Technical College Executive Deputy Assistant General Manager of the Company's Racket Product Department Deputy General Manager of Keentech Composite Tech. Co., Ltd.	Note 3	None	None	None	
Chief Operating Officer, Safety Products Business Group	Republic of China	Qing-Zheng Wu	Male	2021.05.17.	6,707	0.01	0	0	0	0	Master's degree in Industrial Engineering and Management from Chaoyang University of Technology Manager, Quality Control Department, Merits Health Products Co., Ltd.	Note 4	None	None	None	

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
											Consultant, Yongsheng Enterprise Management Consulting Co., Ltd. Deputy General Manager, Xiamen Xin Hong Zhou Precision Technology Co., Ltd.					
Chief Financial Officer, Finance Headquarters	Republic of China	Ren-Di Chang	Male	2019.04.06.	5,315	0.01	0	0	0	0	Master's degree in International Economics from National Chung Cheng University Chief of the Finance Office, Taisun Enterprise Co., Ltd. Director of the Accounting and Management Department of the Company Executive Assistant to Chairman of the Company	Note 5	None	None	None	
Deputy Assistant General Manager, Composite Production Plant, Taichung Business Development Department	Republic of China	Zhong-Fa Wu	Male	2019.07.16.	0	0	0	0	0	0	Industrial Machinery Engineering Department, National Pai-Ho Senior Commercial & Industrial Vocational School Chief of the Technical Department Deputy Assistant General Manager of the Aviation Medical Business Department	None	None	None	None	
Chief Accountant, Finance Headquarters	Republic of China	Sen Chang	Male	2016.03.16.	28,447	0.03	0	0	0	0	Master's degree in Finance and Taxation from Feng Chia University Bachelor's degree in Accounting from Chaoyang University of Technology Audit Manager of Deloitte Taiwan Director, Accounting and Management Center, Finance Headquarters of the Company	None	None	None	None	
Manager of the Audit Office	Republic of China	Xiang-Dai Tsai	Male	2022.01.01.	0	0	0	0	0	0	Master of Business Administration from National Formosa University Senior Specialist of the Finance Department of the Company	None	None	None	None	

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
											Deputy Finance Manager of Keentech Composite Tech. Co., Ltd.					
Spokesperson of Topkey Corporation	Republic of China	Benny Chou	Male	2022.01.01.	163,993	0.18	0	0	0	0	Bachelor's degree in Accounting from National Chung Hsing University Audit Manager of EnWise CPAs & Co. Chief Accountant of Keentech Composite Tech. Co., Ltd. Chief Financial Officer of the Finance Headquarters of the Company Spokesperson of the Company	Note 6	None	None	None	
Deputy Assistant General Manager of Group President's Office cum Deputy Assistant General Manager of Finance Headquarters	Republic of China	Zhen-Wei Gao	Male	2022.03.10.	0	0	0	0	0	0	Department of Finance, National Chung Hsing University (Ph.D.) Department of Finance, National Changhua University of Education (Master's) Department of Economics, Chinese Culture University (Bachelor's) Deputy Assistant General Manager of the Finance Department of Keentech Composite Tech. Co., Ltd. Deputy Director, General Manager's Office, Keentech Composite Tech. Co., Ltd.	None	None	None	None	
Assistant General Manager, Safety Products Business Group	Republic of China	Yi-Sheng Chen	Male	2022.03.10.	0	0	0	0	0	0	Department of Mechanical Engineering, Huaan University (Bachelor's) Deputy Manager of the Technology R&D Center of the Company Deputy Manager, Technical Department, Safety Products Business Group of the Company Manager of Xiamen Yeu Chuan Composite Technology Co., Ltd.	None	None	None	None	
Construction Director of Group	Republic of China	Shou-Zhi Hsu	Male	2022.06.01.	9,000	0.01	9,963	0.01	0	0	Department of Industrial Engineering, National Taipei Institute of Technology	Note 7	None	None	None	

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President's Office											Manager of the General Administration Office of the Company Deputy Executive Secretary of the Quality Committee of the Company General Manager of Xiamen Yeu Chuan Composite Technology Co., Ltd.					
Assistant General Manager of Taichung Business Development Department	Republic of China	Hong-Shu Wang	Male	2022.11.01.	1,000	0	0	0	0	0	Master of Business Administration (MBA) from the Cardiff University Bachelor's degree in Accounting from the Chinese Culture University Guanjian Trading. Co., Ltd. Deputy Assistant General Manager of Operations Department of the Company Deputy Manager of the Business Division of the Company Deputy Manager of the Re-investment Team of the Company	None	None	None	None	
Former Spokesperson	Republic of China	Zhe-Min Chiu	Male	2022.01.01.	0	0	0	0	0	0	MBA from Tunghai University, Bachelor's degree in Aerospace Engineering from Feng Chia University Director of Strategic Planning Committee of AvioCast Inc. Acting Director, Aircraft Business Division, Aerospace Industrial Development Corporation Project Manager, Engine Project Office of the Aerospace Industrial Development Center, National Chung-Shan Institute of Science and Technology Deputy General Manager of the Aerospace Medical Business Group of the Company	None	None	None	None	Note 8
Former Assistant General	Republic	Chang-Zhou Hsu	Male	2021.07.09.	0	0	0	0	0	0	Master's degree in Materials Science from National Chung Hsing University	None	None	None	None	Note 8

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Principal Work Experience (Academic Qualifications)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Manager of the Aerospace Medical Business Group	of China										R&D Manager of Stanley Chiro International Ltd. Strategic Procurement Manager of Pou Chen Group Production Planning Manager of Quanta Computer Inc.					

Note 1: Director/ President of Keentech Composite Tech. Co., Ltd.; Director of Composite Solutions Corporation, Keentech Composite Tech. Co., Ltd., Xiamen Xin Hong Zhou Precision Technology Co., Ltd., Xiamen Yeu Chuan Composite Technology Co., Ltd, Xiamen Valver Color Sticker Co., Ltd., Topkey Vietnam Corporation Company Limited; Director/General Manager of the Company.

Note 2: Director of Keentech Composite Tech. Co., Ltd., Topkey Vietnam Corporation Company Limited.

Note 3: Director of Keentech Composite Tech. Co., Ltd.

Note 4: Director of Xiamen Valver Color Sticker Co., Ltd.

Note 5: Supervisor of Xiamen Valver Color Sticker Co., Ltd.

Note 6: Director of Topkey Vietnam Corporation Company Limited.

Note 7: Director of Xiamen Yeu Chuan Composite Technology Co., Ltd., Topkey Vietnam Corporation Company Limited.

Note 8: Former spokesman, Zhe-Min Chiu and Former Assistant General Manager of the Aerospace Medical Business Group, Chang-Zhou Hsu were resigned in August and September 2022, respectively due to personal career planning.

Note 9: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: The Chairman and President of the Company are father and daughter due to the stage-specific need for business succession in the Company. To improve corporate governance, the Company has established an audit committee, and more than half of the directors of the Company are not employees or managers of the Company, and an additional independent director was elected at the shareholders' meeting on May 27, 2022.

2. Major shareholders of corporate shareholders: None.

3. Major shareholder is a corporate/juristic person: None.

4. Disclosure of information regarding the professional qualifications of directors and supervisors and independence of independent directors:

<div>Qualification</div> <div>Name</div>	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Wen-Chen Shen	<p>After graduating from the Department of Chemical Engineering of the National Taipei Institute of Technology, Chairman Wen-Chen Shen worked at Kuang Nan International Co., Ltd because of timely opportunities as Sales Manager in the beginning, he has accumulated experience in many fields from procurement, production, and marketing to shipping. In 1980, the Company was established jointly with several shareholders, in addition to R&D in materials, and fully promoted diversified R&D, successfully led the Company's continuous transformation, from the sports goods industry, the bicycle industry, all the way to the aerospace industry and the medical industry. The Company's industry includes aviation, traditional manufacturing, etc., with professional capabilities such as marketing, business management, industry knowledge, operational judgment, etc., as well as other professionals such as crisis management and international market perspectives, etc.</p>	<p>1. Chairman of the Company. 2. Chairman of the Company's affiliated enterprises. 3. Has a familial relationship within the second degree of kinship with the Director Pei-Chen Shen. 4. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. 5. Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent). 6. Not a professional individual who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the most recent 2 years has received compensation. 7. Not been a person of any conditions defined in Article 30 of the Company Act. 8. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None
Tong-Chen Chu	<p>Director Tong-Chen Chu served as a director of Formosa Chemicals & Fibre Corporation after graduating from the Department of Chemical Engineering of the National Taipei Institute of Technology, and he has accumulated considerable experience in plant operation management and crisis management. In 1980, the Company was established jointly with the Chairman Wen-Chen Shen and several shareholders, and the Company was developed and cultivated for more than 40 years, laying a deep foundation for the development of the Company. He has rich experience and professional capabilities in various aspects such as the Company's operational judgment ability, operational management ability and industry knowledge.</p>	<p>1. Director / Supervisor of the Company's affiliated enterprises. 2. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. 3. Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent). 4. Not a professional individual who provides auditing</p>	None

Kwei-Lin Chang	Director Kwei-Lin Chang attended the Department of Foreign Languages and Literature, National Chung Hsing University. He is currently served as Vice Chairman of the Company, General Manager of important subsidiaries and Director and Supervisor of several subsidiaries. He specializes in business marketing, operation management and production line manufacturing management, and has professional capabilities such as operational judgment and crisis management and international market perspective.	<p>services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the most recent 2 years has received compensation.</p> <p>5. Has no spousal relationship or familial relationship within the second degree of kinship with any other Directors.</p> <p>6. Not been a person of any conditions defined in Article 30 of the Company Act.</p> <p>7. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None
Pei-Ni Shen	Director Pei-Ni Shen graduated from the Imperial College of London, with a Bachelor's degree in Materials Science and Engineering, and Master's degree in Physics. She has served as the responsible person of the US subsidiary of the Company, has been the main managerial personnel of the R&D unit of the Company and various products groups, and is currently served as General Manager of the Company and the Directors of several subsidiaries. She has considerable experience in material R&D, product technology, business marketing, management, and international market perspective.	<p>1. Concurrently served as General Manager of the Company, and Director with managerial status.</p> <p>2. Director of the Company's affiliated enterprises.</p> <p>3. She has a familial relationship within the second degree of kinship with the Chairman Wen-Chen Shen.</p> <p>4. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.</p> <p>5. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.</p> <p>6. Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent).</p> <p>7. Not a professional individual who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the most recent 2 years has received compensation.</p> <p>8. Not been a person of any conditions defined in Article 30 of the Company Act.</p> <p>9. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Kuo-Feng Lin	<p>Director Kuo-Feng Lin graduated from the Foreign Languages and Literature Department of Soochow University. Founded Asia Regent Corporation, has considerable experience and professional capabilities in the Company's operation judgment ability, marketing and operation management ability, crisis management ability and industry knowledge.</p>	<p>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. Has no spousal relationship or familial relationship within the second or third degree of kinship with any managerial personnel listed in (1) or officers listed in (2). 4. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. 5. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. 6. Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent). 7. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 8. Not a professional individual who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the most recent 2 years has received compensation. 9. Has no spousal relationship or familial relationship within the second degree of kinship with any other Directors. 10. Not been a person of any conditions defined in Article 30 of the Company Act. 11. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None
Chao-Yuen Chuang	<p>After graduating from National Taichung University of Education, Director Chao-Yuen Chuang worked as a teacher in Nan Yang Elementary School. Subsequently, in 1987, he founded and operated U T Game Co., Ltd., which has grown quite steadily. He has considerable experience and professional capabilities in the Company's operational judgment ability, operational management ability, crisis management ability and industry knowledge, etc. In addition to successful operating businesses, Director Zhuang is enthusiastic about actively participating in public welfare activities and giving back to the society with his ability, which is consistent with the Company's social philosophy.</p>	<p>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 one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. 4. Has no spousal relationship or familial relationship</p>	None

Shih-Chien Yang	Shih-Chien Yang, an independent director is graduated from Northwestern University, with a Doctorate degree in Electrical Engineering. He promotes the roots of Taiwan's aviation industry within the period with his office as Director-general of IDB, MOEA. He has a comprehensive understanding of the aerospace industry, coupled with his experience as a director of several listed companies, he also has rich experience and unique insight into corporate governance.	within the second or third degree of kinship with any managerial personnel listed in (1) or officers listed in (2) or (3). 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.	1
Chen-Chi Ma	Chen-Chi Ma, an independent director graduated from North Carolina State University, with a Doctorate degree in Chemical Engineering. In 1977-1984, he worked as a Senior Materials Research Engineer in a number of companies in the United States, the research areas include fuel cell and solar cell core materials preparation, nanomaterials and environmental materials preparation, identification and analysis, etc. After returning to Taiwan, in addition to serving as a Visiting Expert of NSTC and Department of Chemical Engineering of National Tsing Hua University, he taught and led research program "Processing Technology, Properties, and Applications of High-Performance Reinforced Engineering Plastics and Polymer Composites". Professor Ma is committed to teaching and academic research, and has made remarkable contributions, which led to his appointment as the National Chair Professor for the 17th National Lecturer in the Engineering and Applied Sciences category by the Ministry of Education. In addition, he has served as a Patent Researcher in the Engineering Center of the NSTC, an advisor in the Technology Advisory Office of the Ministry of Education, a professor in the Department of Chemical Engineering of National Tsing Hua University, a Distinguished Professor, etc. He has considerable research and teaching experience in the industry. He has been awarded the First National Invention and Creation Award of the Bureau of Standards, Metrology and Inspection, MOEA, the Outstanding Scientific and Technological Contribution Award of the Executive Yuan, the Science and Technology Research Award of the Ministry of Defense, etc.	6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company. 7. Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent). 8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 9. Not a professional individual who provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the most recent 2 years has received compensation. 10. Has no spousal relationship or familial relationship within the second degree of kinship with any other Directors.	2
Ying-Hwang Yang	Ying-Hwang Yang, an independent director is graduated from National Taipei University of Technology, with a EMBA degree in Management. In 1971, he worked as Cost Accountant in the fiber plant of Nan Ya Corporation. In 1977-1982, he engaged in business analysis, finance, material management, etc. in Formosa Industries Corporation. In 1983-1985, he went to the United States to carry out material management computerization in various plants. Since 1985, he worked for Formosa Plastics Group and Sixth Nafta Cracking Plant in equipment procurement and large-scale engineering contracting for up to 26 years. He was also involved in the preparation and supervision of the establishment of Formosa Plastics Marine Corporation and was responsible for the restructuring of the business organization and the establishment of Formosa Group Ocean Marine Investment Corporation. He served in Formosa Plastics Group for more than 40 years and has rich expertise and experience in accounting and finance, operation and management.	11. Not been a person of any conditions defined in Article 30 of the Company Act. 12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	1
Cherng Lee	Cherng Lee, an independent director, is currently served as Associate Professor at Tunghai University, graduated from Tulane University with a Doctorate degree in Law, and specializes in trade law, international economic and trade law, company act, and intellectual property law, etc.		2

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company?; specify the amount(s) of any pay received by the independent; director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof during the most recent 2 years.

5. Diversity and Independence of the Board of Directors:

The composition of the 15th Board of Directors of the Company is in accordance with the provisions of the Company's "Articles of Incorporation", adopting a candidate nomination system, and in accordance with the Company's "Procedures for Election of Directors", and completed through a rigorous selection, nomination, and election process to ensure the diversity and independence of the board members.

- (1) Diversity of the board of directors: Describe the company's board diversity policy, objectives, and the status of implementation thereof. Please refer to pages 34-35 of this annual report for the board diversity policy and the status of implementation.
- (2) Independence of the board of directors: Specify the number of independent directors on the board and their ratio to the total number of directors. Describe the status of independence of the board of directors and give a statement of reasons as to whether the provisions of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act are complied with, including a description of any spousal relationship or familial relationship within the second degree of kinship that may exist between any directors, between any supervisors, or between any director(s) and supervisor(s).

The current Board of Directors of the Company consists of 10 directors, including 4 independent directors and 6 non-independent directors (4 independent directors account for 40% of the total number of directors).

As of the end of 2022, all independent directors are complied with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission (FSC) regarding independent directors, and there are no circumstances as specified in Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

Therefore, the Board of Directors of the Company is independent. Please refer to pages 22-25 of this annual report for the disclosure of information regarding the professional qualifications of directors and supervisors and independence of independent directors.

For the academic qualification and experience, gender, and work experience of each director, please refer to pages 12-16 of this annual report: Information on the Directors.

3.2.3 Remuneration of Directors, General Manager and Assistant General Managers

1. Remuneration paid to directors in the most recent year

(1) Remuneration to Directors (including Independent Directors)

December 31, 2022 Unit: NT\$ 1,000; 1,000 shares; %

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as employee								Sum of A+B+C+D+E +F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
																Amount in cash	Amount in stock	Amount in cash	Amount in stock			
Director	Wen-Chen Shen	5,184	5,184	0	0	39,324	39,324	246	246	44,754	44,754	14,236	15,326	0	0	23,153	0	23,153	0	82,143	83,233	None
	Kwei-Lin Chang																					
	Tong-Chen Chu																					
	Pei-Ni Shen																					
	Kuo-Feng Lin																					
	Chao-Yuen Chuang									1.98%	1.98%									3.63%	3.68%	
Independent Director	Shih-Chieh Yang	3,168	3,168	0	0	0	0	156	156	3,324	3,324	0	0	0	0	0	0	0	0	3,324	3,324	None
	Chen-Chi Ma																					
	Ying-Hwang Yang																					
	Cherng Lee																					

- Please describe the policy, system, standards, and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken, and time invested by the directors to the amount of remuneration paid:
The independent directors of the Company perform their duties independently, participate in corporate governance, and receive a fixed monthly remuneration regardless of the Company's operating profit or loss. Independent directors do not participate in the distribution of director compensation.
The remuneration of independent directors includes fixed remuneration, transportation and accommodation expenses, and daily allowances.
- In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): 0

Explanation: The Board of Directors of the Company resolved on March 9, 2023, to allocate NT\$ 104,269 thousand of employee compensation and NT\$39,324 thousand of director compensation for the FY 2022 and disclosed relevant information to the public in accordance with laws and regulations.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities H	The Company	All consolidated entities I
Less than NT\$1,000,000	Shih-Chieh Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee	Shih-Chieh Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee	Shih-Chieh Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee	Shih-Chieh Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee
NT\$1,000,000 (incl.)-NT\$2,000,000 (excl.)	Kuo-Feng Lin, Chao-Yueh Chuang	Kuo-Feng Lin, Chao-Yueh Chuang	Kuo-Feng Lin, Chao-Yueh Chuang	Kuo-Feng Lin, Chao-Yueh Chuang
NT\$2,000,000 (incl.)-NT\$3,500,000 (excl.)	None	None	None	None
NT\$3,500,000 (incl.)-NT\$5,000,000 (excl.)	None	None	None	None
NT\$5,000,000 (incl.)-NT\$10,000,000 (excl.)	Tong-Chen Chu, Pei-Ni Shen, Kwei-Lin Chang	Tong-Chen Chu, Pei-Ni Shen, Kwei-Lin Chang	None	None
NT\$10,000,000 (incl.)-NT\$15,000,000 (excl.)	Wen-Chen Shen	Wen-Chen Shen	Tong-Chen Chu, Kwei-Lin Chang	Tong-Chen Chu, Kwei-Lin Chang
NT\$15,000,000 (incl.)-NT\$30,000,000 (excl.)	None	None	Wen-Chen Shen, Pei-Ni Shen	Wen-Chen Shen, Pei-Ni Shen
NT\$30,000,000 (incl.)-NT\$50,000,000 (excl.)	None	None	None	None
NT\$50,000,000 (incl.)-NT\$100,000,000 (excl.)	None	None	None	None
NT\$100,000,000 or above	None	None	None	None
Total	10	10	10	10

(2) Remuneration to General Manager(s) and Assistant General Manager(s)

December 31, 2022 Unit: NT\$ 1,000

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Pei-Ni Shen	7,114	9,030	352	352	4,568	4,568	19,831	0	19,831	0	31,865	33,781	None
General Manager, Industrial Products Business Group	Zhong-Xing Shen													
General Manager, Safety Products Business Group	Jing-Wei Chang													
Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu											1.41%	1.49%	
Group Chief Financial Officer	Ren-Di Chang													

Remuneration Range Table

Ranges of remuneration paid to each of the Company's General Manager (s) and Assistant General Manager (s)	Names of General Manager(s) and Assistant General Manager(s)	
	The Company	All consolidated entities E
Less than NT\$1,000,000	None	None
NT\$1,000,000 (incl.)-NT\$2,000,000 (excl.)	None	None
NT\$2,000,000 (incl.)-NT\$3,500,000 (excl.)	Qing-Zheng Wu	None
NT\$3,500,000 (incl.)-NT\$5,000,000 (excl.)	Jing-Wei Chang	Qing-Zheng Wu
NT\$5,000,000 (incl.)-NT\$10,000,000 (excl.)	Pei-Ni Shen, Zhong-Xing Shen, Ren-Di Chang	Pei-Ni Shen, Zhong-Xing Shen, Ren-Di Chang, Jing-Wei Chang
NT\$10,000,000 (incl.)-NT\$15,000,000 (excl.)	None	None
NT\$15,000,000 (incl.)-NT\$30,000,000 (excl.)	None	None
NT\$30,000,000 (incl.)-NT\$50,000,000 (excl.)	None	None
NT\$50,000,000 (incl.)-NT\$100,000,000 (excl.)	None	None
NT\$100,000,000 or above	None	None
Total	5	5

(3) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

December 31, 2022

Unit: NT\$ 1,000

Title	Name	Stock	Cash	Total	As a % of net profit
		Amount of Compensation	Amount of Compensation		
Managerial officers	President	Pei-Ni Shen			
	General Manager, Industrial Products Business Group	Zhong-Xing Shen			
	General Manager, Safety Products Business Group	Jing-Wei Chang			
	Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu			
	Chief Financial Officer, Financial Headquarters	Ren-Di Chang			
	Deputy Assistant General Manager, Composite Production Plant, Taichung Business Development Department	Zhong-Fa Wu			
	Chief Accountant, Finance Headquarters	Sen Chang			
	Manager of the Audit Office	Xiang-Dai Tsai			
	Spokesperson of Topkey Corporation	Benny Chou			
	Deputy Assistant General Manager of Group President's Office cum Deputy Assistant General Manager of Finance Headquarters	Zhen-Wei Gao			
	Assistant General Manager, Safety Products Business Group	Yi-Sheng Chen			
	Construction Director of Group President's Office	Shou-Zhi Hsu			
	Assistant General Manager of Taichung Business Development Department	Hong-Shu Wang			
		0	29,698	29,698	1.31

2. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the most recent 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Analysis of the proportion of the total remuneration of the directors, general managers, and assistant general managers of the Company to the net profit after tax stated in the parent company only financial reports or individual financial reports during the most recent 2 fiscal years

Unit: %

Title	Total Profit Sharing Paid to Management Team as a % of Net Profit for the FY 2021		Total Profit Sharing Paid to Management Team as a % of Net Profit for the FY 2022	
	The Company	All Consolidated Companies	The Company	All Consolidated Companies
Directors	9.37%	9.50%	3.78%	3.83%
General Managers and Assistant General Managers	3.32%	3.55%	1.41%	1.49%

Comparative Analysis Explanation:

1. Directors' remuneration: The remuneration of the directors of the Company is a fixed remuneration, and the remuneration of the directors is adjusted based on respective participation in operation, value of contribution, and general standard in the same industry. In accordance with the Articles of Incorporation of the Company, if the Company is profitable in the current year, no more than 5% shall be allocated for directors' compensation. The annual directors' compensation shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval. The net profit after tax for the current year increased compared with the previous year, and the remuneration of directors was also adjusted simultaneously, which is positively correlated to the performance of operations. However, it is reasonable that the remuneration received by directors for concurrent service as an employee is mainly salary and rewards that cannot be fully linked to the net profit after tax. The total amount of remuneration paid to directors in the current year increased compared with the previous year, however, the proportion of remuneration to net profit after tax decreased due to the greater increase in net profit after tax compared with the previous year.
2. General managers' and assistant general managers' remuneration: The remuneration of the Company's managers is based on the manager's academic qualification (experience), job grade, professional ability, and the participation in the operation of the Company and the performance evaluation. The net profit increased in the current year, and the remuneration of the general manager and assistant general manager was also adjusted simultaneously, which is positively correlated to the performance. The total amount of remuneration paid to the general manager and assistant general manager in the current year increased compared with the previous year, however, the proportion of remuneration to net profit after tax decreased due to the greater increase in net profit after tax compared with the previous year.

- (2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

In FY 2021 and 2022, the Company paid the director compensation from the surplus distribution according to the distribution ratio stipulated in the Company's Articles of Incorporation. The distribution for the FY 2021 was approved at the shareholders' meeting, and the director compensation for the FY 2022 was approved by the board of

directors on March 9, 2023, and disclosed to the public in accordance with regulations, and reported to the shareholders' meeting in the FY 2023. Director's remuneration is paid to directors who participate in decision-making as fixed compensation and related bonuses. The remuneration of the general manager and assistant general manager includes salary and employee remuneration, of which the salary refers to the general standard in the same industry, and the employee remuneration is determined according to the Company's Articles of Incorporation and is positively correlated to the operating performance.

3. Link between director and manager performance evaluation and remuneration:

- (1) The directors and independent directors of the Company receive fixed remuneration and directors' compensation in accordance with the Articles of Incorporation and the "Directors' Remuneration and Compensation Distribution Measures".
 - (A) The directors and independent directors of the Company perform their duties independently, participate in corporate governance, and receive a fixed monthly remuneration regardless of the Company's operating profit or loss. It also includes the transportation and accommodation expenses required for the meeting, and daily allowances for business trips abroad.
 - (B) In accordance with Article 30 of the Articles of Incorporation and the provisions of the "Directors' Remuneration and Compensation Distribution Measures" of the Company, if the Company is profitable in the current year, no more than 5% shall be allocated for directors' compensation. Independent directors do not participate in the distribution of director compensation. The proportion of compensation of directors shall be calculated based on the distributable compensation according to the positions, the degree of participation in the Company's operations, etc.
- (2) In accordance with Article 30 of the Articles of Incorporation of the Company, if the Company is profitable in the current year, a 3% to 10% shall be allocated for employee compensation. Managers' remuneration includes remuneration, bonuses, and employee compensation, etc., of which remuneration is determined based on the manager's academic qualification (experience), job grade, professional ability, and reference to the general standard in the same industry. Bonuses and employee compensation consider the participation in the operation of the Company and the performance evaluation of managers, including the Company's core value practice and operational management capabilities, the achievement of financial and business operating performance indicators, continuing education and training and participation in sustainable management, policy promotion and alignment and other special contributions, etc.

3.3 Corporate Governance

3.3.1 Board of Directors

A total of 7 meetings of the Board of Directors were held in the most recent year, and the attendance of directors is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Wen-Chen Shen	Attended 7 times	0 times	100.00%	
Director	Tong-Chen Chu	Attended 7 times	0 times	100.00%	
Director	Kwei-Lin Chang	Attended 7 times	0 times	100.00%	
Director	Pei-Ni Shen	Attended 6 times	1 time	85.71%	
Director	Kuo-Feng Lin	Attended 7 times	0 times	100.00%	
Director	Chao-Yuen Chuang	Attended 7 times	0 times	100.00%	
Independent Director	Shih-Chien Yang	Attended 7 times	0 times	100.00%	
Independent Director	Chen-Chi Ma	Attended 7 times	0 times	100.00%	
Independent Director	Ying-Hwang Yang	Attended 7 times	0 times	100.00%	
Independent Director	Cherng Lee	Attended 5 times	0 times	100.00%	Note

Remarks: The Company fully re-elected its directors and independent directors on May 27, 2022, and Independent Directors Cheng Li assumed office on the same day, while other directors and independent directors were re-elected.

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: For the FY 2022 and up to the date of publication of the annual report, the contents of the Board's resolutions are as shown on pages 82-88 of the annual report, and all independent directors have no objection to the matters listed in Article 14-3 of the Securities and Exchange Act and have passed the resolution accordingly.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing require a resolution by the board of directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Name of director	Content of motion	Reasons for abstention from voting due to conflicts of interest	Voting participation	Remarks
Director : Wen-Chen Shen Tong-Chen Chu Kwei-Lin Chang Pei-Ni Shen Kuo-Feng Lin Chao-Yuen Chuang	Employee and director compensation distribution for the FY 2021	Although the aforementioned six directors have conflict of interest in this motion, however, it is not necessary to recuse themselves from voting because the motion has already been reviewed and approved by the Remuneration Committee, and the transaction terms are not superior to those offered to similar parties, hence it does not cause harm to the interests of the Company.	The motion is passed with no objection after the Chairman's consultation by the attending directors.	2022.03.10
Independent Director	Appointment of members of the 5th	The aforementioned four independent directors were recused because they	Other than the independent	2022.06.23

Shi-Chin Yang Chen-Chi Ma Ying-Hwuang Yang Cherng Lee	Remuneration Committee	proposed to appoint the Remuneration Committee member.	directors who recused themselves due to conflict of interest, the motion is passed with no objection after the Chairman's consultation by the other attending directors.	
Independent Director Shi-Chin Yang Chen-Chi Ma Ying-Hwuang Yang Cherng Lee	Compensation for functional committee members such as the 3rd Audit Committee and the 5th Remuneration Committee, etc.	The aforementioned four independent directors recused themselves from voting because they are the interested parties.	Other than the independent directors who recused themselves due to conflict of interest, the motion is passed with no objection after the Chairman's consultation by the other attending directors.	2022.06.23

3. Board Member Diversity Policy and the Implementation Status:

- (1) The composition of the board of directors of the Company is determined by taking diversity into consideration, and an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development is formulated and include, without being limited to, the following general standards:
 - (i) Basic requirements and values: Gender, age, nationality, and culture.
 - (ii) Professional knowledge and skills: A professional background (e.g., finance/accounting, law, marketing/technology), professional skills, and industry experience.
- (2) The board of directors of the Company shall possess the following abilities:
 - (i) Ability to make operational judgments.
 - (ii) Ability to perform accounting and financial analysis.
 - (iii) Ability to conduct management administration.
 - (iv) Ability to conduct crisis management.
 - (v) Knowledge of the industry.
 - (vi) An international market perspective.
 - (vii) Ability to lead.
 - (viii) Ability to make policy decisions
- (3) The composition of the 15th Board of Directors of the Company is in accordance with the provisions of the Company's "Articles of Incorporation", adopting a candidate nomination system, and in accordance with the Company's "Procedures for Election of Directors", and completed through a rigorous selection, nomination, and election process to ensure the diversity and independence of the board members.
- (4) The current board of directors of the Company is composed of 10 directors, including 4 independent directors and 6 non-independent directors. All existing directors are prominent members in the industry and academia, have experience in running enterprise management practices or holding management positions in government agencies. In addition to possessing leadership and decision-making abilities, crisis management skills, and international market perspectives, all directors possess professional expertise in financial accounting, industry knowledge, operational judgment, and legal practice. Shi-Chin Yang, an independent director, has served as a National Policy Advisor to the President, Deputy Minister of the MOEA, Director-general of the IDB, MOEA. Chen-Chi Ma, an independent director, is a visiting expert of NSTC and Department of Chemical Engineering of National Tsing Hua University and a distinguished professor of the Department of Chemical Engineering of National Tsing Hua University. Ying-Hwuang Yang, an independent director has served as Director and General Manager of Formosa Plastics Marine Corporation, Senior Vice President of the General Management Department of Formosa Plastic Group. Cherng Lee, an independent director, is currently serving as Associate Professor at Tunghai University, and specializes in trade law, international economic and trade law, company act, and intellectual property law, etc. Among the non-independent directors, Chairman Wen-Chen Shen, Director Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, and Chao-Yuen Chuang all have held important management positions such as Chairman or General Manager in the Company. The Company's industry includes aviation, traditional manufacturing, etc., with professional capabilities such as marketing, business management, industry knowledge, operational judgment, etc., as well as other professionals such as crisis management and international market perspectives, etc.
- (5) The Company attaches importance to gender equality in the composition of the Board of Directors.

Currently, out of the 10 Board members, 90% (9 members) are male and 10% (1 member) are female. The management objective of having at least one female director on the Board of Directors has been achieved.

- (6) Currently, out of the 10 Board members, 30% (3 members) are under 65 years old, and 70% (7 members) are over 65 years old, and the average age of all board members is 69 years old. 20% (2) of the Board members are concurrently serving as employees, and the management objective of not more than one-third of the total number of the Board members who also serve as managerial personnel of the Company has been achieved.
- (7) The 4 independent directors account for 40% of the total board seats. Among them, 2 independent directors have served for more than 6 years, 1 independent director has served for 3 to 6 years, and 1 independent director has served for less than 3 years.
- (8) All board members actively attend board meetings, with an average actual attendance rate of 98% for the FY 2022 and 98% for the FY 2021, which has effectively demonstrated their supervisory effectiveness.
- (9) The overall ability of the Board of Directors is in line with the future development of the Company, and the board member diversity policy has been implemented. The current status of the implementation of the diversity policy in the composition of the Board members are detailed in the following table:

Name		Nationality	Gender	Concurrently served as an employee	Age				Seniority acting as independent director		
					41-50 years old	51-60 years old	61-70 years old	71-80 years old	Less than 3 years	3-6 years	More than 6 years
Director	Wen-Chen Shen	Republic of China	Male					V			
	Tong-Chen Chu		Male					V			
	Kwei-Lin Chang		Male	V		V					
	Pei-Ni Shen		Female	V	V						
	Kuo-Feng Lin		Male					V			
	Chao-Yueg Chuang		Male				V				
Independent Director	Shih-Chien Yang		Male					V			V
	Chen-Chi Ma		Male					V			V
	Ying-Hwuang Yang		Male					V		V	
	Cherng Lee		Male				V		V		

Name		Diversified Core Competency						
		Finance/accounting	Legal practice	Marketing/technology	Business management	Leadership and decision-making.	Industry knowledge and operational judgments	Crisis management and international market perspective
Director	Wen-Chen Shen			V	V	V	V	V
	Tong-Chen Chu			V	V	V	V	V
	Kwei-Lin Chang			V	V	V	V	V
	Pei-Ni Shen			V	V	V	V	V
	Kuo-Feng Lin			V	V	V	V	V
	Chao-Yueg Chuang			V	V	V	V	V
Independent Director	Shih-Chien Yang			V	V	V	V	V
	Chen-Chi Ma			V	V	V	V	V
	Ying-Hwuang Yang	V		V	V	V	V	V
	Cherng Lee		V			V		V

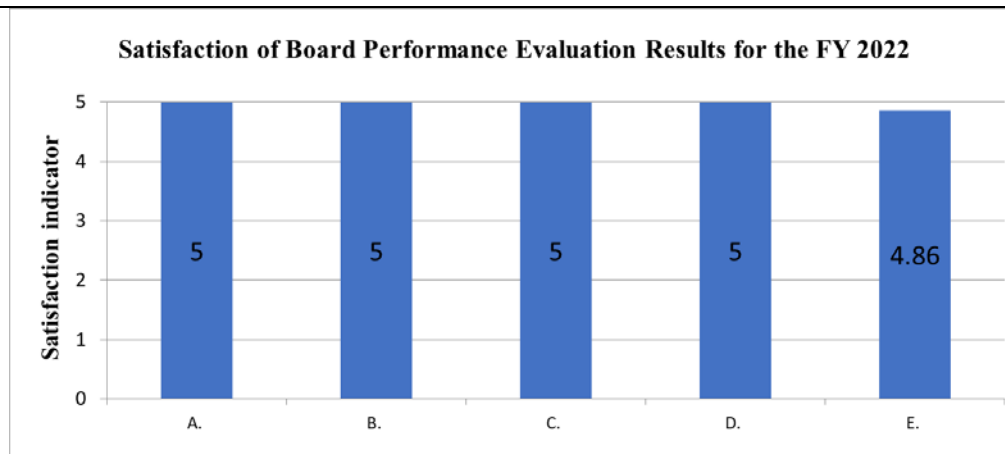
4. Disclose the information on evaluation period and period of the self (or peer) evaluation of the board of directors, the scope, method, and content of the evaluation, etc. and fill in the performance of the evaluation of the board of directors in the schedule:

Evaluation Cycle	Once a year
Evaluation Period	January 1, 2022 to December 31, 2022
Scope of Evaluation	The scope of the evaluation covers the performance of the board, the individual directors, and the 2 functional committees including Audit Committee and Remuneration Committee
Method of Evaluation	Self-evaluations by individual board members
Evaluation Content	<p>(1) The performance evaluation of the board includes five major aspects of "degree of the board's participation in the operation of the Company", "improvement of the board's decision-making quality", "composition and structure of the board", "election and continuing education of the directors" and "internal control". Combining the above-mentioned evaluation aspects, a self-administered questionnaires with a total of 45 questions for the performance evaluation of the board is formulated;</p> <p>(2) The performance evaluation of directors includes six major aspects of "familiarity with the goals and missions of the Company", "awareness of the duties of a director", "degree of the board's participation in the operation of the Company", "management of internal relationships and communication", "the director's professionalism and continuing education" and "internal control". Combining the above-mentioned evaluation aspects, a self-administered questionnaires with a total of 23 questions for the performance evaluation of directors (self or peer evaluation) is formulated;</p> <p>(3) The performance evaluation of the functional committee includes five major aspects of "degree of participation in the operation of the Company", "awareness of the duties of the functional committee", "improvement of the functional committee's decision-making quality", "composition and election of the functional committee members" and "internal control". Combining the above-mentioned evaluation aspects, the self-administered questionnaires for the Audit Committee has a total of 24 questions, and the Remuneration Committee has a total of 21 questions.</p>

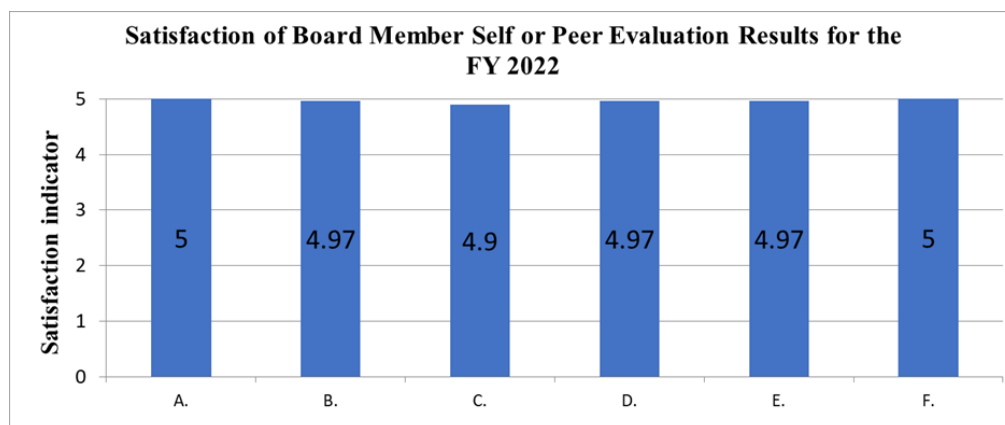
The results of this evaluation are presented in a 5-level scale, of which the number 1 represents: very poor (strongly disagree); the number 2 represents: poor (disagree); the number 3 represents: medium (neutral); the number 4 represents: good (agree); the number 5 represents: excellent (strongly agree). The results of each evaluation are detailed as follows:

(1) Evaluation results of the Board and Board members for the FY 2022

The self-assessment results of the Board and Board members are shown in the figure below, respectively, and the overall average ranging from 4.86 to 5.00. Among them, the performance evaluation of the Board and Board members are mainly oriented to the "familiarity with the goals and missions of the Company", "awareness of the duties of a director", "participation in the operation of the Company", "management of internal relationships and communication", "the director's professionalism and continuing education", etc. At the same time, the interaction between directors and the management team is promoted through managerial personnels' attendance at the meeting. The continuing education of the relevant professionals is planned in compliance with the regulations and laws. On the other hand, the appointed certified public accountants (CPAs) are invited to attend audit committees and board meetings for exchange and sharing, providing professional opinions on finance, accounting, and taxation, and establishing good interactive relationships. Subsequently, the board of directors will continue to improve their functions to enhance corporate governance effectiveness based on the results of this performance evaluation. All directors expressed positive opinions on all evaluation items.



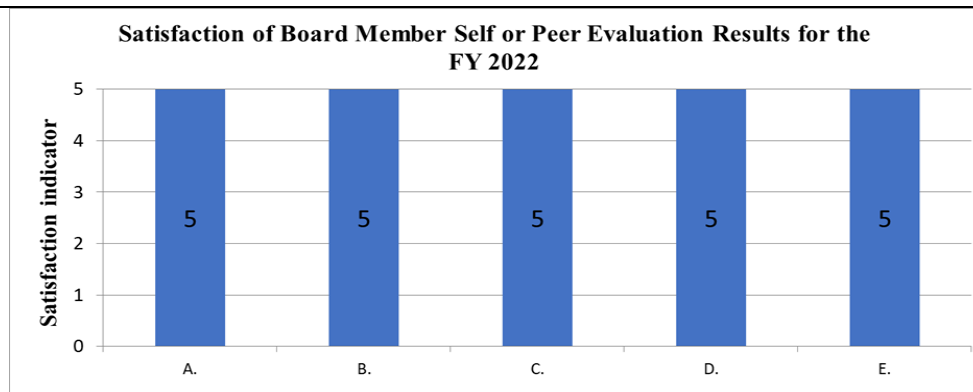
- A. Degree of the board's participation in the operation of the Company
 B. Improvement of the board's decision-making quality
 C. Composition and structure of the board
 D. Election and continuing education of the directors
 E. Internal control



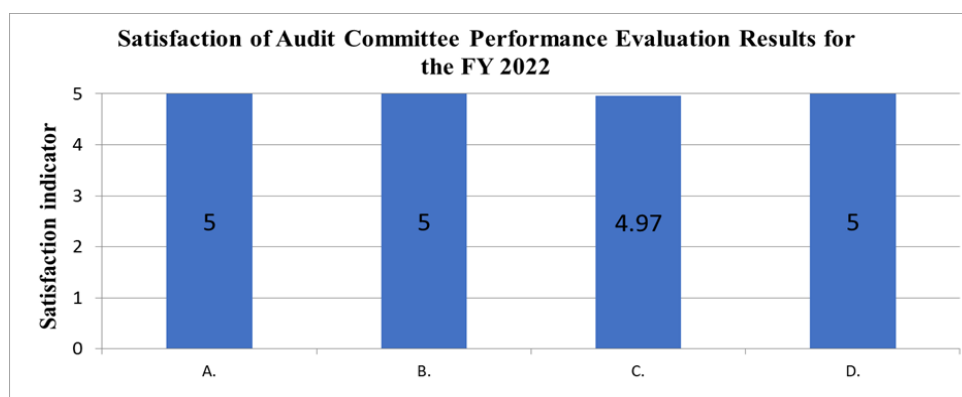
- A. Familiarity with the goals and missions of the Company
 B. Awareness of the duties of a director
 C. Degree of the board's participation in the operation of the Company
 D. Management of internal relationships and communication
 E. Director's professionalism and continuing education
 F. Internal control

(2) Evaluation results of the functional committee for the FY 2022

The functional committee includes the Audit Committee and the Remuneration Committee, and its self-assessment results are shown in the figure below. Functional committee members rated themselves on five dimensions of performance, with an overall average ranging from 4.97 to 5.00.



- A. Familiarity with the goals and missions of the Company
 B. Awareness of the duties of a director
 C. Degree of the board's participation in the operation of the Company
 D. Management of internal relationships and communication
 E. Director's professionalism and continuing education
 F. Internal control



- A. Degree of participation in the operation of the Company
 B. Awareness of the duties of the functional committee
 C. Improvement of the functional committee's decision-making quality
 D. Composition and election of the functional committee members
 E. Internal control

5. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof
- (1) In order to improve the supervisory function and strengthen the management function, the Company set up the "Remuneration Committee" on December 20, 2011, to provide suggestions to the Board of Directors for discussion and resolution.
 - (2) In order to promote the effective operation of the Board of Directors by enhancing corporate governance-related capabilities of directors, the Company regularly arranges courses in line with the "Directions for the Implementation of Continuing Education for Directors and Supervisors" for directors. In FY 2022, all directors completed at least 6 hours of continuing education.
 - (3) The Company completed the election of the 15th Board of Directors at the shareholder's meeting on May 27, 2022. The current Board of Directors is composed of 10 directors (including 4 independent directors) with rich experience and expertise in the fields of strategic planning, operation and management, finance and accounting, and law. In addition, the Company attaches importance to gender equality in the composition of the Board of Directors, which includes one female director, accounting for 10% of the total Board members.
 - (4) On May 31, 2016, the Board of Directors resolved to establish the Audit Committee.
 - (5) The Company attaches importance to the rights and interests of shareholders, and the material resolutions of each board meeting are disclosed on the Market Observation Post System (MOPS) or Company website, which is accessible to all directors, supervisors, managerial personnels and employees. The content of motions of Board meeting and corporate governance regulations are also disclosed on the Company website to enhance the transparency of the Company's information.

3.3.2 Audit Committee

A total of 5 Audit Committee meetings were held in the most recent year, and the attendance of independent directors is as follows:

Title	Name	Attendance in Person	By Proxy	Actual attendance rate (%)	Remarks
Independent Director	Shih-Chien Yang	Attended 5 times	0 times	100.00%	
Independent Director	Chen-Chi Ma	Attended 5 times	0 times	100.00%	
Independent Director	Ying-Hwang Yang	Attended 5 times	0 times	100.00%	
Independent Director	Cherng Lee	Attended 3 times	0 times	100.00%	Note 2
<p>Remarks:</p> <p>(1) On May 31, 2016, the Audit Committee was established to fully replace the supervisor.</p> <p>(2) The Company fully re-elected its directors and independent directors on May 27, 2022, and Independent Directors Cheng Li assumed office on the same day, while other directors and independent directors were re-elected.</p> <p>Other information required to be disclosed:</p> <p>1. If any of the following circumstances occur, specify the audit committee meeting dates, sessions, contents of motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee.</p> <p>(1) Matters referred to in Article 14-5 of the Securities and Exchange Act: The decisions made by the Audit Committee in the FY 2022 and up to the date of publication of the annual reports are listed in the table below. These decisions have been approved by the Audit Committee and submitted to the Board of Directors for resolution.</p> <p>(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.</p> <p>2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.</p> <p>3. The key focus areas of the Audit Committee</p> <p>The current Audit Committee consists of four independent directors. The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.</p> <p>(1) The main function of the Audit Committee is to supervise the following matters:</p> <p>(i) Fair presentation of the financial reports of the Company.</p> <p>(ii) The hiring (and dismissal), independence, and performance of CPAs of the Company.</p> <p>(iii) The effective implementation of the internal control system of the Company.</p> <p>(iv) Compliance with relevant laws and regulations by the Company.</p> <p>(v) Management of the existing or potential risks of the Company.</p> <p>(2) The powers of the Audit Committee are as follows:</p> <p>(i) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>(ii) Assessment of the effectiveness of the internal control system.</p> <p>(iii) The adoption of or amendment to the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others pursuant to Article 36-1 of the Securities and Exchange Act.</p> <p>(iv) Matters in which a director is an interested party.</p> <p>(v) Asset transactions or derivatives trading of a material nature.</p> <p>(vi) Loans of funds, endorsements, or provision of guarantees of a material nature.</p> <p>(vii) The offering, issuance, or private placement of equity-type securities.</p> <p>(viii) The hiring or dismissal of a certified public accountant, or their compensation.</p> <p>(ix) The appointment or discharge of a financial, accounting, or internal audit officer.</p> <p>(x) The annual financial report signed or stamped by the chairman, managerial personnel and accounting director or the semi-annual financial report that must be audited and certified by a CPA.</p> <p>(xi) Other material matters as may be required by this Corporation or by the competent authority.</p> <p>4. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication):</p> <p>(1) Communication methods between independent directors and chief internal audit officer and CPAs</p> <p>i. In addition to submitting audit reports and follow-up reports on deficiencies to the independent directors every month, the chief internal audit officer regularly convenes an</p>					

- Audit Committee meeting at least once quarterly to conduct audit assignments with the independent directors and explain the audit results and their follow-up status to the independent directors.
- ii. In the quarterly Audit Committee meetings, the CPAs report to the independent directors on the results of the review or audit of the annual and quarterly financial statements of the Company and its affiliates, internal control audits, the impact of revisions and publications of IFRSs on the Company, and other relevant legal requirements, and sufficiently communicate whether there are any significant adjustments to the journal entries or amendments to the laws and regulations, and may convene ad-hoc meetings in the event of major abnormalities.
 - iii. The independent directors of the Company have direct channels of communication with the chief internal audit officer and the CPAs, and may communicate by e-mail, telephone or meeting as needed; and regularly audit the financial and business conditions of the Company in accordance with the provisions of the competent authority and communicate directly with the management unit and the governance unit.

(2) Summary of the communication between independent directors and chief internal audit officer in the FY 2022:

- i. The independent directors of the Company have good communication regarding the implementation and effectiveness of the audit operations.
- ii. In FY 2022, the chief internal audit officer and independent directors communicated primarily in the Audit Committee meetings, and communicated internal audit-related matters by telephone, e-mail, communication software, etc.

The main communication matters for the FY 2022 are summarized in the following table:

Date	Audit Committee Communication Highlights	Communication Outcome
March 10, 2022	<ul style="list-style-type: none"> · Q4 2021 Internal Audit Execution Report · "Internal Control System Statement" for the FY 2021 · Amendment to the supplemental explanation for certain provisions of the "Corporate Social Responsibility Best Practice Principles" of the Company 	<ul style="list-style-type: none"> · All attending members agreed and have been informed. · After deliberation and approval, it is submitted to the Board of Directors for resolution as required by law.
May 12, 2022	Q1 2022 Internal Audit Execution Report	<ul style="list-style-type: none"> · All attending members agreed and have been informed.
August 11, 2022	<ul style="list-style-type: none"> · Q2 2022 Internal Audit Execution Report · Revision of the supplemental explanation for certain provisions of the "Budget Management Regulations" of the Company 	<ul style="list-style-type: none"> · All attending members agreed and have been informed. · After deliberation and approval, it is submitted to the Board of Directors for resolution as required by law.
November 11, 2022	Q3 2022 Internal Audit Execution Report	<ul style="list-style-type: none"> · All attending members agreed and have been informed.
December 22, 2022	<ul style="list-style-type: none"> · Audit Plan for the FY 2023 · Revision of the supplemental explanation for certain provisions of the "Handling Procedures for Acquisition or Disposal of Assets" of the Company · Revision of the supplemental explanation for certain provisions of the "Rules of Procedure for Shareholders Meetings" of the Company 	<ul style="list-style-type: none"> · After deliberation and approval, it is submitted to the Board of Directors for resolution as required by law.

(3) Summary of the communication between independent directors and CPAs in the FY 2022:

The independent directors of the Company have good communication with CPAs, the main communication matters are summarized in the following table:

Date	Audit Committee Communication Highlights	Communication Outcome
March 10, 2022	<ul style="list-style-type: none"> · Audit results of the consolidated and individual financial statements for the FY 2021 · Audit results and key audit matters for the FY 2021 	<ul style="list-style-type: none"> · After discussion and approval by all attending members, it is submitted to the Board of Directors for resolution as required by law. · The independent directors have been informed.
May 12, 2022	<ul style="list-style-type: none"> · Audit review results of the consolidated financial statements for the Q1 of 2022 	<ul style="list-style-type: none"> · After discussion and approval by all attending members, it is submitted to the Board of

	'Disclosure of the financial report for the Q1 of 2022 'Communication on matters consulted by members of the Audit Committee	Directors for resolution as required by law. 'The independent directors have been informed.
August 11, 2022	'Audit review results of the consolidated financial statements for the Q2 of 2022 'Disclosure of the financial report for the Q2 of 2022 'Communication on matters consulted by members of the Audit Committee	'After discussion and approval by all attending members, it is submitted to the Board of Directors for resolution as required by law. 'The independent directors have been informed.
November 11, 2022	'Audit review results of the consolidated financial statements for the Q3 of 2022 'Disclosure of the financial report for the Q3 of 2022 (including audit of financial statements and audit of business planning report) 'Communication on matters consulted by members of the Audit Committee	'All attending members have been informed. 'After discussion and approval by all attending members, it is submitted to the Board of Directors for resolution as required by law.

5. Independence and suitability assessment of the Company's CPAs:

Item No.	Evaluation Items	Evaluation Results	Compliance with Independence
1	Financial interests: 1.1 Has no "direct financial interest" relationship with the audit client. 1.2 Has no "significant indirect financial interest" relationship with the audit client. 1.3 Has no "significant financial interests" between the Company and other companies where it has control over the audit client.	None of the circumstances listed in the left-hand column.	Yes
2	Financing and guarantees: 2.1 Has not obtained financing or guarantees involving non-arm length transactions with financial institutions. 2.2 Has not obtained financing or guarantees involving non-financial institution audit clients. 2.3 Has not involved in financing or guarantees made between the non-financial institution audit clients.	None of the circumstances listed in the left-hand column.	Yes
3	Close business relationship with audit clients: 3.1 Has no close business relationship with audit clients. 3.2 Has no close business relationship with the directors, supervisors and managerial personnels of the audit clients.	None of the circumstances listed in the left-hand column.	Yes
4	Employed or serving as an audit client: 4.1 Has not served as a director, supervisor, managerial personnel, or positions that have significant influence on audit work in the Company or employee of an audit client at present or in the most recent two years. 4.2 Has not served as a director, supervisor, managerial personnel, or positions that have significant influence on audit work in the Company of an audit client. 4.3 Has not served as a director, supervisor, managerial personnel, or positions that have significant influence on audit work in the Company of an audit client during the audit period. 4.4 Has not served as a director or supervisor of other companies where it has control over the audit client. 4.5 Has not provided services to the audit client for serving as a director, supervisor, managerial personnel, or equivalent positions. 4.6 Has not employed to work on a regular basis and receive fixed salaries by the trustees or parties concerned.	None of the circumstances listed in the left-hand column.	Yes
5	Non-audit matters: 5.1 Evaluation services: 5.1.1 Has not provided audit clients with evaluation services	None of the circumstances listed in the	Yes

	<p>that are part of the financial statements and have a significant impact and a high degree of subjectivity.</p> <p>5.1.2 Has not provided audit clients with evaluation services that are part of the financial statements but are not significant or highly subjective in nature.</p> <p>5.2 Bookkeeping services:</p> <p>5.2.1 Has not provided bookkeeping services that do not comply with the requirements of professional ethics.</p> <p>5.3 Internal audit services:</p> <p>5.3.1 Has not provided assistance or undertaking for internal audit services that are not performed in accordance with generally accepted auditing standards.</p> <p>5.3.2 Has not provided assistance or undertaking for internal audit services related to the operation of the enterprise.</p>	left-hand column.	
6	<p>Other matters:</p> <p>6.1 Offerings and gifts:</p> <p>6.1.1 Has not received any offerings or gifts of significant value from audit clients.</p> <p>6.1.2 Has not received any offerings or gifts of significant value from the directors, supervisors or managerial personnels of the audit clients.</p> <p>6.2 Remuneration and commissions:</p> <p>6.2.1 Has not signed any contingency fee arrangement with audit clients for audit engagements or other public expense matters.</p> <p>6.2.2 Has not requested, contracted, or received any fees other than the prescribed remuneration.</p>	None of the circumstances listed in the left-hand column.	Yes

Major resolutions of the Audit Committee during the most recent fiscal year and up to the date of publication of the annual report

Committee	Date	Major Resolution
2nd Session Audit committee 15th Meeting	2022/03/10 (Thursday)	<p>1st motion: Annual business report and financial statements for the FY 2021.</p> <p>2nd motion: Earnings distribution for FY 2021. Resolution: This motion was resolved after the Chairman's consultation by the attending members with a proposed cash dividend of NT\$ 6 per share for the FY 2021, and it is submitted to the Board for approval.</p> <p>3rd motion: The audit committee report for FY 2021.</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>5th motion: Internal Control System Statement for FY 2021.</p> <p>6th motion: Amendment to certain provisions of the "Corporate Social Responsibility Best Practice Principles" of the Company.</p> <p>After the above-mentioned resolutions have been deliberated and approved by the Audit Committee, they are submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 6th motion,</p> <p>1) Resolutions of the Audit Committee: All attending members agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>
2nd Session Audit committee 16th Meeting	2022/05/12 (Thursday)	<p>1st motion: Q1 2022 Consolidated Financial Statements of the Company.</p> <p>After the above-mentioned resolution has been deliberated and approved by the Audit Committee, it is submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion,</p> <p>1) Resolutions of the Audit Committee: All attending members agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>
3rd Session Audit Committee 1st Meeting	2022/08/11 (Thursday)	<p>1st motion: Q2 2022 Consolidated Financial Statements of the Company.</p> <p>2nd motion: H1 2022 earnings distribution of the Company. Resolution: After the Chairman's consultation by the attending members, in response to the needs of the Company's development and major investment, it is recommended that the H1 2022 surplus temporarily not to be distributed, and it is submitted to the board of directors for approval.</p> <p>3rd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>4th motion: Revision of certain provisions of the internal control system "Budget Management Regulations" of the Company.</p> <p>After the above-mentioned resolutions have been deliberated and approved by the Audit Committee, they are submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 4th motion,</p> <p>1) Resolutions of the Audit Committee: All attending members agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>
3rd Session Audit Committee 2nd Meeting	2022/11/11 (Friday)	<p>1st motion: Q3 2022 Consolidated Financial Statements of the Company.</p> <p>2nd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>3rd motion: Ratification of the change in the spokesperson of the Company.</p> <p>After the above-mentioned resolutions have been deliberated and approved by the Audit Committee, they are submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 3rd motion,</p> <p>1) Resolutions of the Audit Committee: All attending members</p>

Committee	Date	Major Resolution
		<p>agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>
3rd Session Audit Committee 3rd Meeting	2022/12/22 (Thursday)	<p>1st motion: Audit Plan for FY 2023.</p> <p>2nd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>3rd motion: Assessment of the CPAs' audit fee and the independence of CPAs as the Company appointed Deloitte Taiwan to audit the annual financial statements.</p> <p>4th motion: Amendment to certain provisions of the "Handling Procedures for Acquisition or Disposal of Assets" of the Company.</p> <p>5th motion: Amendment to certain provisions of the "Rules of Procedure for Shareholders Meetings" of the Company.</p> <p>After the above-mentioned resolutions have been deliberated and approved by the Audit Committee, they are submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 5th motion,</p> <p>1) Resolutions of the Audit Committee: All attending members agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>
3rd Session Audit Committee 4th Meeting	2023/03/09 (Thursday)	<p>1st motion: Annual business report and financial statements for the FY 2022.</p> <p>2nd motion: Earnings distribution for FY 2022. Resolution: This motion was resolved after the Chairman's consultation by the attending members with a proposed cash dividend of NT\$ 11 per share for FY 2022, and it is submitted to the Board for approval.</p> <p>3rd motion: The audit committee report for FY 2022.</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>5th motion: Internal Control System Statement for FY 2022.</p> <p>After the above-mentioned resolutions have been deliberated and approved by the Audit Committee, they are submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 5th motion,</p> <p>1) Resolutions of the Audit Committee: All attending members agreed to pass.</p> <p>2) The Company's response to the Audit Committee's opinion: All attending directors agreed to pass.</p>

3.3.3 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Corporate Governance Best-Practice Principles have been formulated and disclosed on the Company website.	None.
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		The entrusted stock agency has been authorized to handle all stock affairs and assists in maintaining the security of shareholders' rights and securities transactions. Relevant "Stock Operation Management Regulations" have been formulated and disclosed on the Company website.	None.
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		The Company knows well the identity of its major shareholders and the parties with ultimate control of the major shareholders according to the register of shareholders of the independent registrar, and regularly reports changes in the ownership of shares by directors, supervisors, and managerial personnels every month.	None.
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		The Company has established regulations to manage related-party transactions, endorsement guarantees, and capital loans with affiliated enterprises. In addition, the Company has established the "Regulations Governing the Supervision and Management of Subsidiaries", implementing risk control mechanisms for its subsidiaries in accordance with the "Regulations	None.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary Description	
			Governing Establishment of Internal Control Systems by Public Companies” of FSC.	
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?		V	<p>1. The Company has established "Procedures for Handling Material Inside Information" and "Regulations Governing the Prevention of Insider Trading", which prohibit insiders such as directors, managerial personnels or employees from trading securities based on undisclosed material information in the market.</p> <p>2. Pursuant to Article 6 of the "Regulations Governing the Prevention of Insider Trading": The Company shall conduct education and training sessions at least once a year to educate the directors, supervisors and employees on these regulations or relevant laws and regulations. Newly appointed directors and managers are provided with education and training upon taking office, while new employees receive education and training during the pre-employment training session organized by the Human Resources Department within 3 months after assuming their positions.</p> <p>3. On August 11, 2022, a total of 22 directors, managerial personnels and heads of various business units were given 3-hour related education and training. This course includes the reasons for insider trading caused by the merger and acquisition of enterprises and related insider trading prevention measures. Merger and acquisition of enterprises is the most common type</p>	None.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			of insider trading, which is not easy to prevent completely, however, the probability of insider trading can still be reduced through appropriate internal controls. In addition, the introduction and promotion of the prevention of insider trading regulations are posted permanently in the internal employee system, which is provided to all employees for reference.	
3. Composition and responsibilities of the board of directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		The Company has formulated the "Corporate Governance Best-Practice Principles" and "Procedures for Election of Directors" and stipulates in Article 20 of the "Corporate Governance Best-Practice Principles" that the composition of the Board of Directors shall consider diversity and formulate appropriate diversity policies based on its business operations, operating dynamics, and development needs. Other than the directors concurrently serving as company officers shall not exceed one-third of the total number of the board members, the appointment of directors of the Company, in addition to considering the professional background of the directors themselves, diversity is also an important factor. The Company has a total of 10 directors, four of them are independent directors, one of them is a woman, the professional background of members covering management, science and technology, finance, etc. Board	None.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			members have diverse backgrounds in industry, academia, and knowledge, and can give professional opinions from different perspectives to improve the Company's operating performance and management efficiency.	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	The Remuneration Committee has been established as required by law, and since August 5, 2016, the Audit Committee has also been formally operated in accordance with its organizational rules. Each functional committee has been given powers, it may, in the exercise of these powers, convene meetings and make resolutions. Resolutions on matters discussed and decided upon by each functional committee can be submitted to the Board of Directors for approval as required by law.	In addition to setting up a Remuneration Committee as required by law, the Company also set up an Audit Committee; the organizational rules of the Remuneration Committee and the Audit Committee have been approved by the Board of Directors, and other functional committees will be subsequently planned and implemented according to the Company's needs.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?		V	The performance evaluation of the Board of Directors for the FY 2022 was completed in accordance with the "Rules for Performance Evaluation of Board of Directors" before the Board meeting convened on March 9, 2023. This performance evaluation includes the participation in the operation of the Company, quality of decisions made by the Board of Directors, composition and structure of Board of Directors, election of directors and continuing education, and internal control, etc. The evaluation period is from January 1 to December 31, 2022. The results of the Board's performance evaluation have been informed to all Board	None.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			members by email and are scheduled to be reported to the Board on May 11, 2023.	
4) Does the Company regularly evaluate its external auditors' independence?	V		The Company evaluates items affecting the independence of auditors according to the independence assessment checklist of auditors. The auditors have issued a declaration of independence and submitted to the Board of Directors for discussion and evaluation of the independence of the auditors every year. (The main evaluation items affecting the independence of auditors include financial interests, financing and guarantees, close business relationship with audit clients, employed or serving as an audit client, non-audit matters, and other matters. The evaluation results were conformed to the independence and approved by the Board of Directors on December 22, 2022.)	None.
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of		V	The Company has designated the Office of the Board of Directors of the Group as the unit responsible for matters relating to corporate governance. And responsible for matters related to the Board of Directors, the Audit Committee and other functional committees subordinate to the Board of Directors.	The Company has designated a dedicated unit to be responsible for corporate governance related matters. However, to actively implement corporate governance, it will propose to appoint a chief corporate governance officer and corporate governance personnels to improve and strengthen the effectiveness of corporate governance.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
board meetings and annual general meetings)?				
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholder's section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		<p>(1) Shareholders: Since the shareholders' meeting held in the 2017, the relevant proposals for ratification or listed motions for deliberation are carried out through voting on a motion-by-motion basis, shareholders can also exercise the right to vote by electronic means, fully participating in the voting process of the motion.</p> <p>(2) Employees: The labor-management meeting is held quarterly to discuss and communicate issues of concern to employees.</p> <p>(3) Communities and local organizations: Through the Company's volunteer community and the Topkey Foundation to achieve good communication and interaction.</p> <p>(4) Suppliers: The supplier evaluation mechanism is used to assess the performance of suppliers and to understand whether they comply with relevant laws and regulations.</p> <p>(5) Customers: Reduce customer complaints through customer satisfaction surveys and communication meetings from time to time to provide customers with a more comprehensive service quality.</p> <p>A stakeholder section is established on the Company website to handle relevant matters, and the responsible person will handle the response of the stakeholders. Through the above-mentioned communication channels., it is beneficial for the Company to understand the concerns of</p>	None.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary Description	
			stakeholders and respond appropriately, and to refer to the feedback from all walks of life as a basis for continuous improvement.	
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		SinoPac Securities, a professional stock agency is entrusted to handle all stock-related matters.	None.
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status?	V		The relevant information has been set up and disclosed on the Company website.	None.
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The Company has designated the Office of the Board of Directors of the Group and the Group's Finance Headquarters to be responsible for the collection and disclosure of Company information and has implemented the spokesperson mechanism as required by regulations, and investors can also access information related to the Company's finance, business, and corporate governance through the MOPS.	None.
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		V	The quarterly and annual financial reports of the Company and the announcements and reports on the operation of the Company for each month are completed before the statutory deadline. In recent years, the annual financial reports have been completed and announced around March 10 after the end of the fiscal year. The Company has been continuously striving to promote financial information transparency as directed by the competent authority, hence the Company will continue to implement the regulations, standards and	The Company has been continuously striving to promote financial information transparency as directed by the competent authority, hence the Company will continue to implement the regulations, standards and requirements set by the competent authority as the goals.

Evaluation Items	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary Description	
			requirements set by the competent authority as the goals.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)	V		The Company has regularly and irregularly disclosed various financial and business information on the MOPS as required by regulations and has a Company website https://www.topkey.com.tw/ which is available for shareholders and public access.	None.
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)	V		The results of the 9th Corporate Governance Evaluation have been announced, and the Company's current evaluation results are listed as the top 51% to 65% of listed companies. The Company did not achieve 30 score items in the corporate governance evaluation for FY 2022. In FY 2023, the Company will focus on implementing corporate social responsibility (CSR) and improving information transparency and is expected to complete 6 improvement items. And continue to make efforts to strengthen the effectiveness of the Board of Directors to enhance the functions of the Board of Directors; improve the quality of disclosure of non-financial information to strengthen corporate governance information.	The Company has formulated the relevant matters for the implementation of the Corporate Governance Best Practice Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclosed the implementation status of corporate governance in the annual report.

3.3.4 If the company has a remuneration committee or nomination committee in place, the composition and operation of such committee shall be disclosed

1. Information on Remuneration Committee Members:

Capacity (Note)	Qualifications Name	Professional qualifications and experience (Note)	Independence analysis (Note)	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	Shih-Chien Yang	See Pages 13-15, 25 for professional qualifications and experience disclosure of independent directors	Refer to Pages 13 -15, 25 for the disclosure of the independence of independent directors.	1
Independent Director	Chen-Chi Ma			2
Independent Director	Ying-Hwang Yang			1
Independent Director	Cherng Lee			2

Note: Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. If the member is an independent director, you may add a note directing readers to refer to the relevant information in Table 1 Information on Directors and Supervisors (1) on p. _____. For “Capacity,” please specify whether the member is an independent director or other (if the member is the convener, please note that fact).

2. Operation of the Remuneration Committee:

- (1) The Company’s remuneration committee has a total of four members, all of whom are independent directors.
- (2) The term of the current members is from May 27, 2022 to May 26, 2025. A total of 2 Remuneration Committee meetings were held in the most recent fiscal year, and the attendance of the members are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Convener	Shih-Chien Yang	Attended 2 times	0 times	100.00%	
Remuneration Committee member	Chen-Chi Ma	Attended 2 times	0 times	100.00%	
Remuneration Committee member	Ying-Hwang Yang	Attended 2 times	0 times	100.00%	
Remuneration Committee member	Cherng Lee	Attended 1 times	0 times	100.00%	Note 1

Remarks:

- (1) The Company fully re-elected its directors and independent directors on May 27, 2022, and Independent Directors Cheng Li assumed office on the same day, while other directors and independent directors were re-elected.

Other information required to be disclosed:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content

of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.

2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

3. Periodic review of remuneration

The functions of the Remuneration Committee are to evaluate the policies and systems for compensation of the directors, supervisors, and managerial officers of the Company professionally and objectively, and submit recommendations to the board of directors for its reference in decision making.

- (1) The powers of the Remuneration Committee of the Company are as follows:
- (i) Periodically reviewing the regulations governing remuneration and making recommendations for amendments.
 - (ii) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers of the Company.
 - (iii) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.
- (2) The Remuneration Committee shall perform the duties in accordance with the following principles:
- (i) Ensuring that the compensation arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
 - (ii) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall consider the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also, to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
 - (iii) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
 - (iv) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided regarding the characteristics of the industry and the nature of the Company's business.
 - (v) Reasonableness shall be considered when the contents and amounts of the compensation of the directors, supervisors, and managerial officers are set. It is not advisable for decisions on the compensation of the directors, supervisors, and managerial officers to run contrary to financial performance to a material extent.
 - (vi) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

Major resolutions of the Remuneration Committee during the most recent fiscal year and up to the date of publication of the annual report

Committee	Date	Major Resolution
4th Session Remuneration Committee 7th Meeting	2022/03/10 (Thursday)	<p>1st motion: Employee and director compensation distribution for the FY 2021.</p> <p>Supplementary explanation for recusal: The 3 members of the Company, Ying-Hwang Yang, Shih-Chien Yang, and Chen-Chi Ma were attended the meeting in person, reaching more than two-thirds of the committee members ($3 \times \frac{2}{3} \div 2$ members) attended. Although the Director cum President, Pei-Chen Shen has conflict of interest in this motion, however, it is not necessary to recuse herself from voting because the transaction terms are not superior to those offered to similar parties, hence it does not cause harm to the interests of the Company.</p> <p>After the above-mentioned resolution has been deliberated and approved by the Remuneration Committee, it is submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion,</p> <p>1) Resolution of the Remuneration Committee: All attending members agreed to pass;</p> <p>2) The Company's response to the Remuneration Committee's opinion: All attending directors agreed to pass.</p>
5th Session Remuneration Committee 1st Meeting	2022/12/22 (Thursday)	<p>1st motion: Principles for the year-end bonus distribution for FY 2022.</p> <p>2nd motion: To review the salary and compensation and relevant policies for managerial personnel for FY 2023.</p> <p>After the above-mentioned resolution has been deliberated and approved by the Remuneration Committee, it is submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 2nd motion,</p> <p>1) Resolution of the Remuneration Committee: All attending members agreed to pass;</p> <p>2) The Company's response to the Remuneration Committee's opinion: All attending directors agreed to pass.</p>
5th Session Remuneration Committee 2nd Meeting	2023/03/09 (Thursday)	<p>1st motion: Employee and director compensation distribution for FY 2022.</p> <p>2nd motion: Amendment to certain provisions of the "Directors' Remuneration and Compensation Distribution Measures" of the Company.</p> <p>3rd motion: Amendment to fixed remuneration of directors of the Company.</p> <p>Supplementary explanation for recusal:</p> <p>1. Although the Director cum President has conflict of interest in all aforementioned motions, however, it is not necessary to recuse herself from voting because the transaction terms are not superior to those offered to similar parties, hence it does not cause harm to the interests of the Company.</p> <p>2. The resolution is passed with no objection by all attending members.</p> <p>After the above-mentioned resolution has been deliberated and approved by the Remuneration Committee, it is submitted to the Board of Directors for approval as required by law.</p> <p>For the above-mentioned 1st motion to 3rd motion,</p> <p>1) Resolution of the Remuneration Committee: All attending members agreed to pass;</p> <p>2) The Company's response to the Remuneration Committee's opinion: All attending directors agreed to pass.</p>

3.3.5 Implementation of Sustainable Development

The system and measures adopted by the Company for environmental protection, community participation, social contributions, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility activities as well as its implementation status.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		The Company designated the General Manager's Office of the Group as the unit responsible for promoting sustainable development and reported to the Board of Directors on the handling of the situation. The division of environmental protection, safety and health is the responsibility of the Occupational Safety and Health (OSH) Office, and the other divisions of social welfare and human rights are coordinated by the Human Resources Unit.	None
2. Does the company conduct risk assessments of environmental, social, and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The "Budget Management Regulations" of the Company stipulated that in the preparation of the next annual budget, each business unit/business group needs to collect and analyze the internal operating conditions of the Company, external economic situation, industrial conditions and development trends, etc. to develop the "strategic map" for the business unit/business group and carry out corresponding project and key implementation projects, and submit them to the management team for discussion and finalization. After the Company's management team	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			evaluates the Company's development direction and collectively evaluates the "strategic map" developed by each business unit/business group, the Company's "corporate strategic direction" is extracted for each first-level unit outside the business unit/business group to prepare the corresponding projects and key implementation projects.	
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?	V		The Company has set up the OSH Committee and the OSH Office, which are responsible for formulating environmental and OSH-related management measures to promote the environmental management system. The Company continues to establish a safe and healthy working environment. The ISO45001 OSH management system is introduced to manage various safety and health work in a systematic and documented manner, continuously inspects and discovers problems in the cycle of planning, implementation (Do), checking and improvement (Action), implementing continuous improvement of environmental safety and health work, minimizing risks to improve the safety of environment. Also, the Company conducts external reviews every year to ensure that the	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			Company's operations comply with relevant domestic safety and health regulations. The Company has obtained ISO 14001: 2015 environmental management system certificate (validity period: 2021/08/10 - 2024/07/22) and ISO45001: 2018 Occupational Safety and Health Management System Certificate (validity period: 2021/07/16 - 2024/07/22)	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		All employees of the Company strictly abide by the classification of garbage, implement the double-sided use of photocopy paper, continuously promote the electronic system of document management, reduce the use of paper, and make good use of recycled paper. Office lighting is also planned to be replaced with energy-saving lamps, turn off the lights and unnecessary power, implementing energy-saving measures, installing water-saving equipment, achieving resource-saving effects, such as replacing the required kinetic energy from the fuel to natural gas. On the other hand, by replacing the use of energy-saving devices and planning to install VOC recovery equipment to reduce the current carbon emissions caused by water and electricity and VOC emissions, implementing energy-saving and carbon reduction to alleviate	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			global warming. Effectively implementing the recycling management and resource classification of waste such as kitchen waste, iron and aluminum cans, glass bottles, wastepaper and PET bottles, and implementing the treatment and classification of waste to facilitate the reuse of various resources and reduce the impact on the environment.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		The Company continues to pay attention to domestic and foreign greenhouse gas (GHG) regulations, understand the trend of regulations to respond in advance, and fulfill the corporate responsibility of environmental protection. Please refer to Item (7) for details on the potential future risks of climate change to businesses and measures to address climate-related issues.	None
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		The Company's GHG emissions inventory is a self-assessment statistic. The Company performs statistical analysis on GHG emissions annually and continues to implement measures to reduce GHG emissions. For detailed information on statistics and policies of carbon emission, GHG, water use reduction, or other waste management, please refer to Item (7).	None
4. Social Issues (1) Has the company formulated relevant management policies and procedures in	V		The Company complies with the provisions of relevant labor laws, formulates management rules and regulations,	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
accordance with relevant laws and regulations and international human rights conventions?			and makes relevant information available through public channels so that employees can fully understand, protecting the legitimate rights and interests of employees. Also, the Company respects the internationally recognized basic labor human rights principles and shall not engage in any activities that could harm workers' basic rights.	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		The Company has set up a Remuneration Committee to discuss and formulate a reasonable remuneration policy and formulate clear salary management measures and regulations governing rewards and punishments. The operating performance of the enterprise is appropriately reflected in the employee remuneration policy to ensure the recruitment, retention, and incentive of human resources to achieve the goal of sustainable operation. Article 30 of the Articles of Incorporation of the Company stipulated that if the Company is profitable in the current year, a 3% to 10% shall be allocated for employee compensation. If an employee commits any violation, in addition to requiring immediate improvement, the violation will be reported for disciplinary action,	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			rewards or punishments depending on the severity of the situation. These results will be linked to the performance evaluation system and reward system, with the aim of ensuring that employees comply with relevant laws and regulations and internal control mechanisms when engage in various types of operational activities to implement the spirit of CSR.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		The Company provides a clean environment for employees, and provides protective equipment and gear required for employee safety and health. In addition, the Company conducts regular fire and building safety inspections, arranges annual employee health examinations, and implements safety and health education programs such as fire drills, fire safety awareness campaigns, Automated External Defibrillator (AED) operation training, etc., giving employees the greatest support for health. Protective measures for the work environment and safety of personnel are detailed in Item (6) of section 7. Other important information to facilitate better understanding of the company's promotion of sustainable development.	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(4) Has the Company established effective career development training programs for employees?	V		The Company arranges relevant training according to the career development of employees. The Company conducts internal education and training from time to time or collaborates with various training units, schools, government resources, etc., to provide various learning channels to assist employees in improving their work skills and professional knowledge. The Company also provides subsidies and scholarships for employee education and training expenses and encourages colleagues to pursue further studies or participate in external related training courses. Career development is the result of integrating the personal career planning of employees with the career management of the organization. The Company's Human Resources Department plans job rotations, overseas assignments, project assignments, etc. according to the individual characteristics of employees within the organization and sets up corresponding training courses to meet the needs of the work group and promote the best manifestation of personal career goals.	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		The Company's marketing and labeling of products and services comply with relevant regulations and international standards. The Company provides service platforms such as telephone, e-mail, internet, etc., allowing consumers to communicate relevant issues through the above-mentioned platforms, providing transparent and effective customer complaints handling procedures.	None
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		The Company requires that suppliers should meet the needs of environmental protection, occupational safety and health and human rights, to jointly shape a better trading environment and implement CSR, and maintain close cooperation with suppliers, and work together for CSR. The "Supplier Code of Conduct" is set out in the terms of the Purchase Order Contract sent by the Company to the major suppliers, which requires that the terms of the Contract may be terminated or terminated at any time if they involve a violation of CSR Policy of the Company and have a significant impact on the environment and society.	None

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	The Company has not yet published a CSR report; hence it has not been verified by a third-party certification body and will plan to move toward self-reporting CSR activities and compile a CSR report in the future.	The Company has not yet published a CSR report; hence it has not been verified by a third-party certification body and will plan to move toward self-reporting CSR activities and compile a CSR report in the future.

6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has established Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", therefore, there is no difference in the practice.

7. Other important information to facilitate better understanding of the company's promotion of sustainable development:

(1) Environmental protection

- (i) The Company continues to promote various water conservation and energy conservation, carbon reduction, pollution prevention and control improvement, environmental protection initiatives in the office, advocating for the digitization of office work to reduce paper use, turning off lights when not in use, implementing effective waste sorting and recycling, strengthening waste management, reducing GHG emission, etc.
- (ii) Actively develop thermoplastic materials, with environmental protection characteristics, which are lightweight, can be reused, and recycled.

(2) Community participation:

- (i) Topkey Foundation and Social Affairs Bureau Taichung City Government jointly organized "Taichung Corporate Volunteer Day" every year, to help social welfare groups such as the elderly living alone in the society, underprivileged children, new residents' families, and disabled groups, and encourage colleagues at Topkey to participate in volunteer activities after work, selflessly giving back to the society, spreading more warmth throughout the community.

(3) Social contribution

- (i) To improve media literacy, the Company has assisted the Topkey Foundation in publishing a regular monthly "Heartfelt e-newsletter" and sending through email to more than 4,600 recipients per month (including Topkey colleagues).
- (ii) Encouraging young people to take the initiative to plan service learning, giving full play to the spirit of public participation and providing grants for Topkey Youth Service Learning.
- (iii) In order to practice comprehensive education for adolescents and provide welfare services, the Company encourages college students from all over Taiwan to engage in service learning related to child welfare and education in Taichung City-Changhua County-Nantou County and provides sponsorship and incentives through the Topkey Youth Incentive Fund.

(iv) Sponsor the Tzu Chi Cultural Bookstore-Environmental Protection Series, creating a cycle of love and goodness.

(4) Social services, social welfare

- (i) The Welfare Committee organizes blood donation activities twice a year in response to blood donation and life-saving activities.
- (ii) In response to government decrees, employees with disabilities shall be employed in accordance with the People with Disabilities Rights Protection Act.
- (iii) Topkey Little Sunshine Volunteer Society actively participates in social welfare activities with the philosophy of "dedication, mutual assistance, friendship and progress", enabling colleagues to experience the joy of giving and helping others through volunteer service, promoting social welfare activities.
- (iv) The Company actively promotes CSR education, and the Topkey Foundation collaborates with the Taichung City Government to conduct volunteer service education and training courses for corporate volunteers, facilitating enterprises improve the service intelligence and quality of corporate volunteers.

(5) Human rights: Maintain good labor relations with employees and provide the following benefits

- (i) Employee health insurance, labor insurance, group accident insurance.
- (ii) Various bonuses and dividend share plans.
- (iii) Establishment of an Employee Welfare Committee.
- (iv) A comprehensive refresher and training measures.
- (v) A comprehensive retirement system.

(6) Protective measures for work environment and safety of personnel:

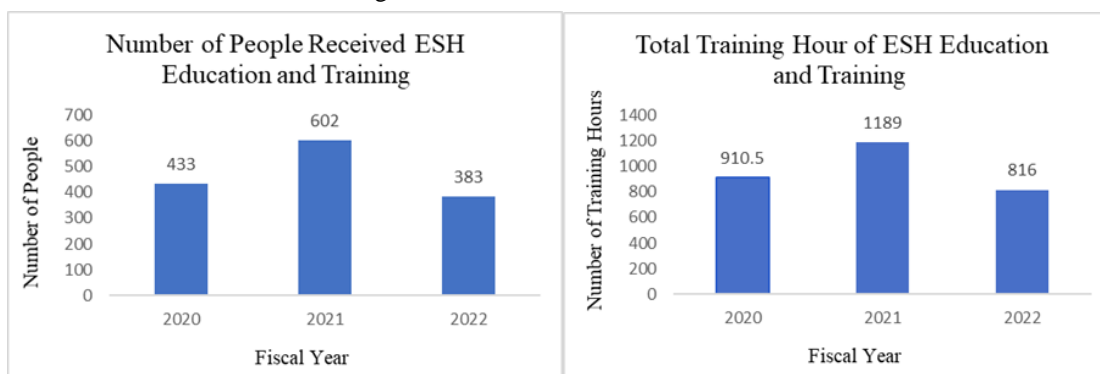
- (i) In compliance with the OSH and environmental protection laws and regulations, the implementation of OSH projects and contents is aimed at providing employees with a safe and healthy working environment, striving to reduce employee safety and health and hazard factors, and improving employee safety and health knowledge through ESH education and training to prevent occupational accidents and achieve the goal of "zero accidents" The following table shows the implementation of the plant's working environment and personnel safety protection measures.

Item	Content
Maintenance of equipment	<p>1. The Company has formulated the "Regulations Governing the Maintenance of Equipment and Facilities", "Procedures for Maintenance Management of Public Equipment" and "Regulations Governing OSH Automatic Inspection Management". Regular maintenance and records retention are conducted for high- and low-voltage electrical equipment, boilers, fixed cranes, air conditioners, drinking water, and other equipment in accordance with the regulations.</p> <p>2. The Company entrusted professional companies to conduct public safety inspections every year in accordance with the provisions of the regulations for inspecting and reporting buildings public security.</p>
Disaster preparedness and response	<p>1. The Company's internal operations are carried out in accordance with the "Occupational Safety and Health Code of Conduct", "Environmental, Safety, Health Emergency Preparedness and Response Procedures", "Procedures for Reporting Occupational Accidents and Handling Accident Investigations", etc. to prevent the occurrence of accidents.</p> <p>2. According to the provisions of the Fire Services Act, an outsourced fire inspection is conducted every year, and various fire equipment are also regularly maintained and inspected every month, and fire drills and AED first aid education and training are regularly conducted every six months.</p>
Health and safety	<p>1. The Company has set up a first-class full-time safety and health management unit and formulated the "Measures for the Protection of Labor Health", "Measures for the Prevention and Handling of Human-induced Hazards", "Procedures for</p>

	<p>the Prevention and Management of Diseases Caused by Abnormal Workloads", and "Measures for the Management of Maternal Health Protection", etc. to implement OSH-related activities, providing employees with a healthy, safe and hygienic working environment.</p> <p>2.All new employees are required to undergo pre-employment physical examinations, and regular health examinations are arranged annually for employees, which is superior to the statutory frequency. Based on the results of these physical examinations, the occupational health nurses and contracted medical practitioners provide corresponding health education and health consultations to the employees, and health management plans and grade management are proposed.</p> <p>3.In accordance with the "Regulations Governing Workplace Environmental Inspection", the work environment for relevant workplaces shall be inspected every six months to confirm that the working environment complies with regulations and to ensure that the health of employees is not in danger.</p> <p>4.To prevent workplace violence and sexual harassment, the Company has formulated relevant measures and set up a complaint channel.</p>
Contractor operation management	<p>1.The Company has formulated the "Regulations Governing Contractor Construction Safety and Health Management" to define the rights and obligations of contractors regarding safety and health, which serve as the basis for contractor management.</p> <p>2.Contractors must fill in the construction application form prior to the commencement of construction and establish an agreement and hazard notification before entering the factory area. If there are special operations such as hot work, high altitude work, and lifting operations, supervisors and safety and health personnel must be arranged to monitor and inspect the construction site at all times to ensure the safety of the contractor staff and the Company's employees during the construction period.</p>
Access control security	<p>1. Each plant has a security system, which is connected to a security company for monitoring and protection.</p> <p>2. Each plant has security personnel to assist in maintaining the safety of the plant.</p> <p>3. The Company has installed surveillance cameras or access control devices to strictly monitor the access situation for all external and internal important access control points.</p>

(ii) ESH education and training

In accordance with the OSH education and training rules, new employees and existing employees who are changing duties must receive necessary safety and health education and training. Regular implementation of ESH education and training, advocacy, communication is carried out to enhance the safety and health awareness of employees, contractors, suppliers. In 2022, there were 383 people trained, with a total training hour of 816 hours.



(iii) Professional safety and health management personnel and professional

certificates

According to the provisions of the Occupational Safety and Health Act, the relevant OSH certificates and the number of personnel is shown in the table below. In addition to meeting the requirements of laws and regulations, the relevant OSH certificates and personnel are superior to the laws and regulations, and the relevant personnel are regularly arranged to participate in refresher training and OSH-related activities. At present, there are 71 colleagues in the Company with OSH-related certificates and are qualified as training personnel.

Item No.	Personnel holding EHS certification	Number of people
1	Occupational safety management specialist	2
2	Labor health service nursing personnel	1
3	1st Class OHS supervisor	3
4	1st class boiler operator	2
5	2nd class boiler operator	2
6	Operator of fixed cranes	8
7	Operator in charge of hoisting operation	3
8	Operator of forklift	6
9	Supervisor in charge of organic solvent operations	5
10	Supervisor in charge of dusty operations	2
11	Supervisor in charge of roofing operations	1
12	Supervisor in charge of specific chemical substance operations	1
13	First aid personnel	10
14	Fire protection personnel	5
15	Professional emergency responders of the toxic and concerned chemical substances	2
16	ISO14001 and ISO45001 Internal Auditors	18
Total		71

- (7) Total annual GHG emissions, water consumption and total weight of waste in the past two years:

The Company's GHG emissions inventory is a self-assessment statistic, referring to ISO-14064-1 statistics in the past two years, the GHG emissions of the three plants in Taiwan are as follows:

GHG emissions (metric tons of CO ₂ e/year)			
FY	Scope 1 ①	Scope 2 ②	Total
2021	89.9	1,045.9	1,135.8
2022	66.6	1,124.3	1,190.9
Note: This is GHG emissions of the three plants in Taiwan (excluding plants in Mainland and Vietnam)			
① Mainly derived from the natural gas consumption by the boilers			
② Mainly derived from the power consumption by the production equipment			

At present, the Company's three plants are all located in the industrial zone, and the wastewater generated is discharged to the wastewater treatment plant in the industrial zone, which will not directly discharge and cause environment and water resources pollutions. The tap water consumption in the past two years is as follows:

FY	Tap water consumption (10,000 metric tons/year)
2021	0.73
2022	0.88
Note: This is water consumption of the three plants in Taiwan (excluding plants in Mainland and Vietnam)	

The waste generated by the Company is divided into hazardous industrial waste, general (non-hazardous) industrial waste and recycling waste (resource recycling), etc. The Company has long advocated the concept of resource recycling, in addition

to promoting the reduction of waste at the source and implementing waste sorting and resource recycling management of iron and aluminum cans, glass bottles, wastepaper and PET bottles, etc., to implement waste reduction and reuse. In 2022, a total of 41,334 kg of resource has been recycled. The Company's hazardous industrial waste is C-0301 waste solvent and general industrial waste is handled by a qualified waste disposal agency to clean and ship to the local incinerator for incineration according to the waste disposal procedures. The output of waste in the past two years is as follows:

FY	General industrial waste (Kg)	Hazardous industrial waste (kg)	Resource recycling (kg)	Total weight (Kg)	Total weight (Metric tons)
2021	82,846	3,060	44,109	130,015	130.0
2022	82,788	2,340	41,334	126,462	126.5
Note: This is waste output of the three plants in Taiwan (excluding plants in Mainland and Vietnam)					

(8) Management policies for energy conservation and carbon reduction, GHG emissions reduction, reduction of water consumption or other wastes:

(i) The impact or the extent of the impact of GHG emissions on enterprises:

① Relevant regulations governing the risks of climate change:

The Company is not belongs to the first batch of emission sources that required to report GHG inventory and registration in accordance with "Greenhouse Gas Reduction and Management Act" of the Environmental Protection Administration (EPA), Executive Yuan, hence there is no risk of violating regulations. The Company will continue to pay attention to changes in GHG regulations at home and abroad, understand regulatory trends to respond in advance, and fulfill its corporate environmental protection responsibilities.

② Substantial risks of climate change:

Climate change will cause extreme climates, including rising temperatures in summer and uneven rainfall distribution, which will result in frequent use of air conditioners by the enterprises for cooling down, leading to Taiwan facing power limitation crisis and prolonged drought, which may lead to a water limitation crisis. The Company will respond to the substantial risks caused by climate change through waste heat recycling, recycling of waste from manufacturing process, and management measures for office electricity use, etc.

③ Opportunities associated with climate change

In response to climate change, the implementation of energy conservation and carbon reduction has become a worldwide trend. With the mission of "making good use of innovative science technology materials for improving a healthy, leisure and splendid life, promoting a harmonious society and environment ", the Company adopts a proactive approach to fulfill its social responsibilities, seeks ways to protect the earth's resources and natural ecological environment, selects suppliers that meet 3 e's of sustainability (economic, equality, ecological), and provides customers with various products that meet environmental requirements to enhance competitiveness of the Company.

④ (Direct and indirect) greenhouse gas emissions (specify the scope and time of inventory) and whether they have passed external verification:

According to ISO14064, the inventory of GHG is carried out without external verification.

As a result of self-assessment, the annual GHG emissions in FY 2022 were 1,190.9 tons of CO₂e (scope 1 and scope 2).

(ii) Strategies, methods, goals, etc. for GHG management

① Strategies for responding to climate change or managing GHG:

- * Implement energy conservation in line with the government's environmental policy
- * Change the plant lighting from traditional lamps to power-saving lamps
- * Continuous promotion of office air conditioning energy conservation measures to achieve energy reduction
- * Boiler waste heat recycling used to preheat the combustion air of boiler to reduce natural gas consumption

② GHG emissions reduction

At present, the Company does not belong to the first batch of emission sources, although it is not necessary to set clear reduction targets, however, various energy-saving and water-saving measures have been put in practice in daily operation of plants, and energy-consuming facilities (lighting fixtures) have been replaced with energy saving models to improve energy efficiency.

③GHG emissions reduction plan

The main sources of energy consumption in the Company are purchased electricity and natural gas, which are also the main source of the Company's GHG emissions. The Company will achieve energy conservation and GHG emission reduction through the development of electricity conservation plans.

- * Air conditioning temperature control without leakage: Use less air conditioning and open windows more often. Set the air conditioning temperature at 26-28°C and ensure that there is no air leakage.
- * Turn off lights and unplug devices when not in use: Turn off the lights at the office when not in use, during lunch breaks and after work.
- * Energy and water conservation: recycling and reuse the wastewater from manufacturing process
- * Change the traditional lamps to energy-saving lamps

3.3.6 Implementation of Ethical Corporate Management

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	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		The Company has formulated the "Ethical Corporate Management Best Practice Principles", which is agreed by the Audit Committee and then adopted by the Board of Directors and reported to the shareholders' meeting. All business activities of the Company are operated in accordance with the "Ethical Corporate Management Best Practice Principles", and there are also "Procedures for Ethical Management and Guidelines for Conduct", which specify the matters that should be considered by the Company's personnel in the execution of their business. Relevant procedures and regulations published on the Company website to provide reference for all employees.	None

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	
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		In addition to the "Ethical Corporate Management Best Practice Principles", which explicitly prohibits unethical conduct, it also complies with laws and policies. In addition, there is the "Procedures for Ethical Management and Guidelines for Conduct", which specify the precautions that the Company's personnel should pay attention to when carrying out business.	None
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		The "Ethical Corporate Management Best Practice Principles", which explicitly state the scope of the precautionary approach and the responsible units. In addition, there is the "Procedures for Ethical Management and Guidelines for Conduct", which clearly states the operating procedures, behavior guidelines, penalties for violations, and complaint systems, etc.	None
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		In addition to clearly stating in the "Ethical Corporate Management Best Practice Principles", relevant regulations are also defined in the contract to specify the rights and obligations of both parties.	None

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	
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		To establish a sound ethical management system, the Company has designated the Office of the Board of Directors of the Group to be responsible for the formulation of ethical management policies and preventive measures, while the Audit Unit is responsible for supervising the implementation of these policies, and reports to the Board of Directors on a regular basis.	None
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		The "Ethical Corporate Management Best Practice Principles" stipulates relevant matters to avoid, and each business unit has designated personnel to be responsible for the business management. Relevant operational regulations and contact mailboxes are published on the Company website to facilitate inquiries and compliance.	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		The Company has a dedicated audit unit to supervise the implementation, regularly conduct internal control auditing on relevant operational specifications, and reports to the Board of Directors on a regular basis.	None

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	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		The Human Resources Unit will assist in planning and arranging relevant education and training courses.	None
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		The Company has an audit system, which is subordinate to the Board of Directors, and conducts regular and irregular control auditing on internal operations. The Company has set up an independent whistle-blowing mailbox (complaints@topkey.com.tw) and published on the Company website and intranet, which is managed by the Office of the Board of Directors of the Group.	None
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		The Company handles and verifies the complaints in accordance with the relevant operational specifications, and the responsible unit of the Company takes necessary procedures according to the nature of the complaint.	None
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		The Company handles and verifies the complaints in accordance with relevant operational regulations. The relevant personnel of the Company dealing with the complaints shall provide a written statement to maintain confidentiality regarding the whistle-blower's identity and reported content. The Company undertakes to protect the whistle-blower from improper treatment due to	None

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	
			whistleblowing.	
4. Strengthening Information Disclosure (1) Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The Company website discloses financial and operational information in accordance with the principles of corporate governance, to facilitate stakeholders to understand the operation of the Company.	None

5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company's cooperation with various manufacturers and organizations is conducted in accordance with the principle of ethical corporate management. The "Ethical Corporate Management Best Practice Principles" of the Company have been amended in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies as amended on May 23, 2019, and the amendment was approved by the Board of Directors on August 12 of the same year and has made the announcement for the amendment.
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's promotion of the company's integrity management determination to business partners, policies, and invitations to participate in education and training, review, and amendment of its ethical corporate management best practice principles): The Company upholds the principle of integrity, and all employees are required to adhere to the spirit of integrity and be responsible to investors, customers, suppliers, shareholders, and society. The Company has a forum website and a complaint and whistle-blowing mailbox, and employees can complain or report online if they discover any violations of the integrity principles or any activities that may harm the Company's reputation. In addition, the Company has established long-term cooperation with relevant vendors and partners and specified the terms in the contract, also sets up relevant professional personnel to participate in and maintain a long-term and stable cooperative relationship.

3.3.7 If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched

The relevant corporate governance spirit is embedded in the internal control and various management procedures, and has been effectively implemented, and the control function is relatively sound.

1. The Company has formulated the following relevant rules and measures in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies":

- (1) Rules of Procedure for Shareholders Meetings
2. Rules of Procedure for Board of Directors Meetings
- (3) Procedures for Election of Directors

- (4) Handling Procedures for Acquisition or Disposal of Assets
- (5) Regulations Governing Making of Endorsements/Guarantees
- (6) Regulations Governing Loaning of Funds
- (7) Regulations Governing the Supervision and Management of Subsidiaries
- (8) Regulations Governing the Prevention of Insider Trading
- (9) Sustainable Development Best Practice Principles
- (10) Ethical Corporate Management Best Practice Principles
- (11) Procedures for Ethical Management and Guidelines for Conduct
- (12) Codes of Ethical Conduct
- 13 Procedures for Handling Material Inside Information
- (14) Corporate Governance Best Practice Principles
- (15) Stock Operation Management Regulations
- (16) Rules for Performance Evaluation of Board of Directors

2. Method of Inquiry: The information on investor relations and corporate governance are disclosed on the Company website at <https://www.topkey.com.tw/>.

3.3.8 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed

1. Continuing Education and Training for Managerial Personnels

T i t l e	N a m e	Date of Training	O r g a n i z e r	C o u r s e T i t l e	N u m b e r o f T r a i n i n g H o u r s
President	Pei-Ni Shen	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
General Manager, Industrial Products Business Group	Zhong-Xing Shen	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
General Manager, Safety Products Business Group	Jing-Wei Chang	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H

T i t l e	N a m e	Date of Training	Organizer	C o u r s e T i t l e	Numb er of Traini n g Hours
Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Deputy Assistant General Manager, Composite Production Plant, Taichung Business Development Department	Zhong-Fa Wu	2022.06.23	Zhaohong Environmental Engineering Firm	Internal Audit and Introduction Practice	3H
Group Finance Headquarters Chief Financial Officer	Ren-Di Chang	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Chief Accountant, Finance Headquarters	Sen Chang	2022.06.28	Topkey Corporation	Tips for Cross-functional Performance Communication with Financial Information	1H
		2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
		2022.11.16	TWSE	Promoting the Adoption of IFRS in Taiwan	3H
		2022.11.23	Accounting Research and Development Foundation	Common Deficiencies in "Financial Report Review" and Important Internal Control Regulatory Practices	6H
		2022.11.30	Accounting Research and Development Foundation	Latest ESG Sustainability and Financial Reporting Policy Development and Internal Control Management Practices	6H

T i t l e	N a m e	Date of Training	Organizer	C o u r s e T i t l e	Numb er of Traini ng Hours
Manager of the Audit Office	Xiang-Dai Tsai	2022.03.01 - 2022.03.02 , 2022.06.09	The Institute of Internal Auditors of the Republic of China	Pre-employment Training Workshop for Newly Appointed Internal Auditors	18H
		2022.03.29	The Institute of Internal Auditors of the Republic of China	Production Cycle Practices and Audit Focus	6H
		2022.10.14	The Institute of Internal Auditors of the Republic of China	Audit Practices of Subsidiaries	6H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Spokesperson of Topkey Corporation	Benny Chou	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Deputy Assistant General Manager of Group President's Office cum Deputy Assistant General Manager of Finance Headquarters	Zhen-Wei Gao	2022.09.22	Topkey Corporation	Operating Principles of Accounts Receivable Risk Control Mechanism	3H
		2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Assistant General Manager, Safety Products Business Group	Yi-Sheng Chen	2022.03.30 - 2022.04.01	Sustain Universal Inc.	Quality Management System (Sustainable Enterprise)	21H
Construction Director of Group President's Office	Shou-Zhi Hsu	2022.11.11	Taiwan Corporate Governance Association	Climate Change and ESG	3H
Former Spokesperson	Zhe-Min Chiu	2022.08.11	Taiwan Corporate Governance Association	Viewing Mergers and Acquisitions from the Perspective of Directors and Supervisors	3H

2. Disclosure of the Company's accounting and auditing personnel to obtain relevant domestic and foreign certificates: None.

3. Procedures for handling material inside information:

The Board of Directors of the Company has formulated the "Regulations Governing the Prevention of Insider Trading" for the management of material inside information of the Company, and has informed all directors, managerial personnels and all employees, and has published these regulations and precautions on the Company's website for compliance by all colleagues, avoiding violations or insider trading.

The Company has established internal rules that prohibit insiders such as directors or employees from making profits based on undisclosed material information in the market, and has disclosed such rules on the Company website, and its implementation status:

- (1) The Company has established "Procedures for Handling Material Inside Information" and "Regulations Governing the Prevention of Insider Trading", which prohibit insiders such as directors, managerial personnels or employees from trading securities based on undisclosed material information in the market.
- (2) Pursuant to Article 6 of the "Regulations Governing the Prevention of Insider Trading", the Company shall conduct education and training sessions at least once a year to educate the directors, supervisors and employees on these regulations or relevant laws and regulations. Newly appointed directors and managers are provided with education and training upon taking office, while new employees receive education and training during the pre-employment training session organized by the Human Resources Department within 3 months after assuming their positions.
- (3) On August 11, 2022, a total of 22 directors, managerial personnels and heads of various business units were given 3-hour related education and training. This course includes the reasons for insider trading caused by the merger and acquisition of enterprises and related insider trading prevention measures. Merger and acquisition of enterprises is the most common type of insider trading, which is not easy to prevent completely, however, the probability of insider trading can still be reduced through appropriate internal controls. In addition, the introduction and promotion of the prevention of insider trading regulations are posted permanently in the internal employee system, which is provided to all employees for reference.
- (4) The Company amended the "Corporate Governance Best Practice Principles" and reminded the Directors not to trade their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.
- (5) On the 1st of every month, the Company sends the report of changes in the ownership of shares of insiders and notifies and reminds all directors of the expected dates of the Board meetings for the FY2023 and the closed periods of each quarterly financial report to avoid any violations of the regulations by the directors.

3.3.9 Implementation of Internal Control System

- (1) Improvement to internal control system suggested by CPAs in the most recent 3 fiscal years

FY	CPA's suggestions for improving the internal control system	Improvement status
2020	None	Not applicable
2021	None	Not applicable
2022	None	Not applicable

(2) Improvements to major flaws discovered through internal auditing: None.

(3) Internal Control Statement: See page 80-81.

(4) Where the company has retained CPAs to exclusively review its internal control systems, the annual report shall set forth the reason for doing so, the CPAs' review opinions, measures the company has taken for improvement, and the condition of improvement on lacking items: None.

3.3.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year 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, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement
None.

Topkey Corporation
Statement of Internal Control System

Date: March 9, 2023

Based on the findings of a self-assessment, Topkey Corporation states the following regarding its internal control system during the year 2022:

1. The Company is aware that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the managers of the Company. The Company has established the system for the purpose of guaranteeing the reliability, timeliness and transparency report of the effectiveness and efficiency of the operation (including profitability, performance, asset security, etc.) and ensuring all are in compliance with relevant laws and regulations.1. The Company recognizes that it is the responsibility of the Board of Directors and the Managers of the Company to establish, implement and maintain an internal control system, and the Company has established such a system. Its purpose is to provide reasonable assurance on the achievement of the objectives of operational effectiveness and efficiency (including profitability, performance, and asset security, etc.), reporting reliability, timeliness, transparency and compliance with relevant norms and laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies. Internal control system has its innate limitations, no matter how perfect the design, the effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; and, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance on our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

6. This Statement is an integral part of the Company's annual report for the current period 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 Law.
7. This statement was approved by the Board of Directors in their meeting held on February 24, 2023, with all 6 attending directors affirming the content of this Statement.

Topkey Corporation
Chairman: Wen-Chen Shen Signature
President: Pei-Ni Shen Signature

3.3.11 Material resolutions of a shareholders' meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Material resolutions of the shareholders' meeting or the Board of Directors meeting

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
14th Session Board of Directors meeting 19th Meeting	2022/03/10 (Thursday)	<p>1st motion: Employee and director compensation distribution for the FY 2021. (Submitted to shareholders' meeting for reporting) Resolution: To distribute a total of NT\$ 42,628,150 for employee compensation and NT\$ 32,102,520 for director compensation for FY 2021, both to be paid in cash.</p> <p>Supplementary explanation for recusal: 1. Nine directors of the Company, Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Chuang, Shih-Chien Yang, Chen-Chi Ma and Ying-Hwang Yang were attended the meeting in person, reaching more than two-thirds of the directors ($9 \times \frac{2}{3} \div 6$). Although the six Directors, Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Chuang have conflict of interest in this motion, however, it is not necessary to recuse themselves from voting because the motion has already been reviewed and approved by the Remuneration Committee, and the transaction terms are not superior than those offered to similar parties, hence it does not cause harm to the interests of the Company. 2. The motion is passed with no objection after the Chairman's consultation by the attending directors.</p> <p>2nd motion: Annual business report and financial statements for FY 2021. (Submitted to shareholders' meeting for reporting/ratification)</p> <p>3rd motion: Earnings distribution for FY 2021. (Submitted to shareholders' meeting for ratification) Supplementary explanation for resolution: (1) Earnings distribution in cash dividends (NT\$/share): NT\$ 6.0 (2) Legal reserve and capital surplus distribution in cash (NT\$/share): NT\$ 0 (3) Total cash (dividends) distributed to shareholders: NT\$ 544,920,000</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies. 5th motion: Financial institutions credit line and derivatives transactions. 6th motion: Internal Control System Statement for FY 2021. 7th motion: Amendment to certain provisions of the "Corporate Social Responsibility Best Practice Principles" of the Company. 8th motion: Adjustment for the appointment of directors and supervisors of the subsidiary reinvested by the Company. 9th motion: Re-election of 15th session directors of the Company. 10th motion: The Company accepts the nomination of candidates for directors (including independent directors). 11th motion: 15th nomination of candidates for directors (including independent directors) of the Company. The 15th nomination of directors (including independent directors) of the Company was adopted, and 10 directors (including four independent directors) were elected in accordance with the provisions of the Articles of Incorporation of the Company. (1) Nominees for director: Wen-Chen Shen, Tong-Chen Chu,</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Zhuang; (2) Nominees for independent director: Shih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee 12th motion: Lifting the restriction on new directors from participation in competitive business. 13th motion: Determine the time, venue, and agenda of the Annual General Meeting (AGM) of Shareholders for FY 2022. 14th motion: Acceptance of proposals from shareholders holding 1% or more of the total number of outstanding shares of the Company in accordance with Article 172-1 of the Company Act. Supplementary explanation for 13th and 14th motions: The date of the shareholders' meeting is set at May 27, 2022, and the above-mentioned information such as the venue and agenda of the shareholders' meeting is also disclosed in the material information of the Company.</p> <p>For the above-mentioned 1st motion to 14th motion, 1) Independent Directors' opinion: None; 2) The Company's response to the Independent Directors' opinion: None; 3) Resolution: Although the Directors have a conflict of interest in the 1st motion, however, it is not necessary to recuse themselves from voting because the motion has already been reviewed and approved by the Remuneration Committee, and the transaction terms are not superior to those offered to similar parties, hence it does not cause harm to the interests of the Company. All attending directors agreed to approve all the above-mentioned motions. The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>
14th Session Board of Directors meeting 20th Meeting	2022/05/12 (Thursday)	<p>1st motion: Q1 2022 Consolidated Financial Statements of the Company. Supplementary explanation: The Q1 2022 consolidated financial statements were disclosed in the material information of the Company on the same day, May 12, 2022, and the consolidated financial statements and board meeting minutes were also submitted to the competent authority for reference on May 13, 2022. 2nd motion: Financial institutions credit line and derivatives transactions.</p> <p>For the above-mentioned 1st motion to 2nd motion, 1) Independent Directors' opinion: None; 2) The Company's response to the Independent Directors' opinion: None; 3) Resolution: All attending directors agreed to pass. The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
AGM of Shareholders	2022/05/27 (Friday)	<p>Reporting matters: (1) Annual business report for the FY 2021. (2) Annual final accounting books and statements for FY 2021 reviewed by the Audit Committee. (3) Employee and director compensation distribution for FY 2021.</p> <p>Proposals for ratification: (1) Annual business report and financial statements for FY 2021. (2) Earnings distribution for FY 2021.</p> <p>Resolutions: (i) Earnings distribution in cash dividends (NT\$/share): NT\$ 6 (ii) Legal reserve and capital surplus distribution in cash (NT\$/share): NT\$ 0 (iii) Total cash (dividends) distributed to shareholders: NT\$ 544,920,000</p> <p>Matters for deliberation and matters regarding election: (1) Re-election of 15th session directors of the Company. List of Directors Elected: Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Chuang List of elected Independent Directors: Shih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee (2) Lifting the restriction on new directors from participation in competitive business.</p> <p>The above-mentioned motions were approved by the attending shareholders and electronic voting results and were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>
15th Session Board of Directors meeting 1st Meeting	2022/05/27 (Friday)	<p>1st motion: Election of the Chairman of the 15th Board of Directors. 2nd motion: Election of the Vice Chairman of the 15th Board of Directors.</p> <p>The resolution has been passed, and the list of Chairman and Vice Chairman is as follows: (1) Director Wen-Chen Shen serves as the Chairman of the 15th Board of Directors; (2) Director Kwei-Lin Chang serves as the Vice Chairman of the 15th Board of Directors.</p> <p>For the above-mentioned 1st motion to 2nd motion, 1) Independent Directors' opinion: None; 2) The Company's response to the Independent Directors' opinion: None; 3) Resolution: All attending directors agreed to pass.</p> <p>The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
15th Session Board of Directors meeting 2nd Meeting	2022/06/23 (Thursday)	<p>1st motion: To set the ex-dividend date of the earnings distribution for FY 2021 and formulate relevant operational plans.</p> <p>Executive summary:</p> <ol style="list-style-type: none"> 1. The Company's earnings distribution for the FY 2021 has been approved by the resolution of the shareholders' meeting on May 27, 2022. A total of NT\$ 544,920,000 has been allocated from the undistributed earnings in FY 2021 and distributed in cash dividends at a rate of NT\$ 6 per share. 2. The ex-dividend date and its related operations are proposed as follows: <ol style="list-style-type: none"> (1) Last trading day: August 2, 2022. (2) Ex-dividend date: August 7, 2022. (3) Book closure period: From August 3, 2022 to August 7, 2022. (4) Cash dividend payment date: August 31, 2022. <p>2nd motion: Appointment of the 5th Remuneration Committee members.</p> <p>Supplementary explanation for recusal:</p> <ol style="list-style-type: none"> 1. The attending Independent Directors Chih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang and Cherng Lee recused themselves from voting because they proposed the motion of appointment of Remuneration Committee members. 2. Other than the above-mentioned independent directors who recused themselves from voting due to conflict of interest, the motion is passed with no objection after the Chairman's consultation by the attending directors, and the Independent Directors Shi-Jian Yang, Zhen-Ji Ma, Ying-Huang Yang and Cheng Li were appointed as the 5th Remuneration Committee members, and Cheng Li was appointed as the convener. <p>3rd motion: Compensation for functional committee members such as the 3rd Audit Committee and the 5th Remuneration Committee, etc.</p> <p>Supplementary explanation for recusal:</p> <ol style="list-style-type: none"> 1. The attending Independent Directors Chih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang and Cherng Lee recused themselves from voting because they are the interested parties. 2. Other than the independent directors who recused themselves due to conflict of interest, the motion is passed with no objection after the Chairman's consultation by the other attending directors. <p>For the above-mentioned 1st motion to 4th motion,</p> <ol style="list-style-type: none"> 1) Independent Directors' opinion: None; 2) The Company's response to the Independent Directors' opinion: None; 3) Resolution: For the above-mentioned 2nd motion and 3rd motion, the independent directors recused themselves from voting due to conflict of interest, the motions are passed with no objection by other attending directors. All attending directors agreed to approve other motions as mentioned earlier. The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
15th Session Board of Directors meeting 3rd Meeting	2022/08/11 (Thursday)	<p>1st motion: Q2 2022 Consolidated Financial Statements of the Company.</p> <p>Supplementary explanation: The Q2 2022 consolidated financial statements were disclosed in the material information of the Company on the same day, August 11, 2022, and the consolidated financial statements and board meeting minutes were also submitted to the competent authority for reference on August 12, 2022.</p> <p>2nd motion: H1 2022 earnings distribution of the Company.</p> <p>Supplementary explanation of resolution: The H1 2022 surplus temporarily not to be distributed.</p> <p>3rd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>4th motion: Revision of certain provisions of the "Budget Management Regulations" of the Company.</p> <p>5th motion: Financial institutions credit line and derivatives transactions.</p> <p>For the above-mentioned 1st motion to 5th motion,</p> <p>1) Independent Directors' opinion: None;</p> <p>2) The Company's response to the Independent Directors' opinion: None;</p> <p>3) Resolution: All attending directors agreed to pass.</p> <p>The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>
15th Session Board of Directors meeting 4th Meeting	2022/11/11 (Friday)	<p>1st motion: Q3 2022 Consolidated Financial Statements of the Company.</p> <p>Supplementary explanation: on the same day, November 11, 2022, the Q3 2022 consolidated financial statements were disclosed in the material information of the Company, and the consolidated financial statements and board meeting minutes were also submitted to the competent authority for reference.</p> <p>2nd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>3rd motion: Financial institutions credit line and derivatives transactions.</p> <p>4th motion: Ratification of the change in the spokesperson of the Company.</p> <p>5th motion: Amendment to certain provisions of the "Corporate Governance Best Practice Principles" of the Company.</p> <p>For the above-mentioned 1st motion to 5th motion,</p> <p>1) Independent Directors' opinion: None;</p> <p>2) The Company's response to the Independent Directors' opinion: None;</p> <p>3) Resolution: All attending directors agreed to pass.</p> <p>The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>
15th Session Board of	2022/12/22 (Thursday)	<p>1st motion: Annual budget review for FY 2023.</p> <p>2nd motion: Annual audit plan for the FY 2023.</p> <p>3rd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>4th motion: Financial institutions credit line and derivatives transactions of the Company.</p> <p>5th motion: Assessment of the CPAs' audit fee and the</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
Directors meeting 5th Meeting		<p>independence of CPAs as the Company appointed Deloitte Taiwan to audit the annual financial statements.</p> <p>6th motion: Principles for the year-end bonus distribution for FY 2022.</p> <p>7th motion: To review the salary and compensation and relevant policies for managerial personnel for the FY 2023.</p> <p>8th motion: Additional annual donation budget for FY 2022 of the Company.</p> <p>9th motion: Amendment to certain provisions of the "Handling Procedures for Acquisition or Disposal of Assets" of the Company.</p> <p>10th motion: Amendment to certain provisions of the "Rules of Procedure for Shareholders Meetings" of the Company.</p> <p>11th motion: Amendment to certain provisions of the "Rules of Procedure for Board of Directors Meetings" of the Company.</p> <p>12th motion: Amendment to certain provisions of the "Procedures for Handling Material Inside Information" of the Company.</p> <p>For the above-mentioned 1st motions to 12th motions,</p> <p>1) Independent Directors' opinion: None;</p> <p>2) The Company's response to the Independent Directors' opinion: None;</p> <p>3) Resolution: All attending directors agreed to pass.</p> <p>The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>
15th Session Board of Directors meeting 6th Meeting	2023/03/09 (Thursday)	<p>1st motion: Employee and director compensation distribution for FY 2022. (Submitted to shareholders' meeting for reporting)</p> <p>Resolution: To distribute a total of NT\$ 104,269,336 for employee compensation and NT\$ 39,324,435 for director compensation for FY 2022, both to be paid in cash.</p> <p>Supplementary explanation for recusal:</p> <p>1.10 directors of the Company, Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Chuang, Shih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang and Cherng Lee were attended the meeting in person, reaching more than two-thirds of the directors ($10 \times \frac{2}{3} \cong 7$). Although the six Directors, Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuen Chuang have conflict of interest in this motion, however, it is not necessary to recuse themselves from voting because the motion has already been reviewed and approved by the Remuneration Committee, and the transaction terms are not superior than those offered to similar parties, hence it does not cause harm to the interests of the Company.</p> <p>2. The motion is passed with no objection after the Chairman's consultation by the attending directors.</p> <p>2nd motion: Annual business report and financial statements for the FY 2022. (Submitted to shareholders' meeting for reporting/ratification)</p> <p>3rd motion: Earnings distribution for FY 2022. (Submitted to</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>shareholders' meeting for ratification) Supplementary explanation for resolution: (1) Earnings distribution in cash dividends (NT\$/share): NT\$ 11.0 (2) Legal reserve and capital surplus distribution in cash (NT\$/share): NT\$ 0 (3) Total cash (dividends) distributed to shareholders: NT\$ 999,020,000 4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies. 5th motion: Financial institutions credit line and derivatives transactions. 6th motion: Internal Control System Statement for FY 2022. 7th motion: Schedule planning for GHG inventory of subsidiaries merged with the Company. 8th motion: Amendment to certain provisions of the "Directors' Remuneration and Compensation Distribution Measures" of the Company. 9th motion: Amendment to fixed remuneration of directors of the Company. 10th motion: Determine the time, venue, and agenda of the AGM of Shareholders for FY 2023. 11th motion: Acceptance of proposals from shareholders holding 1% or more of the total number of outstanding shares of the Company in accordance with Article 172-1 of the Company Act. Supplementary explanation for 10th and 11th motions: The date of the shareholders' meeting is set at May 31, 2023, and the above-mentioned information such as the method of holding the shareholders' meeting, venue and agenda of the shareholders' meeting is also disclosed in the material information of the Company. For the above-mentioned 1st motion to 11th motion, 1) Independent Directors' opinion: None; 2) The Company's response to the Independent Directors' opinion: None; 3) Resolution: Although the Directors have a conflict of interest in the 1st motion, however, it is not necessary to recuse themselves from voting because the motion has already been reviewed and approved by the Remuneration Committee, and the transaction terms are not superior to those offered to similar parties, hence it does not cause harm to the interests of the Company. All attending directors agreed to approve all the above-mentioned motions. The above-mentioned motions were handled in accordance with the relevant procedures for disclosure of material information and were disclosed in the material information of the Company on the same day.</p>

Note: Term of office of the 14th Board of Directors is from May 28, 2019 to May 27, 2022
Term of the 15th Board of Directors is from May 27, 2022 to May 26, 2025

2. Resolution: All the attending directors were unanimous in agreeing to pass.

3. Execution results:

3.1 Material resolutions of the shareholders' meeting and the implementation status

The AGM of Shareholder for the FY 2022 of the Company was held in Taichung on May 27, 2022. The attending shareholders adopted the following matters and their implementation status:

1. Ratification of annual business report and financial statements for FY 2021.

Implementation status: The resolution was adopted.

2. Approval of earnings distribution for FY 2021.

Implementation status: The resolution was adopted, and the cash dividend was allocated at NT\$ 6 per share, totaling NT \$ 544,920 thousand. On June 23, 2022, the Board of Directors resolved to set the ex-dividend date as August 7, 2022, and the cash dividend payment date as August 31, 2022, which has been fully paid.

3. Election of 10 members of the 15th Board of Directors of the Company, the list of elected directors:

Wen-Chen Shen, Tong-Chen Chu, Kwei-Lin Chang, Pei-Ni Shen, Kuo-Feng Lin, Chao-Yuee Chuang;

The list of independent directors elected: Shih-Chien Yang, Chen-Chi Ma, Ying-Hwang Yang, Cherng Lee.

3.2 Material resolutions of the Board of Directors meeting and the implementation status

1. Board of Directors meeting on March 10, 2022:

- Approval of annual business report and financial statements for the FY 2021.

Implementation status: The resolution was adopted and submitted to the shareholders' meeting for ratification on May 27, 2022.

- Approval of employee and director compensation distribution for the FY 2021.

Implementation status: The resolution was adopted and reported at the shareholders' meeting on May 27, 2022, and NT\$ 42,628,150 was allocated as the employee compensation and NT\$ 32,102,520 was allocated as the director compensation, all was paid in cash on August 31, 2022.

- Convene the AGM of Shareholders for FY 2022.

Implementation status: The AGM of Shareholders was held on May 27, 2022, and the shareholders' meeting minutes were uploaded to the MOPS on June 8, 2022.

2. Approval of the ex-dividend date of the earnings distribution for the FY 2021:

The earnings distribution for the FY 2021 has been approved by the resolution of the shareholders' meeting on May 27, 2022, and the cash dividend was allocated at NT\$ 6 per share, totaling NT \$ 544,920 thousand. On June 23, 2022, the Board of Directors resolved to set the ex-dividend date as August 7, 2022, and the cash dividend payment date as August 31, 2022, which has been fully paid.

3.3 For other material resolutions of the FY 2022 shareholders' meeting and Board of Directors meeting, please refer to pages 82-88.

3.3.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

None.

3.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer

May 5, 2023

Title	Name	Appointment Date	Date of Dismissal	Reason for Resignation or Dismissal
Chief Internal Auditor	San-Yi Hong	March 16, 2016	January 1, 2022	Dismissed due to adjustment of job duties

3.3.14 Cybersecurity

- 1. The Information Security Committee and its functions:** The Company has established the Information Security Committee, the Chairman of which shall be the Director of the Information Department, and the members of the committee shall be the directors of the relevant subsidiaries and headquarters of the Group recommended by the Chairman and appointed with the consent of the President of the parent company. The purpose is to strengthen the implementation and audit of information security management activities to provide a more secure information environment for all internal and external organizations, government agencies, customers, collaborators, and information users. The Information Security Committee holds an information security policy content review meeting at least once a year and may hold an interim meeting depending on the actual circumstances. A quarterly committee meeting is convened to review the information security policy revisions and decisions on major issues; budget review and progress reporting of each information security project; and reporting of information security data improvement results. The report should cover the results of handling major cybersecurity incidents and the implementation results of preventing from recurrence.
- 2. Information Security Policy:** Considering the needs of the overall information security policy, the Company has formulated "Cybersecurity Management Act" to regulate the management of personnel, regional networks, virtual private networks, specific entity to connect to the internal network, mail servers, file servers, personal computers and other information security policy management measures. To maintain the Company's electronic data security and effectively regulate information and communication operations.
- 3. Cybersecurity Training Courses:** Relevant training courses are

conducted for new employees and managerial personnels from time to time, and legal knowledge training, such as intellectual property rights, personal data protection, and company confidential management measures are provided. Furthermore, the Information Department regularly publishes and promotes business email fraud cases, system account passwords are regularly changed, and cooperates with external cybersecurity vendors to carry out social engineering training. This enables employees to understand information security and the Personal Information Protection Act, intellectual property rights, trade secret protection, and information security protection. Employees are required to sign a "Personal Data and Information System Usage Disclaimer" upon on-boarding to enhance their awareness of information security. In addition, if it is necessary to share highly sensitive and confidential information with collaborators to enable them to provide relevant services. A mutual confidentiality agreement will be signed with the collaborators.

4. **Information Security Establishment and Implementation Status:** Continuously review and evaluate the cybersecurity regulations and procedures every year. As of 2022, the infrastructure construction of the enhanced information security environment has been completed as follows:
 - (1) Data encryption management: The Company's sensitive files, folders, and image files are encrypted, and confidential data is stored in the enterprise confidential file slot to be encrypted, reducing the risk of data leakage. If it is necessary to access relevant sensitive data, an application is required, and decryption process must be performed to ensure compliance with the requirements of confidential data management and control.
 - (2) Strengthening the information security of the operating environment: Limited to personal work information devices, and any external computer equipment cannot be connected to the internal network environment. Regarding the use of USB devices in the Company, only specific users are allowed to use USB flash drives, while all other computers are locked to use external USB devices.
 - (3) Establishment of internal anti-virus software and external firewall anti-virus and anti-hacking: Regularly update the system software and firmware and prevent the Company from internal and external attacks through the training and real-time assistance of front-line cybersecurity system vendors, allowing the Company to operate sustainably, and reducing the negative impact of major cybersecurity incidents on its operational performance, finances, and prospects.
 - (4) Introducing a cloud-based email system and implementing comprehensive filtering and protection services against online spam/phishing websites/ email attacks to reduce the risk of related email attacks.
5. **Group cybersecurity risk prevention:** To ensure the effective and normal operation of the Group's daily operations, the Group's cybersecurity and data breach protection risk assessment are continuously reviewed and evaluated to ensure appropriateness and effectiveness. In the rapidly changing cybersecurity threat, to reduce cyberattacks in an attempt to steal the Company's business secrets, inadvertent leakage of trade secrets by employees. The following mechanisms will continue to be strengthened:

- (1) Improve off-site backup and data backup operations to ensure uninterrupted service and send backup files to off-site or cloud storage.
- (2) Establish a central monitoring and early warning system for the server rooms, networks, and databases to provide early warning.
- (3) Improve the disaster recovery drill SOP, strengthen the system, server room simulation tests and emergency response drills.
- (4) Regularly conduct employee education and training and promote awareness of cybersecurity.
- (5) Collaborate with cybersecurity vendors to conduct "Cybersecurity Health Check", vulnerability detection to improve the elimination of loopholes, thereby strengthening the information security environment of Topkey Corporation.

3.4 Information on CPA Professional Fees

Unit: NT\$ 1,000

Name of Accounting Firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
Deloitte Taiwan	Shao-Chun Wu	January 1, 2022 to December 31, 2022	2,730	1,050	3,780	Note
	Done-Yuin Tseng					

[Note] Non-audit fees include transfer pricing audit report of NT\$ 500 thousand; the Group's global tax certification of NT\$ 550 thousand.

- (1) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (2) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed. The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to certified public accountants for auditing, review, and secondary reviews of financial reports and for financial forecast reviews.

3.5 Information on Replacement of CPAs

If the company has replaced its CPA in the most recent 2 fiscal years or any subsequent interim period, it shall disclose the following information:

(1) Information Regarding the Former CPAs

17) Information Regarding the Former CPAs			
Date of replacement	November 11, 2021		
Reason for replacement and explanation	Routine job rotation within the accounting firm		
Describe whether the appointment is terminated or rejected by the Company or CPA	Parties Circumstances	CPA	The Company
	Appointment terminated automatically	Due to the internal job rotation within the accounting firm, and the CPA Shu-Jing Jiang was changed to CPA Shao-Jun Wu starting from the Q3 2021.	
	Appointment rejected (discontinued)		
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Is there any disagreement	Yes		Accounting principles or practice

in opinion with the issuer			Disclosure of financial statements
			Auditing scope or procedures
			Others
	None	V	
	Explanation		
Other disclosures (Disclosures specified in Article 10.6.1.4-7 of the regulations)	None		

(2) Information Regarding the Successor CPAs

Name of accounting firm	Deloitte Taiwan
N a m e o f C P A	Shao-Chun Wu
D a t e o f e n g a g e m e n t	November 11, 2021
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written opinions from the successor CPAs that are different from the former CPA's opinions	None

(3) The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: Not applicable.

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

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

(1) Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders:

Unit: Shares					
Title	Name	FY 2022		Current fiscal year up to May 5, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Wen-Chen Shen	-	-	-	-

Title	Name	FY 2022		Current fiscal year up to May 5, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Director	Tong-Chen Chu	(16,000)	-	-	-
Director	Kwei-Lin Chang	(5,000)	-	(9,000)	-
Director cum President	Pei-Ni Shen	-	-	-	-
Director	Kuo-Feng Lin	-	-	-	-
Director	Chao-Yuen Chuang	-	-	-	-
Independent Director	Shih-Chien Yang	-	-	-	-
Independent Director	Chen-Chi Ma	-	-	-	-
Independent Director	Ying- Hwang Yang	-	-	-	-
Independent Director	Cherng Lee	-	-	-	-
Major shareholder	Wen-Chen Shen	-	-	-	-
General Manager, Industrial Products Business Group	Zhong- Xing Shen	(283,000)	-	(70,000)	-
General Manager, Safety Products Business Group	Jing-Wei Chang	-	-	-	-
Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu	-	-	-	-
Group Chief Financial Officer	Ren-Di Chang	-	-	-	-
Deputy Assistant General Manager, Composite Production Plant, Taichung Business Development Department	Zhong-Fa Wu	(3,392)	-	-	-
Chief Accountant, Finance Headquarters	Sen Chang	-	-	(27,000)	-
Manager of the Audit Office	Xiang-Dai Tsai	-	-	-	-
Spokesperson of Topkey Corporation	Benny Chou	-	-	(43,000)	-
Deputy Assistant General Manager of Group President's Office cum Deputy Assistant General Manager of Finance Headquarters	Zhen-Wei Gao	-	-	-	-
Assistant General Manager, Safety Products Business Group	Yi-Sheng Chen	-	-	-	-
Construction Director of Group President's Office	Shou-Zhi Hsu	-	-	-	-
Assistant General Manager of Taichung Business Development Department	Hong-Shu Wang	-	-	-	-
Former Spokesperson	Zhe-Min Chiu	-	-	-	-

Title	Name	FY 2022		Current fiscal year up to May 5, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Former Assistant General Manager of the Aerospace Medical Business Group	Chang- Zhou Hsu	-	-	-	-

(2) Stock trade with related party:

Unit: Shares

Name	Reason for transfer	Date of transaction	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of shares	Transactio n price (NT\$ / share)
Tong- Chen Chu	Disposal	October 2022	Cong-Zhe Chu, Cong-Xian Chu	Second degree of kinship	16,000	Gifts

(3) Stock pledge with related party by directors, managerial officers, or major shareholders: None.

Unit: Shares; NT\$

Name	Reason for change in pledge	Date of change	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	Shares	Shareholding ratio	Pledge ratio	Amount borrowed under pledges (or redeemed)
Benny Chou	Pledge	April 2022	E. SUN Securities	None	150,000	0.18%	0.17%	-

(4) Related Party Relationship Among the Company's 10 Largest Shareholders:

April 2, 2023 Unit: Shares;%

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the second degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
W e n - C h e n S h e n	9,654,182	10.63%	2,651,000	2.92%	0	0%	Mei-Hua Gan	Spouse	None
							Pei-Ni Shen	First degree of kinship	
							Pei-Shan Shen	First degree of kinship	
							Pei-Zhen Shen	First degree of kinship	
T o n g - C h e n C h u	3,483,789	3.84%	920,681	1.01%	0	0%	None	None	None
K w e i - L i n C h a n g	2,918,846	3.21%	220,450	0.24%	0	0%	Hun-Hu Chang	First degree of kinship	None
M e i - H u a G a n	2,651,000	2.92%	9,654,182	10.63%	0	0%	Wen-Chen Shen	Spouse	None
							Pei-Ni Shen	First degree of kinship	
							Pei-Shan Shen	First degree of kinship	
							Pei-Zhen Shen	First degree of kinship	
P e i - N i S h e n	1,922,394	2.12%	0	0%	0	0%	Wen-Chen Shen	First degree of kinship	None
							Mei-Hua Gan	First degree of kinship	
							Pei-Shan Shen	Second degree of kinship	
							Pei-Zhen Shen	Second degree of kinship	

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the second degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
F u - S h e n g C h a n g	1,738,449	1.91%	0	0	0	0%	None	None	None
Pei-Shan Shen	1,648,000	1.81%	0	0%	0	0%	Wen-Chen Shen	First degree of kinship	None
							Mei-Hua Gan	First degree of kinship	
							Pei-Ni Shen	Second degree of kinship	
							Pei-Zhen Shen	Second degree of kinship	
Pei-Zhen Shen	1,626,110	1.79%	8,000	0.01%	0	0%	Wen-Chen Shen	First degree of kinship	None
							Mei-Hua Gan	First degree of kinship	
							Pei-Ni Shen	Second degree of kinship	
							Pei-Shan Shen	Second degree of kinship	
Yi-Ling Lin	1,500,000	1.65%	0	0%	0	0%	None	None	None
Hun-Hu Chang	1,442,520	1.59%	867,601	0.96%	0	0%	Kwei-Lin Chang	First degree of kinship	None

(5) The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company and total shareholding:

Total Ownership of Shares in Investee Enterprises

December 31, 2022 Unit: 1,000 Shares; %

Investee Enterprise		Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
		Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
The Company	New Score Holding Limited	80,137	100%	-	-	80,137	100%
	Topkey Vietnam Corporation Company Limited	-	100%	-	-	-	100%
New Score Holding Limited	Composite Solutions Corporation	22	100%	-	-	22	100%
	EIC Holding Limited	3,822	76%	-	-	3,822	76%
	New Score Investment Limited	12,498	100%	-	-	12,498	100%
	Musonic Corporation	22,228	100%	-	-	22,228	100%
	XPT Investment Co., Limited.	11,388	70%	-	-	11,388	70%
New Score Investment Limited	Keentech Composite Tech. Co., Ltd.	-	36%	-	-	-	36%
	Xiamen Valver Color Sticker Co., Ltd.	-	100%	-	-	-	100%
Musonic Corporation	Keentech Composite Tech. Co., Ltd.	-	64%	-	-	-	64%
EIC Holding Limited	Xiamen Yeu Chuan Composite Technology Co., Ltd.	-	100%	-	-	-	100%
XPT Investment Co., Limited	Xiamen Xin Hong Zhou Precision Technology Co., Ltd.	-	100%	-	-	-	100%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital Stock

April 2, 2023 Unit: Shares

Types of stock	Authorized capital			Remarks
	Outstanding Shares	Unissued shares	Total	
Common stock	90,820,000	89,180,000	180,000,000	The stock of a TWSE or TPEx listed company

4.1.2 Capital Formation Process

April 2, 2023 Unit: Shares/ NT\$

Month/year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Capital paid in by assets other than cash	Others
1980.07	1,000	2,000	2,000,000	2,000	2,000,000	Incorporation	None	Note 1
1982.11	1,000	10,000	10,000,000	10,000	10,000,000	Capital increase by cash of NT\$ 8,000,000	None	Note 2
1983.08	1,000	30,000	30,000,000	30,000	30,000,000	Capital increase by cash of NT\$ 20,000,000	None	Note 3
1984.12	1,000	50,000	50,000,000	50,000	50,000,000	Capital increase by cash of NT\$ 20,000,000	None	Note 4
1986.10	1,000	60,000	60,000,000	60,000	60,000,000	Recapitalization of retained earnings of NT\$ 10,000,000	None	Note 5
1989.11	10	6,000,000	60,000,000	6,000,000	60,000,000	Change in par value per share and amendment of Articles of Incorporation	None	Note 6
1990.08	10	8,100,000	81,000,000	8,100,000	81,000,000	Recapitalization of retained earnings of NT\$ 21,000,000	None	Note 7
1992.05	10	11,340,000	113,400,000	11,340,000	113,400,000	Capital increase by cash of NT\$ 32,400,000	None	Note 8
1997.12	10	13,550,000	135,500,000	13,550,000	135,500,000	Capital increase by cash of NT\$ 22,100,000	None	Note 9
2009.10	10	100,000,000	1,000,000,000	13,550,000	135,500,000	Change in registered capital	None	Note 10
2009.11	10	100,000,000	1,000,000,000	19,550,000	195,500,000	Capital increase by cash of NT\$ 60,000,000	None	Note 11
2009.11	61	100,000,000	1,000,000,000	35,000,000	350,000,000	Capital increase by cash of NT\$ 154,500,000	None	Note 12
2010.11	10	100,000,000	1,000,000,000	70,000,000	700,000,000	Recapitalization of capital reserve of NT\$ 350,000,000	None	Note 13
2011.06	10	100,000,000	1,000,000,000	81,900,000	819,000,000	Recapitalization of retained earnings of NT\$ 119,000,000	None	Note 14
2013.10	132	100,000,000	1,000,000,000	90,820,000	908,200,000	Capital increase by cash of NT\$ 89,200,000	None	Note 15
2020.06	10	180,000,000	1,800,000,000	90,820,000	908,200,000	Apply for an increase in total authorized share capital	None	Note 16

Note 1: 1980.07.11 (1980)-CPAMI No.122337
 Note 2: 1982.11.04 (1982)-CPAMI No.234050
 Note 3: 1983.08.04-MOEA (1983)-Business Registration No. 31772
 Note 4: 1984.12.27-MOEA (1984)-Business Registration No. 50491
 Note 5: 1986.10.01-MOEA (1986)-Business Registration No. 43396
 Note 6: 1989.11.17-MOEA (1989)-Business Registration No. 133002
 Note 7: 1989.08.22-MOEA (1989)-Business Registration No. 117665
 Note 8: 1992.05.11-MOEA (1992)-Business Registration No. 108287
 Note 9: 1997.12.29-MOEA (1997)-Business Registration No. 126587
 Note 10: 2009.10.30-MOEA-CTO No. 09833324010
 Note 11: 2009.11.19-MOEA-CTO No.09833473250
 Note 12: 2009.12.07-MOEA-CTO No.09835068000
 Note 13: 2010.11.01-MOEA-DOC No. 09901245150
 Note 14: 2011.07.06-MOEA-DOC No. 10001143660
 Note 15: 2013.10.22-MOEA-DOC No. 10201213500
 Note 16: 2020.06.10-MOEA-DOC No. 10901099530

Information relating to the shelf-registration system: Not applicable.

4.1.3 Diffusion of Ownership

1. Composition of Shareholders

April 2, 2023 Unit: Person; Shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	3	13	60	6,388	150	6,614
No. of shares held	468,000	1,627,756	5,334,825	68,240,025	15,149,394	90,820,000
Shareholding ratio (%)	0.52%	1.79%	5.87%	75.14%	16.68%	100.00%

2. Distribution of Shareholding (Common Stock):

April 2, 2023 Unit: Person; Shares; %

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	1,671	200,788	0.22
1,000 to 5,000	4,096	6,958,086	7.66
5,001 to 10,000	351	2,734,765	3.01
10,001 to 15,000	104	1,341,202	1.48
15,001 to 20,000	72	1,338,093	1.47
20,001 to 30,000	74	1,921,333	2.12
30,001 to 40,000	52	1,887,210	2.08
40,001 to 50,000	20	915,772	1.01
50,001 to 100,000	50	3,650,793	4.02
100,001 to 200,000	42	6,068,078	6.68
200,001 to 400,000	38	10,786,815	11.88
400,001 to 600,000	19	9,730,033	10.71
600,001 to 800,000	3	2,191,007	2.41
800,001 to 1,000,000	7	6,287,354	6.92
1,000,001 to 2,000,000	11	16,100,854	17.73
2,000,001 to 20,000,000	4	18,707,817	20.60
Total	6,614	90,820,000	100.00

Diffusion of ownership of preferred shares: None.

3. List of major shareholders

Shareholders with a stake of 5 percent or greater or all shareholders who rank in the top 10 in shareholding percentage, and the number of shares held and shareholding ratio:

April 2, 2023 Unit: Shares; %

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
Wen-Chen Shen		9,654,182	10.63
Tong-Chen Chu		3,483,789	3.84
Kwei-Lin Chang		2,918,846	3.21
Mei-Hua Gan		2,651,000	2.92
Pei-Ni Shen		1,922,394	2.12
Fu-Sheng Chang		1,738,449	1.91
Pei-Shan Shen		1,648,000	1.81
Pei-Zhen Shen		1,626,110	1.79
Yi-Ling Lin		1,500,000	1.65
Hun-Hu Chang		1,442,520	1.59

4. The status that directors, supervisors, and shareholders holding more than 10 percent of outstanding shares had waived their subscription right to the cash capital increase during the past 2 fiscal years and in the current fiscal year.

(1) Directors, supervisors, and shareholders holding more than 10 percent of outstanding shares had waived their subscription right to the cash capital increase: None.

(2) The subscription to the cash capital increase being waived was subscribed by related person: None.

4.1.4 Information on share prices, net worth per share, earnings per share, dividends per share for the most recent 2 fiscal years

Unit: NT\$

Item \ FY		2021 (IFRS)	2022 (IFRS)	Current fiscal year up to March 31, 2023 (IFRS)
Market price per share	H i g h e s t	181.5	206.5	247.5
	L o w e s t	123.5	119	171
	A v e r a g e	149.63	149.60	200.59
Net worth per share	B e f o r e d i s t r i b u t i o n	62.27	84.34	(Note 7)
	A f t e r d i s t r i b u t i o n	56.27	73.34 (Note 1)	(Note 7)
Earning s per share	Weighted average shares	90,820 thousand shares	90,820 thousand shares	90,820 thousand shares
	Earnings per share (Note 2)	9.16	24.89	(Note 7)
Dividen ds per share	C a s h d i v i d e n d s	6	11 (Note 1)	(Note 7)
	Stock divide n d s	N o n e	None	None
		N o n e	None	None
	Accumulated undistributed dividends (Note 3)	None	None	None
Return on investm ent analysi s	Price/earnings ratio (Note 4)	16.34	6.01	None
	Price/dividend ratio (Note 5)	24.94	13.60 (Note 1)	None
	Cash dividend yield (Note 6)	4.01%	7.35% (Note 1)	None

Note 1: The earnings distribution for FY 2022 has not yet been resolved by the AGM of Shareholders.

Note 2: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 3: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 4: Price/earnings ratio = average closing price per share for the year / earnings per share.

Note 5: Price / dividend ratio = average closing price per share for the year / cash dividends per share.

Note 6: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 7: The financial statements for Q1 2023 have not yet been reviewed by the CPAs and resolved by the board of directors as of the date of publication of the annual report, so they will not be disclosed for the time being.

4.1.5 Dividend Policy and Implementation

Dividend policy stipulated in the Articles of Incorporation:

The Company is in the stage of business expansion and there is a strong need for funds for industry development. Therefore, in addition to complying with the provisions of the Company Act and the Articles of Incorporation of the Company, the earnings distribution will determine the annual dividend distribution method based on the Company's capital planning and operating results. However, in principle, the Company adopts a dividend stabilization and balancing policy, and before the AGM of Shareholders, the board of directors resolves the distribution method (cash dividend or stock dividend) and the amount based on the operating results, financial situation, and capital planning. The shareholder dividend resolved to be distributed shall not be less than 20% of the net profit after tax of the current year less the net amount of the surplus reserve provided by law, of which the cash dividend ratio shall not be less than 20% of the total dividend. However, the ratio of such shareholders' cash dividends may be adjusted by the resolution of the shareholders' meeting depending on the actual profit and capital requirements for the current year.

2. The proposed (or already approved) dividend distribution for the current year:

The Company's earnings distribution plan for the FY 2022 has not yet been resolved by the shareholders' meeting, and the dividend distribution based on the resolution of the Board of Directors on March 9, 2023 is NT \$11.0 per share.

4.1.6 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

It is not applicable as there is no stock dividend distribution for the current fiscal year.

4.1.7 Profit-sharing Compensation of Employees and Directors

1. The percentages or ranges with respect to employee, director, and supervisor profit-sharing compensation, as set forth in the company's articles of incorporation:

If the Company has net profit after tax for the current period, in addition to the income tax paid in accordance with the law, it shall first make up the losses of the previous year, and then set aside 10% of such profits as a legal reserve as required by law, and make a provision or reversal of the special surplus reserve in accordance with the provisions of the competent authority. If there is any balance remaining, it shall be allocated as follows:

- (1) 3% to 10% of the employee's compensation.
 - (2) The directors' compensation is not more than 5%.
 - (3) The balance is the shareholders' dividend, which shall be distributed by resolution of the shareholders' meeting.
2. The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual

distributed amount and the estimated figure, for the current period:

The basis for estimating the amount of employee compensation for the current year (2022) is based on the distribution of the previous year, and the compensation of directors is distributed according to the previous year. If there is any difference between the estimated expenses in the current period and the resolution of the board of directors or the shareholders' meeting, it will be handled according to the letter from the competent authority, and

the annual adjustments will be made to the accounts or financial statements of the shareholders' meeting resolution.

3. The earnings distribution has been passed by the Board of Directors and has not yet been resolved by the shareholders' meeting:

The earnings distribution of the Company for the FY 2022 passed by the Board of Directors on March 9, 2022, and has not yet been resolved by the shareholders' meeting, as described below:

- (1) The Board of Directors has approved the distribution of employee compensation of NT\$ 104,269 thousand, cash dividends to shareholders of NT\$ 999,020 thousand, and director compensation of NT\$ 39,324 thousand, which is not different from the annual estimated amount of recognized expenses.
 - (2) The proportion of the proposed employee compensation distributed in stocks approved by the board of directors to the current period's after-tax net income and total employee compensation: It is not applicable as there is no employee compensation distributed in stocks.
 - (3) The calculated earnings per share after the distribution of employee and director compensation is NT\$ 24.89.
4. The earnings distribution has been resolved by the shareholders' meeting: None.
 5. The actual distribution of employee and director compensation for the previous fiscal year:

The earnings distribution of the Company for the FY 2021 was passed by the shareholders' meeting in May 2022, of which NT\$ 42,628 thousand of employee compensation and NT\$ 32,103 thousand of director compensation were distributed, and the actual distribution is consistent with the earnings distribution passed by the shareholders' meeting and was fully paid in cash on August 31, 2022.

4.1.8 Share Repurchases by the Company

None.

2. Issuance of corporate bonds

None.

- 3. Preferred shares
None.
- 4. Global depository receipts
None.
- 5. Employee share subscription warrants
None.
- 6. Employee share subscription warrants
None.
- 7. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies
None.

8. Capital allocation plans

With respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits and their implementation status:

- (1) Analysis of the previous cash capital increase, merger or acquisition, issue of new shares in connection with the acquisition of shares of another company, or plan of utilization of capital from issuance of corporate bonds
Not applicable.
- (2) Plan for the current cash capital increase, issuance of corporate bonds, issuance of employee stock warrants, or issuance of new restricted employee shares
Not applicable.
- (3) Current issue of new shares in connection with acquisition of another company's shares
Not applicable.
- (4) Current issue of new shares in connection with acquisition or merger
Not applicable.

V. Overview of Business Operations

5.1 Operation of the Company

5.1.1 Description of Business

1. Scope of business

(1) Main content of the business operations

The Company's main business is manufacturing, processing, trading, import and export trading and transacting agency business of various sports and leisure products, aerospace medical products, carbon fiber, glass fiber products and composite materials.

(2) Relative weight of each business

Unit: NT\$ 1,000

FY Product Item	2021		2022	
	Net Operating Revenue	%	Net Operating Revenue	%
Sports and Leisure Products	6,592,098	75.84	8,912,376	81.28
Aerospace Medical Products	731,946	8.42	661,672	6.03
Raw Materials and Others	1,367,884	15.74	1,391,261	12.69
T o t a l	8,691,928	100.00	10,965,309	100.00

(3) Current products (services) of the Company

① Sports and leisure products: The main products are carbon fiber tennis rackets, badminton rackets and squash rackets, composite bicycle frames, forks and handlebars, rims, composite helmets, knee pads and neck pads, etc.

② Aerospace medical products: The main products are the medical products such as medical imaging diagnostic equipment, operating room bed plates and accessories, inclined platform lifts, exoskeleton aids, wheelchair accessories and dental mold calibrators, social welfare vehicle safety accessories, etc. There are also key structural components for business class and economy class seats of commercial airliners such as Airbus and Boeing, air conditioning fittings for helicopters, aircraft meal cart components and interior paneling, etc.

③ Applications of precision injection technology: The injection processes are mainly used to develop the plastic parts in tennis rackets and composite helmet modules within the Group, including plastic resins, fiber-reinforced plastic parts and precision embedded injection (Insert Molding), high fiber plastic parts that directly supply to key bicycle market brand customers, including road and mountain bike derailleur kits, key plastic parts in the shock absorption system assembly, electric derailleur system external structural components, main structural components for high-end baby stroller, electronic and micro electro-mechanical (MEMS) detection kits for automotive applications. In addition, in response to global technological trends, precision injection is also pushed into micro-injection molding applications, and the technology has been commercialized in the inner and outer structures of electronic auxiliary hearing aids and the structures of electronic sensors, such as the distance sensing structure and the structure of micro-optical sensing elements.

(4) New products (services) planned for development.

Continue to extend the use of self-developed and self-produced thermosetting composites in consumer products, various types of panels and subsystem assemblies for aircraft interiors, seat system integration and commercial aircraft body structures and substructures, etc. In addition, a variety of high-end medical testing and treatment equipment, composite technology solutions for lightweighting of key components and exterior parts in the automotive industry, as well as public transport industry related composite structural components, etc.

2. Industry Overview

(1) Current status and development of the industry

① Current status and development of composite materials industry:

According to the latest data released by JEC, the market value of global composites, including final component processing, is growing at a rate of 7% every year. Among them, the five major markets of transportation, energy, aviation, protection, and construction account for 75% of the global composite material market value.

Composite materials are an important part of the field of new materials, compared with traditional materials, composite materials have a series of superior properties: strong designability, high specific strength and modulus, good anti-fatigue fracture performance, structural and functional-integrated, which is irreplaceable by other functional and structural materials. They are indispensable basic materials for the development of modern industry, national defense, and science and technology, and are also the important material foundation for the development of new technological revolutions. Composite materials have become an important leading material in the field of new materials. Furthermore, carbon fiber, the next generation lightweight material that meets the low-carbon trend, is lighter and stronger than most existing materials, and replacing aluminum alloys with it can reduce weight by 30%, which means less fuel consumption and carbon emissions and better economics for areas such as aircraft and automobiles and rail transit.

According to relevant research data, carbon fiber applications are extensive, growing at a rate of 10% to 15% every year. This growth trend is expected to continue in the future. The above-mentioned research data also pointed out that the global carbon fiber theoretical total production capacity is mainly concentrated in the United States, Japan and China, accounting for more than 70% of the total production capacity, and the order of production scale is China, the United States and Japan.

Carbon fiber is mainly used in industrial equipment (including wind energy and automobiles), aircraft industry and sports and leisure products, accounting for more than 90% of carbon fiber use. Growing demand has driven global carbon fiber production companies to expand. Toray Industries, Inc., the world's largest carbon fiber supplier, has reached a production capacity of 52,000 tons in 2018 and plans to increase its annual production capacity

to 58,000 tons in 2022. Toray Industries, Inc. also invested approximately 120 billion yen in early 2018 to acquire TenCate Advanced Composites (TCAC), a Dutch carbon fiber composites manufacturer, hoping to maintain competitiveness through active investment. In addition, Mitsubishi Chemical Corporation acquired SGL's plant in the United States and plans to increase its annual production capacity to 14,300 tons. Taiwan's Formosa Plastics Group is one of the top ten carbon fiber manufacturers in the world, accounting for 4.2% of the world's production capacity. In China, many companies have built or are building carbon fiber precursors and carbonization equipment.

Japan is a composite material powerhouse. It is also the main technology and production capacity supplier of carbon fiber in the world, with a diverse application featuring with high technology and quality standards. The leading technical professional factories also attach great importance to the various applications of FRP in engineering, including the application of a high proportion of transportation equipment, building structure, large-scale petrochemical pipe fittings and containers, electronic commodities, consumer goods, wind power, ships and aviation and other major application areas. In response to market trends and the improvement of materials technology and machinery, all are concerned about the new applications of new thermoplastic composites (TPC) and nano composites in the future.

Some well-known foreign composite companies are attracted to enter the vast Chinese market, such as Hexcel, Gurit, Vestas, RTP, Alcan, Menzobite, Airbus, Samtech, Huntsman, etc., have built factories or expanded production in China, all of which have achieved good results.

India also has indispensable growth potential in the field of composite materials. In recent years, the composite materials industry in India has been growing at a faster rate, especially driven by industries such as wind energy, railways, automobiles, oil and natural gas, construction, and chemicals. The demand for composite materials in India is increasing, and the market prospects are very broad. The compound annual growth rate (CAGR) is expected to reach 17%, of which the rapid development of automotive applications will drive the growth of India's composite materials industry.

② Current status and development of sports and leisure industry:

Regarding tennis, the United States, Europe, and Japan are the main consumer markets, these three markets account for approximately 80% of the total tennis market, of which brand giants have established brand advantages in the hearts of consumers. The top four world-renowned brands such as Wilson, Babolat, Head and Yonex have 70% of the market share. Almost 90% of the top 50 professional players of the Association of Tennis Professionals (ATP) and Women's Tennis Association (WTA) use these four well-known brand products. Due to the market structure and the absolute leadership of the brand manufacturers, there are very few tennis manufacturers who use their own brands for marketing, and most of them adopt the original equipment

manufacturer (OEM) production model. More than 60% of the world's carbon fiber tennis rackets are integrated by OEM factories in Taiwan. The Company has accumulated more than 40 years of manufacturing experience, which is differentiated by the fact that high-end carbon fiber racket manufacturers have strong product R&D capabilities, rich product manufacturing experience and a sound quality management system, basically forming brands with absolute market advantages, while the Company in the role of supply chain manufacturers has an important and competitive manufacturing advantage. In the past two years, the market demand for outdoor sports after the pandemic has increased, resuming the number of ball game players and the corresponding sales. In addition to the star products of tennis and badminton rackets, the elastic, light and easy-to-use paddle tennis racket has become a market trend, forming a new force for the rise of tennis-related sports demand. The Company is committed to continuously contributing to the value of human health and improving the world of tennis, sparing no effort for innovation, and creating the greatest value for society.

Regarding bicycles, according to the provisional statistics of the Bureau of Foreign Trade, MOEA in December 2022, Taiwan's export revenue of bicycles (including complete bicycles, electric bicycles, and parts) rose in 2022, with the overall export value reaching USD 6.196 billion, a sharp increase of 23% over the same period last year. Bicycle exports reached 1.94 million units, an decrease of nearly 3% over 2021, with an export value of USD 1.619 billion (+23%) and an average unit price of USD 836. Export orders for the electric bicycle market continued to grow, with exports volume and value of 1,040,000 units and USD 1.554 billion, respectively, an increase of nearly 5% and 18% respectively from 2021, with an average unit price of USD 1,500, an increase of 13% from 2021. Parts exports were 75.05 million kilograms, an increase of 5% from 2021, with an export value of USD 3.013 billion (+26%). According to the analysis of the export region, the total complete bicycle exports of the North American Free Trade Area (NAFTA) and the European Union (EU) were 879,000 and 709,000, respectively, accounting for 45% and 36%, respectively, and the two regions together account for 81% of the total complete bicycle exports in Taiwan. The top three export countries were the United States, the Netherlands, and the United Kingdom, while Germany ranked fourth. Except for Australia and Japan, which ranked fifth and sixth, and the rest are distributed in Europe and the United States. Electric bicycles account for 83% of Taiwan's exports to the NAFTA and the EU, and the top five exporters are the Netherlands, the United States, Germany, the United Kingdom, and France. Overall demand in 2022 increased by nearly 5% compared to 2021, from 990,000 units to 1,040,000 units, with an average unit price of USD 1,500 and exports increased from USD 1.315 billion to USD 1.554 billion.

The global spread of COVID-19 has led to a drastic change in the global transportation ecology. To prevent and combat the pandemic, various countries have successively implemented personnel and goods movement control measures. Recently, with

the gradual lifting of self-quarantine and border control in Europe and the United States, all kinds of transportation have gradually resumed operation. However, maintaining social distance is still an important means of pandemic prevention, and trains, metro, buses, and other public transport may appear passengers close contact and congestion concerns. Therefore, countries are encouraging people to use bicycles (bikes), related measures include: the United Kingdom invested 2 billion pounds to promote "Active Travel" program, encouraging people to ride bicycles; France invested heavily to expand the cycling paths, ready to build Europe's widest bike lanes; Italy encourages people to buy bicycles by providing a subsidy of up to 500 euros; the United States and Canadian governments also provide subsidies for people to buy bicycles. With the encouragement and subsidies from the governments in Europe and the United States, the local bicycle sales have experienced an explosive growth, especially the electric bicycle sells at about 1,000 euros has been well-received by the consumers, driving the rapid growth of the global bicycle industry in recent years. Taiwan runs a very strong bicycle industry, has also benefited from this wave of bicycle boom.

It is particularly noteworthy that there are two trends and two key points in the bicycle development this year: The first trend is still focused on E-Bike, in addition to the continued trend of riding E-bike in Europe and the United States, it can be seen in E-Bike's price band relaxation by brand manufacturers and targeting a wider range of consumers. An electric road bike sells at merely NT\$ 60,000 to NT\$ 70,000, and there are also commuter-specific models with even more affordable prices. This is mainly due to the gradual technological maturation in the body, parts, and components of the bicycle, providing more alternatives, and reducing costs. For the sake of aesthetics and user experience, most of the E-Bike batteries now can be safely placed within the frame, unlike the past need where external mounting or rear placement is needed. The battery can now be tightly covered within the frame, and when it needs to be charged, you only need to open the rear cover, and remove the battery to easily take it home for charging, which is a breakthrough in battery technology. Especially under the shortage of supply chain materials, after many materials are delivered, automakers will allocate these scarce materials for E-Bike production, which can accurately optimize the product portfolio, improve ASP, and gross margin, and better meet the current market demand, so E-Bike market shipments are expected to continue to increase this year. The second trend is the brand manufacturers will become even bigger. In fact, from the perspective of material management and order scale, there is a difference between large and small factories in terms of supply.

The first of the two key points is that supply chain material management is the key, and the problem of shortage of materials has gradually improved this year. The market is now still experiencing a shortage of Shimano gear shifter and some metal parts. Shimano components accounted for about 35-40% of the cost of the bike, which is very important, and several price increases in last year, reflecting scarcity as well as costs, and the lead time for

these components is remained at two years. The gradual expansion of Shimano's production capacity of mid-range and high-end bicycle models and in response to the market demand for automakers, material management and inventory control are the keys to operation this year. Secondly, the cost of raw materials has increased, hence, the prices for annual vehicle models are re-quoted. With strong terminal market demand and low terminal inventory level, these price increases are generally acceptable to the market. In addition, as the unit price of the product mostly falls above USD 2,000, the short-term impact on the cost and gross margin price is limited.

Regarding safety helmets, the global economy has been affected by the pandemic, and there is a strong demand for personal riding equipment, safety helmets, and other protective gear. In addition to the increased demand for motorcycle helmets, there are also more players choosing personalized baseball caps, which indirectly stimulates the growth of baseball caps. As a result, the demand for high-end customers of Topkey has surged. The European and American markets are grown steadily, and major brands are actively exploring emerging markets. In addition, the well-developed economy in Southeast Asian countries such as India, Vietnam, and China have increased the national income, coupled with the government's safety policy, which have led to an increased demand for safety helmets. In addition, with the significant growth of bicycles, the number of standard bike helmets has also increased, and it has also driven the demand for special off-road bike helmets.

In August 2018, the Chinese market began to require products to meet the requirements of the statutory compulsory safety certification (3C certification), so that high-end brands such as AGV, SHOEI, etc. have invested in 3C certification (GB standards testing). Meanwhile, the test requirements for the Federation Internationale De Motocyclisme (FIM) for racing have also been raised. The Multi-direction Impact Protection System (MIPS) Rotation test has also begun to pass the test regulations, and 12 testing institutions and safety helmet manufacturers around the world have begun to adopt it. The EU has released a new version of the ECE 22.06 standard in January 2021, which includes multi-angle testing, an increased number of testing points, improved optical standards for visors, helmet shell crack testing, etc. To meet the needs of safety strength and lightweight, carbon fiber plays an indispensable role. Moreover, many brands that started out by selling motorcycle clothing have also actively expanded the product series to include "safety helmets" in their product portfolio as their loyal consumers also looking forward to having the same brand of safety helmets, the pursuit of a sense of "collection".

The growing pursuit of personalization among consumers, especially the promotion of European and American customized culture, has led consumers do not want to be limited to just a few fixed styles of helmets, and instead desire to use personalized paint colors on the helmet to showcase their own character. In addition, the smart safety helmet can also be updated in real time traffic conditions with map, real-time street view, weather conditions, tire pressure monitoring, automatic accident calling, and gas station

reminders and real-time update of fuel price information, etc.

③Current status and development of aerospace medical industry:

The application of science and technology in the field of health care has promoted the continuous improvement of people's health and quality of life. The medical industry has always shown a steady and high growth trend, medical expenditure growth even exceeds GDP growth, and the medical industry will not cause significant fluctuations in the overall medical industry with the changes in the economy. According to the Fortune Business Insights report, due to the growing demand for medical care (including the demand for imaging) and the improvement of medical policies, the global medical imaging equipment market is expected to show moderate growth. The market size is expected to grow from USD 30 billion in 2017 to USD 44 billion in 2025; a CAGR of approximately 4.6%.

Medical imaging diagnostic equipment is the technology and process of obtaining the imaging of internal tissues of the human body in a non-invasive way. With the improvement of medical facilities technology, carbon fiber composites have been widely used in CT scan tables worldwide, making full use of its lightweight, high strength, flexibility, and special functional properties. As an important component of medical imaging diagnostic equipment, carbon fiber bed plates have been widely valued in the fields of medical devices and biological materials and has also become a major field of application of carbon fiber composites. At present, the leading medical imaging diagnostic equipment manufacturers in Europe, the United States and the newly emerging China are all customers served by the Company for many years. In response to the intensifying market competition, customers continue to deepen integration in the supply chain and product innovation, including joint design and development, achieving innovative structure design and reducing production costs, etc., to better serve customers and achieve higher market share.

Since the end of 2019, the global pandemic of novel coronavirus pneumonia (COVID-19) has boosted the demand for medical imaging equipment, of which CT scans are used as the standard for clinical diagnosis of pneumonia. At the same time, portable DR (X-ray) is used to diagnose and follow up the condition of patients in hospitals. It helps to alleviate the workload of inspections in hospitals located in pandemic areas. Therefore, there is a high demand for medical imaging equipment, and many orders have surged in a short period of time. With the medical imaging equipment as the core business development strategy, the Medical Business Group of Topkey Corporation helps customers develop a variety of medical imaging beds to meet the required mechanical design by providing carbon fiber composites solutions and addressing the increasing production demand for orders.

To keep the industry moving while addressing environmental impacts, many airlines have pledged to reduce carbon emissions. However, aircraft cannot switch to alternative energy sources such as hydrogen or electricity in the foreseeable future, so sustainable

aviation fuel (SAF) made from renewable feedstock is an important short-term alternative that significantly reduces the aviation industry's carbon footprint while reducing its dependence on petroleum. SAF is an environmentally friendly alternative to fossil fuels, that are produced from renewable sources such as biogenic waste oil, agricultural residues, or non-fossil fuels. SAF is a direct fuel that can be mixed with conventional fossil fuels, has the same properties and specifications, and does not require special infrastructure or equipment adjustments. By 2050, the aviation industry may generate as much as 22% of global carbon costs, and many airlines have pledged to emit 50% less carbon by 2050 than they did in 2005. To make the sky cleaner, sustainable fuels will become the trend of carbon reduction and an important short-term choice for aviation. (Source: Taiwan Institute for Sustainable Energy)

In the long run, the aviation industry is a high-value industry that is typically capital, technology, experience, and labor-intensive, and governments around the world are all inclined to support the sustainable development of this industry. Airbus estimates global air traffic to grow rapidly at a CAGR of 4.4% over the next 20 years, requiring the manufacture of at least 37,400 additional passenger and cargo aircraft to meet demand. Among them, the future demand for aircraft in the Asia-Pacific market is the highest in the world, accounting for about 42%, while North America and Europe account for 35%. Boeing also forecasts global demand for more than 42,700 aircraft in the next 20 years, with a total output value of USD 6.3 trillion; if the value of the aviation services market is added, the total output value of the world aviation market in the next 20 years will be as high as USD 15.1 trillion. In response to the international civil aviation industry's demand for energy-saving and carbon reduction, aircraft weight reduction and reduction of manufacturing pollution and other environmental trends, international manufacturers have made more innovative breakthroughs in aircraft bodies, engines, and systems. The engine has been transformed from the traditional engine to an environmentally friendly and energy-saving engine, the system part has been upgraded from a traditional analog instrument to an electronic instrument, and the body part has evolved from a metal material to a composite material. Among them, Boeing's B787 and Airbus' A350 have made breakthroughs in the application of composite materials, accounting for about 52-57% of the total aircraft, the proportion has exceeded the metal. The traditional metal aluminum alloy materials are mostly replaced by non-metallic carbon fiber composite materials, which can save the operating costs of airlines.

Based on the same perspective of weight reduction to reduce fuel operating costs, the new generation of commercial airliner seats have been heavily designed with lightweight materials, including cabin fabrics, lighting fixtures, catering systems and in-flight entertainment systems, etc. The use of composite materials for the overall interior is not inferior to that of the structural parts of the fuselage. According to Airbus and Boeing, which both forecast more than 37,000 aircraft deliveries over the next 20 years,

and airlines are changing seats every 4 to 8 years on average, with a demand for new seats 1.5 times higher than for new aircraft, and a demand for nearly 20 million seats is expected. Looking at the overall global commercial aviation seating market value of more than USD 7 billion in 2019, the MarketsandMarkets predicts that the aviation seating market will grow at 8% per year in the future and is expected to reach USD 12 billion by 2027.

According to official figures from Boeing and Airbus, as of the end of March 2023, there were 12,610 open purchase orders for all commercial aircraft of the two major airline leaders, and there will be a demand for 2,116,350 seats based on the average number of cabin seats. Based on the average annual delivery of about 600 aircraft by both companies, these orders will take approximately 10 years to fulfill. In addition to the demand for new commercial passenger aircraft, it does not include the replacement needs of the cabin seats of each airline, which shows that the Company will have a niche in the development of related products in the aviation industry in the next 20 years. As the aviation industry is impacted by the pandemic, the Company will continue to monitor upcoming changes in orders.

Table 1: Boeing's Statistics on Orders as of March 2023 (Unfulfilled Orders)

Model Number	737	767	777	787	Total
Number of Unfilled Orders	4,219	120	436	581	5,356
Number of New Seats	632,850	36,000	152,600	174,300	995,750

Source: Boeing's official website.

(<https://www.boeing.com/commercial/#/orders-deliveries>)

Table 2: Airbus's Statistics on Orders as of March 2023 (Unfulfilled Orders)

Model Number	A220/A320	A330/A340/A350	A380	Total
Number of Unfilled Orders	6,604	650	0	7,254
Number of New Seats	990,600	130,000	0	1,120,600

Source: Airbus's official website.

(<https://www.airbus.com/aircraft/market/orders-deliveries.html>)

④Global emerging micro injection market in precision injection:

With the technical advancement of injection electronics, electrical equipment, machinery and control equipment, and the development of new materials, micro-injection molding has become an emerging field and has a huge business opportunity. However, the size of these products is about the size of "grains of rice or equivalent weight" and contain many fine structures. Among them, micro-machining and micro-molding are highly challenging. The application trend is towards the development of information, electronics, medical, and automotive micro-electromechanical products, integrating mechanical, optical, and electrical characteristics, forming emerging application markets. The industry market value is predicted to reach USD 1.56 billion by 2025 according to market surveys.

(2) The links between the upstream, midstream, and downstream segments of the industry supply chain

Upstream	Midstream	Downstream
<ul style="list-style-type: none"> • Carbon fiber manufacturing industry • Chemical raw material manufacturing • Metal manufacturing industry 	<ul style="list-style-type: none"> • Sports and leisure product manufacturing industry • Aerospace and medical component manufacturing industry • High-performance thermoplastic composites (TPC) 	<ul style="list-style-type: none"> • Brand owners • Sports and leisure equipment distribution industry • Commercial aircraft seat and interior system assembly plant • Medical equipment system assembly plant • Consumer electronics ODM/OEM manufacturers

(3) Various development trends of products

①Sports and leisure products

Regarding sports and leisure products, at present, carbon fiber materials have been promoted from fishing rods and golf clubs to tennis rackets, badminton rackets, golf clubs, ice and snow sports equipment, water sports equipment, etc., and the demand has grown steadily. Among them, bicycles, golf clubs, tennis rackets and fishing rods are the main pillar products of carbon fiber composite materials for sports products, accounting for about 80% of sports and leisure products.

Regarding bicycles, with the advent of the Internet era, cross-domain technology integration and cross-domain competition will be the main trend of the future society. New technologies such as the Internet of Things, 3D printing, and smart manufacturing will be applied to bicycles. At the same time, market competition and marketing methods have changed, affecting the development of bicycles. The Union Cycliste Internationale (UCI) has been fully open to the use of racing road bikes in 2017, so the disc brake road bike has become the mainstream model, and the application of composite wheel sets on disc brake models has become increasingly popular. The sales of E-bikes, especially E-MTBs, have surpassed traditional mountain bikes (MTBs) or replaced high-end models in European bike shops, and will be the main selling point and growth base of the bicycle market in the future. In addition, the evolution of online sales models (B2B2C) will change the marketing models and competitive landscape for bicycle brands.

In the past, you might have wanted an aerodynamic bike for fast riding, a lightweight bike for mountain climbing, an endurance bike for long-distance riding, a mountain bike for riding on gravel, and a mountain bike for off-road riding in the product market. But now, brands are continually introducing multi-functional bicycles that can achieve all the above functions or more.

Further development of the shock absorption system and wider tire clearance means that the drop handlebar will be used more on bicycles, and the improvement of carbon fiber will continue to reduce the weight of all bicycles, and the bicycle frame tube shapes will continue to be adjusted for a better aerodynamics.

The four major trends in the development of the global bicycle industry are lightweight, electrification, intelligence, networking, and sharing and service. Among them, electrification and networking are the current main directions for the development of major bicycle manufacturers, and many start-ups participating in the development of various applications in the field of bicycle networking, providing customized solutions for the entire bicycle industry. Lightweight and sharing and service are the development goals of component manufacturers and related service operators.

With the continuous advancement of materials technology and matured stimulation marketing, sports and leisure products not only require higher functional improvements, but also more demanding of appearance design. Each brand is developing "visible technology" in addition to various shapes and diversified composite material applications, the R&D applications of surface treatment processes such as electroplating, etc. and processes such as color laser, 3D printing, and hot stamping also increased. In addition, the trend of intelligentization (smartization) of sports and leisure products by incorporating networking functions has also injected new opportunities for the development of this industry.

② Aerospace Medical Products

The development of aerospace technology is changing rapidly, aircraft components have been transitioned from metal materials to non-metallic reinforced materials. Boeing's newly developed B787 large passenger aircraft uses carbon fiber/fiberglass composite

materials, which accounts for approximately 52-57% of the total weight of the aircraft, and the GE's GENx engine that specifically for use by B787 also massively uses composite blade products. Moreover, the steady growth of the aviation interior composites market driven by the new aircraft demand and the upgrades of existing aircraft cabins, which is projected to grow at a CAGR of 6.89% from 2018 to 2023.

Medical imaging diagnostic equipment is the technology and process of obtaining the imaging of internal tissues of the human body in a non-invasive way. In addition to X-ray, there are other imaging technologies such as positron emission tomography (PET), ultrasound scanner, computer tomography (CT), magnetic resonance imaging (MRI). Carbon fiber has an excellent X-ray transmission rate, low loss rate, excellent mechanical properties, chemical stability, biocompatibility with the human body, non-toxic and odorless. With the improvement of medical facilities technology, more and more medical imaging diagnostic equipment using carbon fiber composite materials (high-end cardiovascular bed plates, C-arms, mammography machines), making full use of its lightweight, high strength, flexibility, and special functional properties. The field of medical equipment has become a major field of application of carbon fiber composite materials.

Due to considerations of strength and weight, composite materials are extensively used in medical aids and accessories. Increased awareness of energy conservation and carbon reduction in countries around the world, for example: the goal of reducing carbon emissions of the EU has an impact on industries such as ambulances or social welfare vehicles that need to carry medical equipment, so there is a need for composite materials.

(4) Product Competition

① Sports and Leisure Products

The Company is one of the first manufacturers to invest in carbon fiber composite tennis rackets, bicycles, and safety products. Compared with other competitors who entered the market later, the Company has a more complete customer base and has many years of close cooperation with major brands of products around the world. With years of manufacturing experience and accumulated technological development, the Company has become one of the few OEM factories with ODM R&D capabilities. The Company continued to improve the product innovation and technological R&D, which established a competitive advantage that is difficult for competitors to catch up within a short period of time.

② Aerospace Medical Products

Due to the nature of the medical industry that is closely related to human life, health, and safety, the quality requirements for products are higher than that of general products, and the products must be certified before they can be marketed. With the continuous increase in investment in healthcare reform, more and more competitors are entering the medical equipment industry. In addition to the competitors in the mature markets like Europe, the United States, and Japan, competitors have also emerged one after

another in the Chinese market.

Although there are many new entrants in the market of aircraft seats, however they are limited by highly customized demand, strict certification regulations, and fast delivery, etc. At present, Topkey Corporation still has a high market share in the field of aircraft seats, and technological innovation, service and self-made materials are the biggest competitive advantages.

3. Technology and R&D Overview

(1) The technological level and R&D of the business

① Sports and Leisure Products

The sports and leisure products produced by the Company, in addition to being lightweight and durable, must also conform to the principles of ergonomics and bionics to meet the requirements of consumers for fitness/ sports/entertainment in the market. The development process is conducted in accordance with the Advanced Product Quality Planning (APQP) and Failure Mode and Effects Analysis (FMEA) processes. The Company self-developed and produces various prepregs with different resin formulations for different products to meet the requirements of strength, rigidity, and toughness. At the same time, quality control of prepreg of the Company has been recognized as one of the technology leaders in the industry. In recent years, due to the improvement of the basic formulation and molding process of thermoplastic materials, providing customers with a variety of product specifications, and developing hybrid thermoplastic and thermosetting composite materials.

② Aerospace Medical Products

All the commercial aircraft assemblies manufactured by the Company meet customer specifications and relevant international regulations, such as the cabin interiors crashworthiness requirements of Part 25 of the Federal Aviation Regulations (FAR), the strength testing specifications of the American Society for Testing and Materials (ASTM), and the Hydrogen Induced Cracking (HIC) testing in the aviation field. The development process is conducted in accordance with the APQP and FMEA processes. In 2007, the Company obtained AS9100 Aerospace Industry Quality System Certification, and in 2014 and 2017, successively obtained NADCAP composite materials special processes and ultrasonic non-destructive testing certifications.

The Company continues to promote process automation, reduce man-hours and labor costs, improve quality stability and production efficiency, and improve post-processing processes. In addition, it pioneered the rapid prototyping model, strengthened the efficiency of prototype sample production, and greatly enhanced the image of professional aircraft seatback manufacturers. On the other hand, due to the demand of international manufacturers for alternative material suppliers, the Company is also actively cooperating with the R&D of thermosetting and thermoplastic material formulations and has successfully completed the development of several materials formulations and will actively cooperate with customers to participate in the aviation raw material market in the future.

The Company's medical equipment products are designed to be lower cost, low aluminum equivalent, and towards safer composite technology solutions. In addition to following the APQP and FMEA processes during product development, the Company further improves the success rate of product development, shortens the development cycle, and reduces development costs through CAE simulation analysis and active participation in product design.

③ Applications of Precision Injection Technology:

Combined with the technology of precision mold and micro injection process, and the optimization of material technology to promote the control dimensional characteristics up to micrometer (μm), as well as integrated with optical automatic detection for real-time product quality monitoring to complete the goal of mass production quality of customers. Then combined with automatic packaging, the unit components are packaged in the form of trays and tape (tape-on-reel) with automatic vacuum packaging, enabling automatic assembly and production of back-end modules.

(2) R&D personnel and their academic qualifications and experiences

March 31, 2023

Item	Number of personnel (persons)	Percentage (%)
Master's degree or above	18	3.6%
College and university	298	59.5%
High school (inclusive) or below	185	36.9%
Total	501	100%

(3) Consolidated annual R&D expenditures and technologies or products successfully developed for the most recent 5 fiscal years

① R&D expenditures invested:

Unit: NT\$ 1,000

FY Item	2018	2019	2020	2021	2022
R&D Expenditures	378,300	371,965	310,546	342,155	402,684
Net Operating Revenue	7,397,503	7,224,899	7,234,362	8,691,928	10,965,309
R&D Expenditures / Net Operating Revenue	5.11%	5.15%	4.29%	3.94%	3.67%

② Successfully developed technologies and products:

A. Sports and Leisure Products

Past years

Developed K-Factor technology to enhance racket control

Developed GT Technology to improve frame stability and torsion resistance

Developed BLX technology to enhance the comfort and power of the racket grip.

Developed Cortex Inside and introduced Metal Letter to enhance racket texture

Developed advanced composite C-ply application design to improve racket control stability

Developed tennis rackets with high bending moment and low torque, combining flexibility and stability

Developed high Tg resin for use in carbon fiber disc brakes, road bike rims
 Developed ultra-lightweight 600g road bike frames, 980g Hardtail mountain bike frames
 Developed S-glass prepreg for bicycle seat posts to enhance ride comfort
 Developed carbon fiber E-Bike frames and entered mass production
 Developed magnetic mechanism to replace screw-fixed tongue, achieving rapid disassembly change
 Developed Hybrid process for the manufacturing of composite safety helmets
 Jointly developed high-performance ultra-light carbon fiber composite safety helmet, won the international award
 Development of high-end carbon fiber/glass fiber composite industrial safety helmet
 Developed new products such as composite dragon boat paddles, backpack frames, winter boots, etc.
 Application for invention patent on the use of shock-absorbing materials in composite structures has been approved
 High shock-absorbing safety helmet shell design has been granted a new patent in Taiwan
 Developed predetermined process and intelligent production equipment for tubular composite products
 Developed road bikes with rear suspension function and entered mass production
 Developed high-torsion-resistant cage tennis (Padel) rackets and entered mass production
 Developed a new carbon fiber helmet process and obtained a new patent

FY 2022

Developed a lightweight full suspension mountain bike frame that reduces weight by 15%
 Developed a tennis racket using plant fibers to replace carbon fibers, practicing the spirit of ESG
 Developed an equestrian helmet with detachable chin strap
 Developed a new type of safety helmet with a visor operating mechanism and obtained a utility model patent.

B. Aerospace Medical Products

Past years

Developed high-end CT medical imaging equipment bed plates, won the GE Technology Innovation Award
 Developed high-end CT/Nuclear, CT/PET imaging equipment bed plates with high rigidity
 Developed a metal-to-composite conversion design for C Arm X-ray machine
 Developed a lightweight composite wheelchair ramp with sandwich structure that meets JIS standards
 Developed high-performance thermoplastic composites for use in medical imaging equipment components
 Developed lightweight aircraft economy cabin seat with high-strength carbon fiber composite seatback

Develop customized lightweight composite components for business class cabins

Developed flame-retardant epoxy resin, passed the flammability test of the US civil aviation FAR25.853

Developed a new generation refractory phenolic resin, in compliance with aviation regulations and seatback applications

Developed lightweight sandwich structure composite panels for use in business class components

Developed economy class aircraft seat back sub-assemblies, providing one-stop solution.

FY 2022

Developed an upgraded version of the mini-C-arm X-ray machine

Developed a tilt angle adjustable headrest for high-end diagnostic imaging equipment

Developed imaging components for portable digital radiographic (DR) equipment

4. Long- and short-term business development plans.

(1) Short-term business plan

① Sports and Leisure Products

A. Under the scale of existing production capacity, expand the Company's advantages in the mid-to-high-end market, increase the proportion of sales of high-value-added products, and further enhance the ODM capabilities in OEMs, increasing customer dependence and product added value.

B. Actively develop production and sales plans, serve existing customers with high-quality products and competitive prices, and grow together with them.

C. Extend the development of new models for existing customers.

D. Promote innovative products and patent protection.

E. Establish production bases in Southeast Asia, close to the supply chain of automakers, to avoid the risk of trade rules.

② Aerospace Medical Products

A. More actively participate in professional exhibitions to look for suitable new business opportunities, including business and first-class composite technology solutions, as well as penetrating into seat sub-assembly market, and enhance the design capabilities of the combination of heterogeneous materials and composite materials, improving the customer's one-stop consumption of high-value service level.

B. In line with China's 13th Five-Year Plan, the government subsidizes the purchase of low-end medical equipment, and the Company designs and produces low-end medical equipment locally to meet the domestic demand in China. Continuous process innovation, coupled with high technology at a competitive price that European and American competitors cannot compete with, continue to expand the Best Cost Country transfer opportunities.

C. Through cooperation with international OEM manufacturers and participation in domestic production on indigenous aircraft

program to obtain important material specifications, accelerating the R&D of self-made materials, conducting laboratory tests on the physical properties of various materials and the mechanical properties of test pieces, and laying the foundation for future sales of aviation materials.

- D. Penetrate into other medical equipment fields, expand the number of medical customers and product categories, actively propose design change solutions or assist customers in product lightweighting with composite expertise, creating win-win results for both customers and the Company.

(2) Long-term business plan

① Sports and Leisure Products

- A. Strengthen supply chain management, establish close strategic alliances with upstream and downstream customers with the Company's comprehensive scale advantages and technical advantages to achieve absolute competitive advantage in the entire value chain.
- B. Improve efficiency and reduce manufacturing costs to ensure market acceptance. Actively develop e-bike and carbon fiber rim markets.
- C. Strategic target customer development, through the creation of competition in the customer market and the Company's irreplaceable advantages, to attract competitors' customers to switch to the Company due to market challenges.
- D. Strengthen the assembly capability of the subsystem, accelerate the customer's new product launch schedule, and improve the assembly yield.

② Aerospace Medical Products

- A. Continue to implement streamlined production processes, focus on production efficiency, improve production capacity, and ensure product quality.
- B. Continue to develop new technologies and obtain leading-edge technologies and patents.
- C. Integrate the capabilities of plants in Taiwan, China, and Vietnam to provide customers with flexible capacity allocation and rapid development services.

③ Applications of Precision Injection Technology

- A. Continue to expand the applications of precision mold technology, value-added fiber-reinforced plastic injection, insert-over molding, hybrid molding, micro-injection to increase the value-added injection production.

5.1.2 Market and Sales Overview

1. Market Analysis

- (1) Analysis of the geographic areas where the main products (services) of the company are provided (supplied)

Unit: NT\$ 1,000; %

Sales Region	FY 2021		FY 2022	
	Sales Amount	Sales Proportion	Sales Amount	Sales Proportion
Asia	5,400,034	62.13%	6,587,160	60.07%
Europe	1,765,863	20.32%	2,458,375	22.42%
Americas	1,325,547	15.25%	1,728,681	15.77%
Others	200,484	2.30%	191,093	1.74%
Total	8,691,928	100.00%	10,965,309	100.00%

- (2) Market share

① Sports and Leisure Products

The Company is a leading manufacturer of composite sports and leisure products. Based on market sales and the Company's sales volume, the Company has a market share of approximately 25% in high-end tennis rackets, approximately 30% in composite bicycle frames, and approximately 33% in composite safety helmets.

② Aerospace Medical Products

The Company accounts for approximately 35% of the market share of composite aircraft seatbacks and approximately 60% of the market share of bed plate market of CT scanners.

- (3) Demand and supply conditions for the market in the future and the market's growth potential

① Sports and Leisure Products

Benefiting from the sustained high levels of economic growth of Asia and various emerging countries, the sports population of each country continues to grow significantly. With the advancement of material technology and manufacturing technology, consumers have repeat consumption and fashion consumption trends, greatly shortened the product lifespan. With the popularization and globalization of sports and leisure activities, consumers began to pay more attention to their own performance and sense of achievement in leisure sports. At the same time, under the strategy of various brands introducing new products, cultivated a willingness to adapt to the trend of buying, and even integrate products into modern life as fashionable goods or souvenirs.

The global tennis population is declining due to the popularity of 3C products worldwide and the high entry barriers for learning this sport. The market size in the previous year decreased from 5 million to about 3 million. The younger generation of consumers is becoming more demanding of products and no longer buys into the practice of rebranding with new paint. Brands need to innovate their products to stimulate consumption, but major brands have limited investment in this area. As the market is shrinking, many racket suppliers, parts suppliers and small factories are

withdrawing from this sea one after another, while competitive larger factories can survive.

Due to the impact of the pandemic and the government's subsidy policies to encourage cycling, coupled with the prevailing trend of sports and leisure, have driven the demand for high-end European and American bicycles and e-bikes. Moreover, various brand dealers have reported a shortage of supply, and inventory levels are still lower than pre-pandemic levels.

② Aerospace Medical Products

In the next 20 years, 50% of the world's air passenger traffic will be related to Asia, and the air passenger traffic in Asia is expected to grow at a rate of 6.7% per year, higher than the growth in other regions around the world. The liberalization of aviation regulations among Asian countries and the rise of low-cost airlines, as well as strategic partnerships between airlines, have underpinned the growth of passenger traffic in this region. According to Boeing forecasts, 11,450 new aircraft will be needed in Asia alone over the next 20 years, for a total value of about USD 1.5 trillion. The number of aircraft in Asia is also expected to triple, growing from 4,410 to 13,480.

The Chinese market has become the most concerned market for medical equipment manufacturers, and market research firm Frost & Sullivan pointed out that the size of China's entire medical equipment market is expected to continue to grow at a double-digit rate. This data includes products ranging from patient monitoring devices to stents. Most of the market growth is expected to come from CT and X-ray equipment. Among the top five markets for medical imaging equipment, X-ray has the highest CAGR of 6.1%, followed by MRI at 5.7% and CT at 5.4%, according to Fortune Business Insights.

(4) Competitive niche

- ① In-house supply center that can control the R&D and production of raw materials.
- ② With a considerable scale (the total annual fiber consumption exceeds 700 tons), it is conducive to forming an industrial alliance with the upstream supply chain during the rapid development of the carbon fiber industry.
- ③ With core composite application technology and manufacturing technology and abundant composite professionals, it is conducive to expanding higher value-added fields in the composite industry.
- ④ Entry barrier is high due to long product development and certification time.

(5) Favorable and unfavorable factors and countermeasures for future development

① Favorable factors

- A. The rich customer resources and are all industry-leading brands, which is more conducive to the Company to obtain industry information and market dynamics and is more conducive to promoting the industry-leading operation and management of the Company.

B. The emerging market economy continues to grow, China has transformed from the world's factories to the world's market. As the national income increases, the consumption expenditure on leisure and sports will also increase relatively, the consumption potential is stunning. The proportion of low-end rural medical care designed in local languages is increasing, and our geographical location and language have the advantages to meet customer needs.

② Unfavorable factors and countermeasures

A. High labor costs

If China continues to adjust its economic structure, and the rural population continues to shift to cities and towns, the "urbanization" caused by the continuous agglomeration of secondary industries into cities and towns will increase labor costs.

Countermeasures: Increase automation equipment and enhance R&D and design capabilities to increase the added value of products. And improve labor efficiency through effective management methods.

B. Shortage of professional talents in the process of diversified development

Countermeasure: Collaborate with universities and research institutions to acquire leading technology and talent.

C. High proportion of exports, susceptible to exchange rate fluctuations

Countermeasure: Maintain close contact with banks, keep abreast of exchange rate trends, and use appropriate foreign exchange tools to avoid the risk of exchange rate fluctuations.

2. Important uses and manufacturing processes of main products

(1) Important uses of main products

① Sports and Leisure Products

The main products are tennis rackets, badminton rackets, squash rackets, bicycle frames, safety helmets, knee pads, shoulder pads, etc., which are the first choice for fitness, sports, leisure, and safety protection.

② Aerospace Medical Products

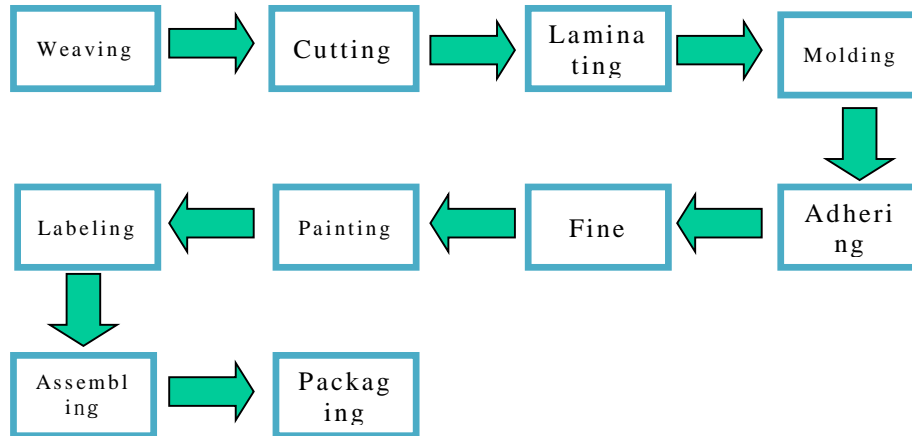
The main products are lightweight, durable, energy-saving and environmentally friendly high-end products, including commercial aircraft interior products, barrier-free space design auxiliary platforms (ramps), exoskeleton aids, safety accessories of ambulances and social welfare vehicles, and parts and components of medical imaging diagnostic equipment (CT/X-ray/nuclear bed plates and accessories, orthodontic accessories, MINI C-Arm), etc.

③ Precision Injection Products

In addition to using reinforced and high-fiber injection-molded structures, the original metal structure is gradually being replaced to achieve lightweight, balanced structural characteristics and value advantages. This is another alternative for customers in

addition to the continuous reinforcement fiber solution, which expands the functional and flexible design applications of bicycles and baby strollers. As for micro-injection, in addition to the continuous technological improvement to meet the mass production demands of critical electronic sensing device customers, the Company also continues to develop a new generation of more subtle and more precise component products.

(2) Manufacturing process



3. Supply situation of main raw materials

Main Raw Material	Supplier	Supply situation
Carbon fiber	Formosa Plastics Group, Mitsubishi Chemical Corporation, Toray, Toho	Good
Resins	Nan Ya Plastics Corporation, Epoxy Base Electronic Material, DIC, Chang Chun Group	Good
Solvents	Chi Mei Trading Co., Ltd., Shingho Chemical Corporation, Yuan Jen Enterprises	Good

4. Explanation of significant changes in gross margin by main product category or department for the most recent 2 fiscal years

(1) Consolidated Sales Gross Profit Analysis for the Most Recent 2 Fiscal Years

Unit: NT\$ 1,000

Item \ FY	FY 2021	FY 2022
Net Operating Revenue	8,691,928	10,965,309
Gross Profit (Note)	2,654,682	3,881,806
Gross Profit Margin (Note)	30.54	35.40
Rate of Change in Gross Profit Margin	15.91%	

Note: Excluding unrealized profits among affiliated companies.

(2) Analysis of gross margin changes of more than 20%: Not applicable.

5. List of major suppliers and customers

- (1) The name of the supplier and the purchase amount and proportion thereof, which accounted for more than 10% of the total consolidated procurement amount in either of the 2 most recent fiscal years, and the reasons for the increase or decrease

Unit: NT\$ 1,000

FY	FY 2021				FY 2022			
Item	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer
1	Others	3,089,219	100.00	None	Others	4,274,335	100.00	None
	Net Purchases	3,089,219	100.00		Net Purchases	4,274,335	100.00	None

Note: There is no supplier who accounted for more than 10% of the total consolidated procurement amount.

- (2) The name of the customer who has accounted for more than 10% of the total consolidated sales in either of the 2 most recent fiscal years, the amount and proportion of the sales, and the reasons for the increase or decrease

Unit: NT\$ 1,000

FY	FY 2021				FY 2022			
Item	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer
1	Company A	2,411,255	27.74	None	Company A	2,416,427	22.04	None
2	Others	6,280,673	72.26	None	Others	8,548,882	77.96	None
	Net Sales	8,691,928	100.00		Net Sales	10,965,309	100.00	

Through many years of effort since its establishment, and with the increasing trust of major customers in the Company's development capabilities, the volume of production and shipments entrusted to the Company has gradually increased in recent years. In addition, the Company has a stable relationship with major customers, leading to the continuous expansion of the Company's sales performance. On the other hand, due to the sales order demand of existing customers affected by the global economic situation, it is still necessary to actively develop new customers to expand the Company's market layout.

6. Production Volume and Value for the Most Recent 2 Fiscal Years

Unit: 1,000pcs; NT\$ 1,000

Production Volume and Value / Fiscal Year	FY 2021			FY 2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Sports and Leisure Products	Note 1	Note 1	6,592,098	Note 1	Note 1	8,912,376
Aerospace Medical Products	Note 1	Note 1	731,946	Note 1	Note 1	661,672
Raw Materials and Others	Note 1	Note 1	1,367,884	Note 1	Note 1	1,391,261
Total			8,691,928			10,965,309

Note 1: The Company's products are produced according to customer orders, and each product has different specifications and units, hence it is unable to estimate the production capacity by product category.

7. Sales Volume and Value for the Most Recent 2 Fiscal Years

Unit: 1,000pcs; NT\$ 1,000

Sales Volume and Value	FY 2021				FY 2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sports and Leisure Products	Note 1	69,696	Note 1	6,522,402	Note 1	156,674	Note 1	8,755,702
Aerospace Medical Products	Note 1	10,765	Note 1	721,181	Note 1	14,595	Note 1	647,077
Raw Materials and Others	Note 1	7,757	Note 1	1,360,127	Note 1	-	Note 1	1,391,261
Total		88,218		8,603,710		171,269	Note 1	10,794,040

Note 1: The Company's products are produced according to customer orders, and each product has different specifications and units, hence it is unable to estimate the production capacity by product category.

5.1.3 Number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

March 31, 2023

FY		FY 2021	FY 2022	Current fiscal year up to 31 March, 2023
Number of employees	Number of direct labors	4,680	4,934	4,340
	Number of indirect labors	1,880	2,025	2,021
	T o t a l	6,560	6,959	6,361
A v e r a g e a g e		36.67	36.80	37.44
Average years of service		5.59	5.57	6.09
Education distribution percentage (%)	P h . D .	0.05%	0.04%	0.05%
	M a s t e r ' s d e g r e e	0.96%	0.78%	0.86%
	University and C o l l e g e	16.84%	17.32%	19.21%
	Senior high s c h o o l	15.06%	14.44%	15.11%
	Below senior high school	67.09%	67.42%	64.77%

5.1.4 Disbursements for Environmental Protection

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

5.1.5 Labor Relations

1. List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

- (1) Employee benefit plans

The Company cares about and attaches importance to the welfare of employees. The Company provides labor insurance, national health insurance, contributions to labor pension funds in accordance with the law, and provides group accident insurance, regular health examination, special health examination for specific operations, travel subsidies, employee meals, employee uniforms, safety shoes, year-end banquets, year-end bonuses, as well as recognition for senior and outstanding employees. Each employee is entitled to two days of paid volunteer leave per year to participate in various volunteer activities organized by the Little Sunshine Volunteer Society.

The Employee Welfare Committee allocates welfare funds in accordance with the law and coordinates various employee welfare programs, including organizing employee trips, gatherings, fun competitions, promoting various social activities, providing gifts during festival seasons, birthday gifts, employee on-the-job training subsidies, scholarships for employees and their children, subsidies for weddings, and funerals, discounts at designated stores, etc.

- (2) Continuing education and training for employees

The Company conducts diversified training courses and various professional on-the-job education and training to train employees in accordance with the operational goals of the Company and the needs of colleagues in various departments, including new personnel training, on-the-job training, labor safety and health education training, professional courses and various off-site job-related training courses, to provide employees with the opportunities to develop professional skills and inspire self-growth and learning, in order to cultivate talents with both professional competence and a desire for challenge.

- (3) Retirement system and its implementation status

In accordance with the new labor pension system effective from July 1, 2005, the Company contributes 6% of the monthly salary of all officially employed local employees to their personal labor pension accounts at the Bureau of Labor Insurance for retirement pension every month, as required by law.

New Score Holding Limited, Musonic Corporation, New Score Investment Limited, EIC Holding Limited, XPT Investments Co., Limited are the investment holding or trading companies, therefore, there is no retirement policy. Keentech Composite Tech. Co., Ltd., Xiamen Yeu Chuan Composite Technology Co., Ltd, and Xiamen Xin Hong Zhou Precision Technology Co., Ltd., and Xiamen Valver Color Sticker Co., Ltd. allocate retirement and pension funds in accordance with the laws and regulations of Mainland China and are allocated to local governments according to local regulations with the approval of local governments. Topkey Vietnam Corporation Company Limited contributes employee retirement pension funds at a fixed rate of total wages according to local government regulations on a monthly basis and pays them to the relevant competent authorities.

(4) Status of labor-management agreements

The provisions of the Company comply with the Labor Standards Act, and labor-management meetings are regularly convened every quarter. As of now, the labor-management relationship is harmonious and there has been no need for coordination due to labor disputes.

(5) Measures for preserving employees' rights and interests

The Company has established a comprehensive document management system, which sets out various management measures, stipulates the rights and obligations of employees and welfare benefits, and regularly reviews and revises the content of employee benefits to protect the rights and interests of all employees. "Employees" is Topkey's greatest asset, while "trust" is the fundamental motivation that drives Topkey's employees to pursue excellence. The proactive attitude of employees who are willing to take on tasks and eager for achievements is the key factor for Topkey to fully demonstrate its execution. Therefore, we conduct various employee engagement activities, education and training, promotion, job rotation, model employee selection and recognition for senior employees, etc., to motivate employees to plan and develop their careers.

①The Company recruits employees based on their working capabilities, and treats all people equally and fairly regardless of their genders, religions, races, nationalities or political parties at the time of recruitment. The specifications are clearly set out in the Employment Policy, ensuring interviewees and employees are treated fairly in respect of recruitment, appointment, development, evaluation, and reward, etc.

②The Company regularly holds labor-management meetings, adopts a two-way approach to promote company policy and exchange of opinions between labor and management and establishes a harmonious labor-management relations through open, honest, and diverse communication channels such as e-bulletins, emails, etc. In addition, an employee complaint mailbox and channels are provided, all complaints will be managed and properly responded to by dedicated personnel.

③The Company provides a safe and healthy working environment for employees, including providing necessary health and first aid facilities, and is committed to reducing the hazard factor to the safety and health of employees to prevent occupational accidents. The Company conducts regular fire and building safety inspections, arranges annual employee health examinations, and implements safety and health education programs, giving employees the greatest support for health.

④The Company employs legal personnel, and employees can consult with the legal personnel if they have any legal questions.

⑤ The Company has established the "Measures for the Sexual Harassment Prevention" and set up a Sexual Harassment Committee to provide employees with a complaint channel.

3. Explain the losses suffered by the company during the most recent 2 fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.1.6 Important Contracts

Nature of Contract	P a r t i e s	Beginning and End D a t e s o f C o n t r a c t	M a j o r C o n t e n t	Restrictive C l a u s e s
Plant lease agreement	Goodway Machine Corp.	2014/04 - 2023/04	Plant leasing	
Supply agreement	Company A	Since 2010	Brand contracts	Business confidentiality
Parts processing contract	Aerospace Industrial Development Corporation (AIDC)	2017/11-2026/6	Undertaking of the processing of composite parts	Business confidentiality
Land lease agreement	Central Taiwan Science Park Bureau, NSTC	2023/1 - 2037/12	Land leasing	
Civil construction contract	EARTH POWER Construction Co. Ltd.	2022/1 - 2023/9	Plant construction	
Project management, construction supervision and technical service contract for the Topkey's new plant construction project in CTSP	WSP International LLC.	2022/5 - 2023/11	Supervision of plant construction	
Mechanical, electrical and air conditioning engineering contract	Chang Jia M&E Engineering Corp.	2022/8 - 2023/7	Plant construction	

VI. Financial Information

6.1 Financial Summary for the Most Recent 5 Fiscal Years

6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Balance Sheet (IFRS)- Parent Company Only

Unit: NT\$ 1,000

FY Item		Financial Information for the Most Recent 5 Fiscal Years				
		2018	2019	2020	2021	2022
Current assets		3,833,036	2,502,126	3,519,116	5,494,946	6,156,398
Investments accounted for using the equity method		4,639,438	5,719,932	5,152,833	4,866,209	5,207,584
Property, Plant and Equipment		316,983	572,825	543,637	546,674	1,386,723
Intangible assets		-	-	-	-	-
Other assets		57,529	54,217	58,087	84,689	144,370
Total assets		8,846,986	8,849,100	9,273,673	10,992,518	12,895,075
Current liabilities	Before distribution	3,474,106	2,988,237	3,331,844	4,257,654	4,369,672
	After distribution	3,973,616	3,533,157	3,785,944	4,802,574	5,368,692
Non-current liabilities		313,721	596,302	607,261	1,079,134	865,626
Total liabilities	Before distribution	3,787,827	3,584,539	3,939,105	5,336,788	5,235,298
	After distribution	4,287,337	4,129,459	4,393,205	5,881,708	6,234,318
Equity attributable to owners of the parent company		5,059,159	5,264,561	5,334,568	5,655,730	7,659,777
Share capital		908,200	908,200	908,200	908,200	908,200
Capital surplus		1,641,376	1,639,328	1,639,532	1,639,532	1,639,532
Retained earnings	Before distribution	2,849,269	3,215,541	3,349,644	3,727,191	5,442,336
	After distribution	2,349,759	2,670,621	2,895,544	3,182,271	4,443,316
Other equity		(339,686)	(498,508)	(562,808)	(619,193)	(330,291)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	5,059,159	5,264,561	5,334,568	5,655,730	7,659,777
	After distribution	4,559,649	4,719,641	4,880,468	5,110,810	6,660,757

Note 1: The annual earnings distribution was passed by the Board of Directors on March 9, 2023, and has not yet been resolved by the shareholders' meeting.

2. Condensed Statement of Comprehensive Income (IFRS)-Parent Company Only

Unit: NT\$ 1,000

FY Item	Financial Information for the Most Recent 5 Fiscal Years				
	2018	2019	2020	2021	2022
Operating Revenue	4,397,879	3,999,267	4,536,256	5,862,658	8,245,125
Gross Profit	844,196	740,447	798,233	1,118,261	1,826,732
Operating Income	437,549	314,591	360,989	647,565	1,356,365
Non-operating income and expenses	631,381	792,926	504,381	605,543	1,386,614
Profit Before Income Tax	1,068,930	1,107,517	865,370	1,253,108	2,742,979
Net income for the period from continuing operations	845,165	865,782	679,023	831,647	2,260,065
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	845,165	865,782	679,023	831,647	2,260,065
Other comprehensive income (loss) for the period (Net of Income Tax)	(57,911)	(157,931)	(64,300)	(56,385)	288,902
Total comprehensive income for the period	787,254	707,851	614,723	775,262	2,548,967
Net income attributable to owners of parent	845,165	865,782	670,023	831,647	2,260,065
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	787,254	707,851	614,723	775,262	2,548,967
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NT\$)	9.31	9.53	7.48	9.16	24.89

3. Consolidated Condensed Balance Sheet (IFRS)

Unit: NT\$ 1,000

FY Item	Financial Information for the Most Recent 5 Fiscal Years				
	2018	2019	2020	2021	2022
Current assets	7,401,065	7,218,204	7,532,536	8,560,446	12,372,348
Financial assets measured at fair value through other comprehensive income-non-current	-	-	-	-	-
Property, Plant and Equipment	2,203,508	2,523,049	2,540,321	2,548,754	3,663,245

Intangible assets		15,053	12,880	11,393	-	-
Other assets		212,179	106,542	107,362	141,787	180,670
Total assets		9,831,805	9,860,675	10,191,612	11,250,987	16,216,263
Curent liabilities	Before distribution	4,243,057	3,695,358	3,843,479	4,089,349	7,125,096
	After distribution	4,742,567	4,240,278	4,297,579	4,634,269	8,124,116
Non-current liabilities		324,917	735,494	758,049	1,171,809	968,427
Total liabilities	Before distribution	4,567,974	4,430,852	4,601,528	5,261,158	8,093,523
	After distribution	5,067,484	4,975,772	5,055,628	5,806,078	9,092,543
Equity attributable to owners of the parent company		5,059,159	5,264,561	5,334,568	5,655,730	7,659,777
Share capital		908,200	908,200	908,200	908,200	908,200
Capital surplus		1,641,376	1,639,328	1,639,532	1,639,532	1,639,532
Retained earnings	Before distribution	2,849,269	3,215,541	3,349,644	3,727,191	5,442,336
	After distribution	2,349,759	2,670,621	3,803,744	3,182,271	4,443,316
Other equity		(339,686)	(498,508)	(562,808)	(619,193)	(330,291)
Treasury shares		-	-	-	-	-
Non-controlling interests		204,672	165,262	255,516	334,099	462,963
Total equity	Before distribution	5,263,831	5,429,823	5,590,084	5,989,829	8,122,740
	After distribution	4,764,321	4,884,903	5,135,984	5,444,909	7,123,720

Note 1: The annual earnings distribution was passed by the Board of Directors on March 9, 2023, and has not yet been resolved by the shareholders' meeting.

4. Consolidated Condensed Statement of Comprehensive Income (IFRS)

Unit: NT\$ 1,000

FY Item	Financial Information for the Most Recent 5 Fiscal Years				
	2018	2019	2020	2021	2022
Operating Revenue	7,397,503	7,224,899	7,234,362	8,691,928	10,965,309
Gross Profit	2,148,414	2,393,762	2,498,872	2,654,682	3,881,806
Operating Income	973,456	1,207,772	1,413,740	1,438,525	2,541,472
Non-operating income and expenses	158,845	21,557	(211,012)	24,589	619,733
Profit Before Income Tax	1,132,301	1,229,329	1,202,728	1,463,114	3,161,205
Net income for the period from continuing operations	828,639	861,174	792,471	930,637	2,422,011
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	828,639	861,174	792,471	930,637	2,422,011
Other comprehensive income (loss) for the period (net of Income Tax)	(58,709)	(163,984)	(64,534)	(59,284)	295,916
Total comprehensive income for the period	769,930	697,190	727,937	871,353	2,717,927
Net income attributable to owners of parent	845,165	865,782	679,023	831,647	2,260,065
Net income (loss) attributable to non-controlling interests	(16,526)	(4,608)	113,448	98,990	161,946
Total comprehensive income attributable to owners of parent	787,254	707,851	614,723	775,262	2,548,967
Total comprehensive income, attributable to non-controlling interests	(17,324)	(10,661)	113,214	96,091	168,960
Earnings per share (NT\$)	9.31	9.53	7.48	9.16	24.89

Note 1: The annual earnings distribution was passed by the Board of Directors on March 9, 2023, and has not yet been resolved by the shareholders' meeting.

6.1.2 The important items which affected the making of uniform comparison on the above-mentioned condensed financial statements, such as accounting changes, corporate mergers, or suspension of work in the operating departments etc., and the impacts of these events on the then current financial reports

Individual financial statements from 2013 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Individual Financial Reporting Standards"). Consolidated financial reports are prepared in accordance with the Individual Financial Reporting Standards and IFRSs as recognized by the Financial Supervisory Commission (FSC).

6.1.3 Name of the CPA and the auditor's opinion for the past 5 fiscal years

1. List the names of the CPAs for the most recent 5 fiscal year and their audit opinions

FY	Accounting Firm	CPA	Audit Opinion
2018	Deloitte Taiwan	Done-Yuin Tseng Xiao-Fang Yan	Unqualified opinion
2019	Deloitte Taiwan	Done-Yuin Tseng Shu-Jing Jiang	Unqualified opinion
2020	Deloitte Taiwan	Done-Yuin Tseng Shu-Jing Jiang	Unqualified opinion
2021	Deloitte Taiwan	Shao-Chun Wu Done-Yuin Tseng	Unqualified opinion
2022	Deloitte Taiwan	Shao-Chun Wu Done-Yuin Tseng	Unqualified opinion

2. Replacement of CPA in the Most Recent 5 Fiscal Years

FY	CPA	Accounting firm	Reason for replacement
2018	Done-Yuin Tseng Xiao-Fang Yan	Deloitte Taiwan	Internal organizational restructuring of Deloitte Taiwan.
2019	Done-Yuin Tseng Shu-Jing Jiang	Deloitte Taiwan	Internal organizational restructuring of Deloitte Taiwan.
2021	Shao-Chun Wu Done-Yuin Tseng	Deloitte Taiwan	Internal organizational restructuring of Deloitte Taiwan.

6.1.4 Financial Analysis

1. Parent company only financial analysis for the most recent 5 fiscal year - IRFS

FY Item		Financial Analysis for the Most Recent 5 Fiscal Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	42.81	40.51	42.48	48.55	40.6
	Ratio of long-term capital to property, plant, and equipment	1,695.01	1,023.15	1,092.98	1,231.97	614.79
Solvency (%)	Current ratio	110.33	83.73	105.62	129.06	140.89
	Quick ratio	107.18	78.50	95.67	110.59	118.12
	Times interest earned	47	47	54	87	105
Operating performance	Accounts receivable turnover (times)	5.46	4.52	4.55	4.84	4.99
	Average collection days	66.84	80.75	80.21	75.41	73.14
	Inventory turnover (times)	27.04	21.57	13.97	8.07	6.92
	Accounts payable turnover (times)	4.49	4.15	4.06	3.85	3.99
	Average days in sales	13.50	16.93	26.13	45.25	52.71
	Property, plant, and equipment turnover (times)	14.31	8.99	8.13	10.75	8.53
	Total asset turnover (times)	0.51	0.45	0.50	0.58	0.69
Profitability	Return on total assets (%)	10.05	10.01	7.64	8.32	19.10
	Return on equity (%)	17.6	16.77	12.81	15.13	33.95
	Ratio of income before tax to paid-in capital (%)	117.7	121.95	95.28	137.98	302.02
	Net profit margin (%)	19.22	21.65	14.97	14.19	27.41
	Earnings per share (NT\$)	9.31	9.53	7.48	9.16	24.89
Cash flow	Cash flow ratio (%)	4.66	18.09	3.20	5.67	22.78
	Cash flow adequacy ratio (%)	33.07	38.53	34.84	30.62	48.32
	Cash reinvestment ratio (%)	-2.00	0.71	-7.42	-3.16	5.24
Leverage	Operating leverage	110.08	123.10	118.39	110.49	105.78
	Financial leverage	105.59	108.32	104.77	102.31	101.98

Explain the reasons for the changes in various financial ratios in the most recent 2 fiscal years (increase or decrease of 20%):

1. Ratio of long-term capital to property, plant, and equipment:
The sharp decline in this ratio in 2022 was mainly due to the construction of plant in 2022, construction in progress increased, resulting in a significant increase in fixed assets.
2. Times interest earned: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operation in 2022, resulting in a significant increase in profits, while there was no significant change in interest expenses.
3. Property, plant, and equipment turnover (times): The sharp decline in this ratio in 2022 was mainly due to the increase in construction in progress in 2022, resulting in an increase in the average net property, plant, and equipment.
4. Return on total assets: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
5. Return on equity: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
6. Ratio of income before tax to paid-in capital: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
7. Net profit margin: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
8. Earnings per share (NT\$): The increase in earnings per share in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
9. Cash flow ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2022.
10. Cash flow adequacy ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2022, resulting in a significant increase in net cash inflows from operating activities in the most recent 5 fiscal years.
11. Cash reinvestment ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2022.

2. Consolidated Financial Analysis for the Most Recent 5 Fiscal Years -IFRS

FY Item		Financial Analysis for the Most Recent 5 Fiscal Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	46.46	44.93	45.15	46.76	49.91
	Ratio of long-term capital to property, plant and equipment	253.63	244.36	249.89	280.99	248.17
Solvency (%)	Current ratio	174.43	195.33	195.98	209.34	173.64
	Quick ratio	148.77	162.18	157.44	161.85	135.68
	Times interest earned	24.17	23.75	29.45	56.56	31.32
Operating performance	Accounts receivable turnover (times)	4.82	4.74	4.77	5.13	5.35
	Average collection days	75.72	77.00	76.51	71.15	68.22
	Inventory turnover (times)	4.66	3.90	3.27	3.33	2.94
	Accounts payable turnover (times)	10.80	10.80	9.20	9.87	11.15
	Average days in sales	78.32	93.58	111.62	109.60	124.14
	Property, plant and equipment turnover (times)	3.24	3.06	2.86	3.42	3.53
	Total asset turnover (times)	0.77	0.73	0.72	0.81	0.80
Profitability	Return on total assets (%)	9.20	9.18	7.05	7.91	17.04
	Return on equity (%)	16.85	16.19	12.32	14.36	32.03
	Ratio of income before tax to paid-in capital (%)	124.68	135.36	132.43	161.10	348.07
	Net profit margin (%)	11.43	11.98	9.39	9.57	20.61
	Earnings per share (NT\$)	9.31	9.53	7.48	9.16	24.89
Cash flow	Cash flow ratio (%)	25.11	50.16	32.99	23.91	30.29
	Cash flow adequacy ratio (%)	98.81	128.38	124.44	105.11	106.36
	Cash reinvestment ratio (%)	11.35	18.91	9.65	6.44	15.85
Leverage	Operating leverage	143.33	140.39	131.54	130.28	116.08
	Financial leverage	105.29	104.68	103.08	101.86	104.28

Please explain the reasons for the changes in various financial ratios in the most recent 2 fiscal years (increase or decrease of 20%):

1. Times interest earned: The sharp decline in this ratio in 2022 was mainly due to the increase in borrowing in 2022, resulting in an increase in interest expenditure.
2. Return on total assets: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
3. Return on equity: The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
4. Ratio of income before tax to paid-in capital (%): The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
5. Net profit margin (%): The sharp increase in this ratio in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
6. Earnings per share (NT\$): The sharp increase in earnings per share in 2022 was mainly due to the expansion of the scale of operations in 2022, resulting in a significant increase in profits.
7. Cash flow ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2022.
8. Cash reinvestment ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2022.

The calculation formulas for the above financial analysis data are as follows:

1. Financial structure
 - (1) Debt to assets ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.
3. Operating performance
 - (1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).
 - (2) Average collection days = 365 / accounts receivable turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).
 - (5) Average days in sales = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
 - (2) Return on equity = net income after tax / average total equity.
 - (3) Net profit margin = net income after tax / net sales.
 - (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.
5. Cash flow
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
 - (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
 - (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses)/Operating Income.
 - (2) Financial leverage = operating income / (operating income – interest expenses).

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements (including consolidated and parent company only financial reports), and proposal for allocation of earnings. The financial report has been audited by the CPAs of Deloitte Taiwan, Shao-Jun Wu and Tung-Jun Tsang, and an audit report has been issued. The aforementioned Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Yours sincerely,
2023 AGM of Shareholders of the Company

Topkey Corporation
Audit Committee Convener: Shih-Chien Yang

March 9, 2023

6.3 Financial Reports

6.3.1 Financial statements and CPA audit reports for the 2 most recent fiscal years

Financial statements and CPA audit reports for the FY 2022: See pages 222 to 287.

6.3.2 Consolidated financial reports audited by CPA for the most recent fiscal year

See pages 161 to 221.

6.3.3 If there are CPA audited and certified, or reviewed financial reports and parent company only financial reports for the most recent period during the time after the issuer has registered (or applied for) the offering and issuance of securities and up to the date of publication of the annual report, disclose these reports

None.

6.4 Financial Summary and Other Important Matters

6.4.1 If the company and its affiliated enterprises have experienced any financial difficulties in the most recent three fiscal years, or in the current year up to the date of publication of the annual report, indicate the impact on the company's financial position

None.

6.4.2 In case of occurrence of the events under Article 185 of the Company Act in the most recent two years and up to the date of publication of the annual report

None.

6.4.3 Subsequent events

None.

6.4.4 Other matters

None.

6.5 Review and Analysis of the Financial Condition and Financial Performance

6.5.1 Financial Position

The main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, describe the measures to be taken in response:

Unit: NT\$ 1,000

Item \ FY	FY	2021	2022	Difference	
				Amount	%
Current assets		8,560,446	12,372,348	3,811,902	44.53%
Financial assets measured at fair value through other comprehensive income-non-current		-	-	-	-
Property, Plant and Equipment		2,548,754	3,663,245	1,114,491	43.73%
Intangible assets		-	-	-	-
Other assets		141,787	180,670	38,883	27.42%
Total assets		11,250,987	16,216,263	4,965,276	44.13%
Current liabilities		4,089,349	7,125,096	3,035,747	74.24%
Non-current liabilities		1,171,809	968,427	(203,382)	-17.36%
Total liabilities		5,261,158	8,093,523	2,832,365	53.84%

Item \ FY	2021	2022	Difference	
			Amount	%
Share capital	908,200	908,200	-	0.00%
Capital surplus	1,639,532	1,639,532	-	0.00%
Retained earnings	3,727,191	5,442,336	1,715,145	46.02%
Other equity	(619,193)	(330,291)	288,902	46.66%
Treasury shares	-	-	-	-
Non-controlling interests	334,099	462,963	128,864	38.57%
Total equity attributable to shareholders	5,989,829	8,122,740	2,132,911	35.61%

The main reasons for the material changes in assets, liabilities, and equity in the most recent 2 years (deviation over 10%, and the absolute change amount of NT\$10 million) and the measures to be taken in response:

1. Current assets: Mainly due to the increase in segregated foreign exchange deposit accounts for offshore funds, accounts receivable and inventories.
2. Property, plant, and equipment: Mainly due to the construction of plant, resulting in an increase in construction in progress.
3. Other assets: Mainly due to the increase in deferred income tax assets.
4. Total assets: Mainly due to the increase in current assets.
5. Current liabilities: Mainly due to short-term borrowings and an increase in income tax liabilities for the current period.
6. Non-current liabilities: Mainly due to the decrease in deposits for guarantees.
7. Total liabilities: Mainly due to the increase in current liabilities.
8. Retained earnings: Mainly due to profit growth driven by revenue growth in 2022.
9. Other equity: Mainly due to the depreciation of NTD and RMB against the USD at the end of 2022 compared to the end of 2021, resulting in a significant reduction in the debit balance due to the exchange rate differences generated by the translation of the financial statements of overseas operating entities.
10. Non-controlling interest: Mainly due to the continuous profit of the subsidiary of the non-controlling interest in 2022, resulting in the increase of the balance of the non-controlling interest.
11. Total equity attributable to shareholders: Mainly due to the increase in retained earnings.

6.5.2 Financial Performance

1. The main reasons for the material change in operating revenues, operating income, or income before tax during the past 2 fiscal years

Unit: NT\$ 1,000

Item \ FY	2021	2022	Increase (Decrease) Amount	Deviation (%)
Operating Revenue	8,691,928	10,965,309	2,273,381	26.16%
Operating Costs	6,037,246	7,083,503	1,046,257	17.33%
Gross Profit	2,654,682	3,881,806	1,227,124	46.22%
Operating Expenses	1,216,157	1,340,334	124,177	10.21%
Operating Income	1,438,525	2,541,472	1,102,947	76.67%
Non-operating income and expenses	24,589	619,733	595,144	2420.37%
Profit or loss before tax	1,463,114	3,161,205	1,698,091	116.06%
Income tax expense	532,477	739,194	206,717	38.82%
Net income (loss) for the period	930,637	2,422,011	1,491,374	160.25%

The analysis for the deviation over 10%, and the absolute change amount of NT\$ 10 million is as follow:

1. Operating revenue: Mainly due to a significant increase in various product orders in 2022.
2. Operating costs: Mainly due to the corresponding increase in operating costs due to the increase in operating revenue in 2022.
3. Gross profit: The increase in gross profit was mainly due to price increase and the depreciation of NTD and RMB against the USD, resulting in an increase in gross margin, and the expansion of operating scale leads to the operations more cost effective.
4. Operating expenses: Mainly due to the corresponding increase in expenses due to the expansion of the operating scale in 2022.
5. Operating income: Mainly due to the increase in gross profit.
6. Non-operating income and expenses: Mainly due to the depreciation of NTD and RMB against the USD in 2022, resulting in an increase of NT\$ 550 million in foreign exchange gain compared with 2021.
7. Profit or loss before tax: Having considered the above factors, the amount of profit in 2022 increased significantly compared with 2021.
8. Income tax expense: The increase in income tax expense was mainly due to the increase in profit before tax in 2022.
9. Net income (loss) for the period: Mainly due to the growth of the profits and the increase in foreign exchange gain in 2022.

2. Sales volume forecast and its basis

While cycling is an ideal outdoor sport without clustering issues, it can also replace public transportation in short distances. Therefore, the sales of bicycles in major economies in the world showed a significant growth, and even has resulted in out of stock under the condition of significant sales growth. Relevant market research analysis and the current situation status and development of the industry, please refer to V. Overview of Business Operations.

3. Effect upon the company's financial operations as well as measures to be taken in response

For future operational goal setting, in addition to meeting the needs of customers, the Company sets annual production and sales targets based on the production capacity planning and past operating performance. However, this year's bicycle product customers have repeatedly revised the estimated sales volume, so the Company has initiated the expansion of the bicycle production line and will constantly review the customer's order quantity and the estimated quantity change and adjust the production and marketing plan according to the customer's order status at any time to ensure that the Company's orders this year can be smoothly produced and shipped.

6.5.3 Cash Flows

1. Analysis of cash flow changes during the most recent fiscal year

Unit: NT\$ 1,000

Cash balance at the beginning of the year (1)	Net cash flows from operating activities for the year (2)	Net cash flows from investing activities for the year (3)	Net cash flows from financing activities for the year (4)	Effect of changes in exchange rate on cash and cash equivalents (5)	Cash balance (Shortfall) (1+2+3+4+5)	Remedy for liquidity shortfall	
						Investment Plan	Financing Plan
2,699,895	2,158,523	(516,932)	1,754,643	110,280	6,206,409	NA	NA

Explanations:

1. Analysis of cash flow changes during the most recent fiscal year:

- (1) Operating activities: Net cash inflow from operating activities was mainly due to continued profitability.
- (2) Investing activities: Cash outflows from investing activities were mainly the result of capital expenditure incurred in the construction of plant and the purchase of equipment.
- (3) Financing activities: Cash inflows from financing activities were mainly due to the increase in bank borrowings.

2. Remedial measures for estimated cash shortfall and liquidity analysis:

- (1) Investment plan: Not applicable.
- (2) Financing plan: Not applicable.

2. Corrective measures to be taken in response to illiquidity: Not applicable.

3. Liquidity analysis for the coming year (2023):

Unit: NT\$ 1,000

Cash balance at the beginning of the year (1)	Net cash flows from operating activities for the year (2)	Net cash flows from investing activities for the year (3)	Net cash flows from financing activities for the year (4)	Effect of changes in exchange rate on cash and cash equivalents (5)	Cash balance (Shortfall) (1+2+3+4+5)	Remedy for liquidity shortfall	
						Investment Plan	Financing Plan
6,206,409	2,372,000	(948,000)	(3,248,000)	-	4,382,409	NA	NA

Explanations:

1. Analysis of cash flow changes for the coming year:

- (1) Operating activities: Net cash inflow from operating activities is mainly due to the expected net cash inflow from operating activities in 2023.
- (2) Investing activities: Cash outflows from investing activities are mainly result from the expected total capital expenditures for the construction of the Group's plant in the CTSP and the Xiamen Plant expansion in 2023 and the total capital expenditures for the purchase of equipment by companies in the consolidated financial statements.
- (3) Financing activities: Cash outflow from financing activities mainly refers to the balance of cash dividends paid and repayment of bank loans in 2023.

2. Remedial measures for estimated cash shortfall and liquidity analysis:

- (1) Investment plan: Not applicable.
- (2) Financing plan: Not applicable.

6.5.4 Effect upon financial operations of any major capital expenditures during the most recent fiscal year

1. Use of major capital expenditures and sources of funds:

The Company's recent major capital expenditures are mainly paid for the construction of plant in the CTSP, which is mainly funded by the Company's return to Taiwan investment fund.

2. Expected potential benefits:

As the plant is still under construction, it is expected that no benefits will be generated in the current and next fiscal years.

6.5.5 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

1. The Company's reinvestment policy: The principle of the Company's reinvestment policy considers the developmental needs of the core business and long-term strategic investment, not considering short-term financial investment, and aligns with the global supply chain layout of customers. And grasp the important emerging strategic industry development and market trend investment to expand the operating scale of the Group.
2. Main reasons for the profits/losses:

Unit: NT\$ 1,000

Re-investment business	Accumulated investment amount	Main reasons for profit or loss		Improvement plan
		Investment (loss) profit recognized by the Company	Explanation	
NSH Holding Limited	2,500,092	1,257,114	All the Group's investee enterprises are operating profitably, allowing the Company to recognize investment income	Not applicable
Topkey Vietnam Corporation Company Limited	460,620	(98,417)	Losses incurred due to it is in the stage of plant construction and trial production	Details as described in 3. (1) below

3. Improvement plans and investment plans for the coming year:

- (1) Topkey Vietnam Corporation Company Limited is the subsidiary recorded a loss in the consolidated financial report for the FY 2022 due to it is still in the stage of plant construction and trial production in 2022. It is expected to get rid of the loss when mass production reaches economic scale in the subsequent year.

6.5.6 Risk Management

6.5.6.1 Risk Factors

1. Effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

(1) Interest rate fluctuations:

The amount of interest expense of the Company in 2022 was NT\$ 104,257 thousand, accounting for 0.95% of the operating income in the current period. Due to the stable financial position of the Company, excellent credit record, good relations with banks and relatively low borrowing rates, it is expected that future interest rate fluctuations will not have a significant impact on the overall operation of the Company.

(2) Exchange rate fluctuations:

The Company's sales revenue and raw material purchases are mainly denominated in USD, but the daily expenses in the main operating areas of Taiwan and Xiamen, China, need to be exchanged into NTD and RMB, which may expose the Company to exchange rate risk. The ratio of net exchange gains and losses to net revenue in the most recent two years of 2021 and 2022 was approximately -0.36% and 4.74%, respectively. Due to the proper risk control by the Finance

Department, the impact of exchange rate fluctuations on the profit and loss of the Company has been minimized.

The specific response measures taken by the Finance Department of the Company are as follows:

- ① Adopt the principle of natural hedging against foreign currency exchange rate risk. As the Company's sales revenue and raw material purchases are mainly denominated in USD, the natural hedging effects are generated through mutual offsetting to reduce the demand for exchange, and forward foreign exchange contracts and borrowing foreign currency debts are used as needed to reduce related exchange rate risks.
- ② Based on the judgment of the future exchange rate trends, the financial officer maintains an appropriate net foreign exchange position to reduce the impact of exchange rate fluctuations on the Company's profitability.
- ③ Maintain close contact with major banks and monitor the changes in the foreign exchange market at any time, so that the relevant managers can be fully aware of the trend of the exchange rate and respond to market emergencies.
- ④ The Company's "Handling Procedures for Acquisition or Disposal of Assets" is formulated in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" to regulate the Company's operation procedures related to derivative financial instruments.

(3) Inflation:

In the rapid change of the overall economic environment, the Company has not yet been significantly impacted by the above inflation or austerity crisis. Moreover, the Company's products and its terminal application products are sold all over the world. The Company can effectively respond to the impacts of inflation or austerity to minimize the impacts on its operations by closely monitoring global political and economic changes, and fluctuations in the market prices of raw materials and end products, maintaining good interaction with suppliers and customers, flexibly adjusting the procurement and sales strategies, cost structure and transaction terms at the same time.

2. The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company has established procedures such as "Handling Procedures for Acquisition or Disposal of Assets", "Regulations Governing Loaning of Funds", and "Regulations Governing Making of Endorsements/Guarantees" as the guidelines for the Company and its subsidiaries to follow when engaging in relevant operations. As of the date of publication of the annual report, the Company has not engaged in high-risk, highly leveraged investments, loans to others outside the Group, endorsement guarantees, and derivative transactions with high risks. In addition, the Company has always focused on the operation of its own business and has not ventured into other high-risk industries, and its financial planning and operation policies will continue to adhere to the principle of "conservative and stable" and will not engage in high-risk, highly leveraged investments and transactions. Therefore, the

related risks are limited.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work:

(1) Future R&D Plans:

- ①The Company has 40 years of experience in manufacturing of composite products, the Company's technical capabilities range from resin formulation R&D and semi-finished products (resin, prepreg, coating) production to the development and production of composite products. We have a complete equipment system for resin basic testing, formulation research, composite performance evaluation, as well as a variety of technical experience in product application development and process automation research.
- ②In addition to the improvement of the existing formulations, in response to the Company's plans to enter the automotive, information technology (IT) and high-end bicycle product industries, we actively invested in the research of resin transfer molding (RTM) formulation process, high-performance thermoplastic (TPC) an environmentally friendly and recyclable material and high-performance epoxy formulations with high temperature resistance, etc. We are also actively developing coating formulations that are photoreactive (UV), water-based, and solvent-free to reduce volatile organic compounds (VOC) emissions. In the aerospace industry, we have developed materials that can be used in aircraft structures, developed CAE (Computer Aided Engineering) computer aided engineering to support the design and analysis of composite structures, and are expected to be certified by the Laboratory TAF (National Accreditation Foundation) ISO 17025 this year to improve the circulating energy of quality control management and continuously improve the quality of laboratories.
- ③In addition to its own research and development, the Company has also actively invested in cooperation with production and academic research units and domestic and foreign material manufacturers, and through diversified cooperation, it can better enrich the company's technical energy in materials, process, and analysis.

(2) Further expenditures expected for research and development work:

The Company's R&D expenditures in 2021 and 2022 were NT\$ 342,155 thousand and NT\$ 402,684 thousand, accounting for about 3.94% and 3.67% of revenue, respectively. An estimated R&D expenditure of NT\$ 385,000 thousand will continue to be invested in 2023 according to the future product development plan. Through joint R&D and industry-academia collaboration with customers, the Company continuously carry out the entire R&D process from design to mass production in line with market trends, constantly developing advanced technologies, accumulating R&D results, and refining improving product efficiency and cost, to maintain market competitive advantages.

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

The Company's main operating activities are carried out in Taiwan 、 mainland China and Vietnam, and the products are mainly sold to developed countries such as the United States, Europe, etc. The

Company's main operating bases and product sales geographies are the world's major economic systems, where the economic development and political environment are relatively stable. The products developed and sold by the Company are not licensed or restricted industries. All businesses are carried out in accordance with important domestic and foreign policies and laws and pay attention to important policy trends and legal changes at home and abroad at all times, respond to changes in the market environment in a timely manner and take appropriate countermeasures. As a result, the Company's financial operations had not yet been materially affected by the important policies and legal changes in Taiwan, Mainland China or the United States, Europe, etc.

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

The Company is a leading manufacturer in all industries in which it operates, and it keeps abreast of real-time evolving trends in market products and technologies, and aware of changes in supply and demand to analyze the effect of technological and industry changes on the Company. Moreover, the Company is continuously developing new materials, process technologies and product applications to maintain competitive advantage. As of now, the Company's financial operations have not yet been materially affected by the developments in science and technology or industrial change.

6. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

Since its establishment, the Company has complied with the relevant government laws and regulations, adhered to the business philosophy of integrity, diligence, innovation, and gratitude, improved the quality of employees, and internalized into the most important people-oriented corporate culture of Topkey, adhered to the commitment and social responsibility to customers, suppliers, employees and shareholders, striving to maintain a good corporate image. During the most recent fiscal year and up to the publication date of the annual report, there has been no change in the corporate image resulting in a corporate crisis.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The Company has no merger and acquisition plan during the most recent fiscal year and up to the publication date of the annual report. However, if there is a merger and acquisition plan in the future, the Company will, in accordance with the Company's "Handling Procedures for Acquisition or Disposal of Assets", consider prudently whether the merger can bring specific synergies to the Company in order to effectively protect the interests of the Company and the rights of shareholders.

8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

After assessing the feasibility and benefits, the Company has set up additional production lines in Taiwan, Vietnam, and Xiamen to meet the needs of the market. To cope with and avoid the possible risk of oversupply, in addition to expanding production lines by batch, subject to market changes, the Company will continue to actively develop new customers, develop new products and technologies using composite

materials, improve yields, and strive to reduce costs, maximizing the benefits of capacity expansion and establishing long-term competitive advantages in the competitive environment.

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

(1) Concentrated purchasing risk: All the suppliers of major raw materials are our long-term cooperative manufacturers who have a good relationship with the Company, and there are more than two sources of supply with stable quality. There is no risk of concentrated purchasing of raw materials.

(2) Concentrated sales risk: The Company has a wide range of product lines and in the most recent two fiscal years, there have been no specific customers that have accounted for a disproportionately large share of sales. Furthermore, the Company is continuously developing new products and new customers, and the number of customers has increased over the years. Therefore, the Company should not have concentrated on sales risk.

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

The Chairman and other directors of the Company have been involved in the Company's decision-making discussions for a long time, and the Company has focused on the operation of the business. As of the publication date of the annual report, there have been no significant transfers or changes of shares ownership.

11. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

12. Other important risks, and mitigation measures being or to be taken: None.

6.5.6.2 Litigious and non-litigious matters

1. Major litigious, non-litigious or administrative disputes 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, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute during the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the annual report: None.

2. Major litigious, non-litigious or administrative disputes that involve a company director, supervisor, the general manager, de facto responsible

person, major shareholder with a stake of more than 10 percent or company controlled by the company, 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 during the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the annual report: None.

3. The occurrence of any event set forth under Article 157 of the Securities and Exchange Act that involves a company director, supervisor, the general manager, or a major shareholder with a stake of more than 10 percent and how the company is currently handling the matter during the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the annual report: None.

6.5.6.3 If a company director, supervisor, the general manager, or a major shareholder with a stake of more than 10 percent has experienced financial difficulties or lost creditworthiness during the most recent 2 fiscal years or during the current fiscal year up to the date of publication of the annual report, list the effect on the company's financial status: None.

6.5.6.4 Other important risks: None.

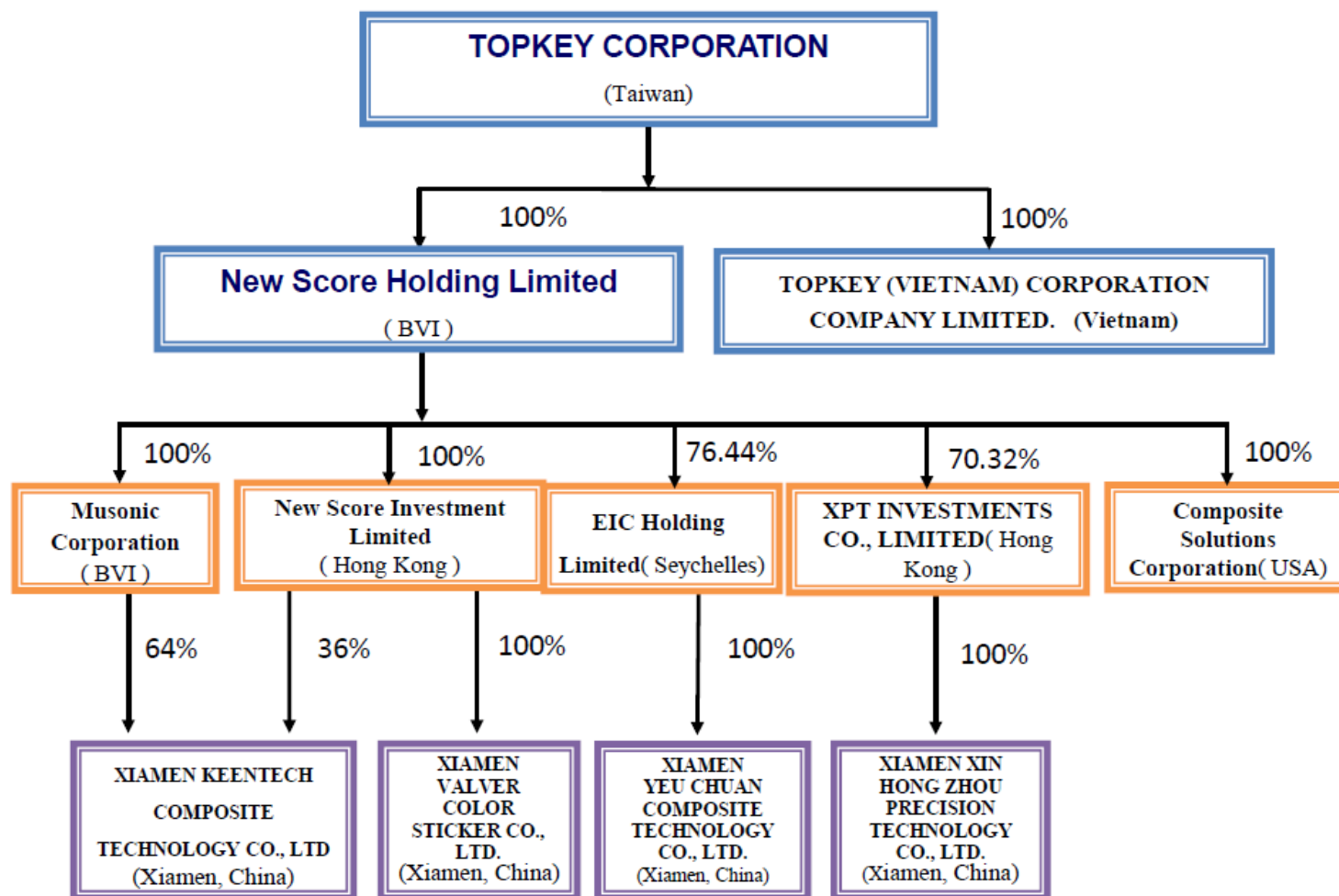
6.5.7 Other Important Matters

For cybersecurity related issues such as information security policy and cybersecurity risk prevention, please refer to pages 90-92.

VII. Special Disclosure

7.1 Information on Affiliates

1. Organizational Chart of Affiliates



2. Companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.

7.2 The name, incorporation date, address, paid-in capital, and main business items of each affiliate

Company Name	Incorporation Date	Address	Paid-In Capital (NT\$ 1,000)	Main Business or Production Items
New Score Holding Limited	1997/8/11	British Virgin Islands	2,460,844	International investment
Topkey Vietnam Corporation Company Limited	2019/8/23	Vietnam	460,620	Carbon fiber, fiberglass products and composites manufacturing and international trade
Composite Solutions Corporation	1995/06/09	Seattle, USA	675,576	R&D, production, and processing of various high-performance aerospace composite products
Musonic Corporation	1992/10/20	British Virgin Islands	682,577	International investment
New Score Investment Limited	1991/3/12	Hong Kong	383,790	International investment and trade
Keentech Composite Tech. Co., Ltd.	1991/12/17	Xiamen, Mainland China	1,412,568	Carbon fiber, fiberglass products and composites manufacturing and international trade
Xiamen Valver Color Sticker Co., Ltd.	2004/10/12	Xiamen, Mainland China	38,385	Plain decal and HRNT production and processing
EIC Holding Limited	2018/6/7	Seychelles	153,540	International investment
Xiamen Yeu Chuan Composite Technology Co., Ltd.	1999/1/15	Xiamen, Mainland China	153,540	Processing of various types of safety helmets, lenses, and automotive and motorcycle spare parts
XPT Investments Co., Limited	2013/11/6	Hong Kong	497,286	International investment and trade
Xiamen Xin Hong Zhou Precision Technology Co., Ltd.	2000/2/17	Xiamen, Mainland China	472,136	R&D, design, and manufacture of various types of precision molds; processing of rubber products for various types of plastics

Remarks: For figures related to foreign currency in this table are translated at the closing rate at the end of December 2022.

The industries covered by the business operated by the affiliates overall: Please refer to the main business or production items in the table above.

The mutual dealings and division of work among affiliates: In the field of composite materials, orders are received by Topkey Corporation in a centralized manner, and then arranged for production and shipment by Xiamen Keentech Composite Tech. Co., Ltd. and Xiamen Yeu Chuan Composite Technology Co., Ltd. For non-composite related products, orders are received by Xiamen Xin Hong Zhou Precision Technology Co., Ltd., and XPT Investments Co., Limited, and then produced and shipped accordingly.

7.3 The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate

Company Name	Abbreviation of Enterprise	Title	Name or representative	Shareholding	
				Shares	%
New Score Holding Limited	NSH	Director	Topkey Corporation (Representative: Wen-Chen Shen)	80,137	100%
Topkey Vietnam Corporation Company Limited	Topkey (VN) Corp	Responsible person	Wen-Chen Shen	-	-
		Director	Tong-Chen Chu	-	-
		Director cum President	Zhong-Xing Shen	-	-
		Director	Pei-Ni Shen	-	-
		Director	Guo-Tai Zou	-	-
		Director	Kwei-Lin Chang	-	-
		Director	Shou-Zhi Hsu	-	-
		Supervisor	Hui-Xiong Shen	-	-
Musonic Corporation	Musonic	Director	Wen-Chen Shen	-	-
New Score Investment Limited	NSI	Director	NSH (Representative: Wen-Chen Shen)	12,498	100%
		Director	Tong-Chen Chu	-	-
Xiamen Keentech Composite Tech. Co., Ltd.	Keentech	Chairman	Wen-Chen Shen	-	-
		Vice Chairman	Kwei-Lin Chang	-	-
		Director	Guo-Chang Lin	-	-
		Director	De-Quan Chen	-	-
		Director	Zhong-Xing Shen	-	-
		Director cum President	Pei-Ni Shen	-	-
		Director	Jing-Wei Chang	-	-
		Supervisor	Dong-Zhen Chu	-	-
		Supervisor	Hui-Xiong Shen	-	-
Xiamen Valver Color Sticker Co., Ltd.	Valver	Chairman	Wen-Chen Shen	-	-
		Director	Tong-Chen Chu	-	-
		Director cum President	Qing-Long Huang	-	-
		Director	Qing-Zheng Wu	-	-
		Director	Pei-Ni Shen	-	-
		Supervisor	Ren-Di Chang	-	-
EIC Holding Limited	EIC	Director	NSH (Representative: Wen-Chen Shen)	3,822	76%

		Director	Tong-Chen Chu	-	-
		Director	Kwei-Lin Chang	-	-
Xiamen Yeu Chuan Composite Technology Co., Ltd.	Yeu Chuan	Chairman	Wen-Chen Shen	-	-
		Director	De-Quan Chen	-	-
		Director	Jing-Da Chen	-	-
		Director	Shou-Zhi Hsu	-	-
		Director	Pei-Ni Shen	-	-
		Supervisor	Gui-Lin Chang	-	-
		President	Jing-Wei Chang	-	-
XPT Investment Co., Limited	XPT Investment	Director	NSH (Representative: Wen-Chen Shen)	11,388	70%
Xiamen Xin Hong Zhou Precision Technology Co., Ltd.	Xin Hong Zhou	Chairman	Wen-Chen Shen	-	-
		Vice Chairman	Zhao-Rong Cheng	1,145	7.07%
		Director cum President	Gui-Lin Chang	-	-
		Director	Shun-Rong Lui	2,732	16.87%
		Director	Pei-Ni Shen	-	-
		Supervisor	Tong-Chen Chu	-	-

7.4 Overview of the operations of the affiliates

December 31, 2022; Unit: NT\$ 1,000

Company Name	Currency	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Profit/loss for the period (after tax)	Earnings per share (in NT dollars, after tax)
NSH	USD	80,137	159,729	-	159,729	-	-	42,439	0.53
Topkey (VN) Corp	USD	15,000	30,331	19,346	10,985	1,108	(3,227)	(3,466)	(0.23)
Musonic	USD	22,228	60,176	-	60,176	-	-	13,966	0.63
NSI	USD	12,498	64,973	6,425	58,548	75,809	5,823	13,926	1.11
Keentech	RMB	321,234	1,517,053	864,271	652,782	1,333,968	129,096	171,780	-
Valver	RMB	9,328	21,088	4,337	16,751	21,956	2,310	2,602	-
EIC	USD	5,000	24,335	6	24,329	-	(25)	8,006	1.60
Yeu Chuan	RMB	38,288	231,602	62,843	168,759	314,076	49,025	55,927	-
XPT Investment	USD	16,194	36,094	4,606	31,488	24,725	723	11,952	0.74
Xin Hong Zhou	RMB	106,766	239,125	44,061	195,064	240,084	65,894	75,246	-

7.5 Consolidated business report of the affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Topkey Corporation

By

SHEN WEN CHEN
President

March 9, 2023

- 7.6 Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
None.
- 7.7 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
None.
- 7.8 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
None.
- 7.9 Other matters that require additional description
None.

VIII. Appendices

8.1 2022 Consolidated Financial Reports of Topkey Corporation and Subsidiaries

Topkey Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Topkey Corporation

By

SHEN WEN CHEN
President

March 9, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Topkey Corporation

Opinion

We have audited the accompanying consolidated financial statements of Topkey Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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 of the Group's consolidated financial statements for the year ended December 31, 2022 is as follows:

Revenue Recognition

The Group's sales revenue mainly comes from the manufacture and sale of sporting goods, carbon fiber products, glass fiber products, and composite materials. A significant portion of export sales to customers increased significantly has a material impact on the financial statements. Therefore, we identified recognition authenticity of sales revenue as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of sales revenue, and tested the continuous effectiveness of its controls during the year.
2. We selected samples of the sales revenue receipts and vouched the documents to sales order, delivery of goods and receipt vouchers related to sales revenue and verified the occurrence of the sales revenue.

Other Matter

We have also audited the parent company only financial statements of Topkey Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 9, 2023

Notice to Readers

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

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

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 6,206,409	38	\$ 2,699,895	24
Financial assets at fair value through profit or loss - current (Note 7)	-	-	2,887	-
Financial assets at amortized cost - current (Notes 8 and 25)	969,627	6	1,833,109	16
Trade receivables (Note 9)	2,252,128	14	1,832,688	16
Other receivables	66,641	-	59,044	1
Other receivables from related parties (Note 24)	-	-	49,842	1
Inventories (Note 10)	2,704,909	17	1,941,829	17
Other current assets	<u>172,634</u>	<u>1</u>	<u>141,152</u>	<u>1</u>
Total current assets	<u>12,372,348</u>	<u>76</u>	<u>8,560,446</u>	<u>76</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 11)	-	-	-	-
Property, plant and equipment (Note 13)	3,072,060	19	1,949,079	17
Right-of-use assets (Note 14)	591,185	4	599,675	5
Deferred tax assets (Note 20)	101,964	1	37,266	1
Refundable deposits	14,890	-	17,985	-
Other non-current assets	<u>63,816</u>	<u>-</u>	<u>86,536</u>	<u>1</u>
Total non-current assets	<u>3,843,915</u>	<u>24</u>	<u>2,690,541</u>	<u>24</u>
TOTAL	<u>\$ 16,216,263</u>	<u>100</u>	<u>\$ 11,250,987</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 25)	\$ 4,850,898	30	\$ 2,132,450	19
Trade payables	661,690	4	609,381	5
Other payables (Note 16)	747,829	5	657,641	6
Current tax liabilities (Note 20)	368,493	2	156,127	1
Lease liabilities - current (Note 14)	43,859	-	70,830	1
Current portion of long-term borrowings (Note 15)	22,353	-	-	-
Endorsement and guarantee liabilities (Note 12)	-	-	138,450	1
Other current liabilities	<u>429,974</u>	<u>3</u>	<u>324,470</u>	<u>3</u>
Total current liabilities	<u>7,125,096</u>	<u>44</u>	<u>4,089,349</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	55,883	-	40,606	-
Deferred tax liabilities (Note 20)	518,691	3	486,246	4
Lease liabilities - non-current (Note 14)	276,686	2	288,570	3
Guarantee deposits	62,390	1	276,140	3
Other non-current liabilities	<u>54,777</u>	<u>-</u>	<u>80,247</u>	<u>1</u>
Total non-current liabilities	<u>968,427</u>	<u>6</u>	<u>1,171,809</u>	<u>11</u>
Total liabilities	<u>8,093,523</u>	<u>50</u>	<u>5,261,158</u>	<u>47</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock	908,200	6	908,200	8
Capital surplus	1,639,532	10	1,639,532	15
Retained earnings				
Legal reserve	803,434	5	720,269	6
Special reserve	619,193	4	562,808	5
Unappropriated earnings	4,019,709	24	2,444,114	22
Other equity				
Exchange differences on translation of the financial statement of foreign operations	(320,291)	(2)	(609,193)	(6)
Unrealized valuation loss on financial assets at fair value through other comprehensive income	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>7,659,777</u>	<u>47</u>	<u>5,655,730</u>	<u>50</u>
NON-CONTROLLING INTERESTS	<u>462,963</u>	<u>3</u>	<u>334,099</u>	<u>3</u>
Total equity	<u>8,122,740</u>	<u>50</u>	<u>5,989,829</u>	<u>53</u>
TOTAL	<u>\$ 16,216,263</u>	<u>100</u>	<u>\$ 11,250,987</u>	<u>100</u>

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

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET REVENUE	\$ 10,965,309	100	\$ 8,691,928	100
COST OF GOODS SOLD (Notes 10 and 19)	<u>7,083,503</u>	<u>65</u>	<u>6,037,246</u>	<u>69</u>
GROSS PROFIT	<u>3,881,806</u>	<u>35</u>	<u>2,654,682</u>	<u>31</u>
OPERATING EXPENSES				
Selling and marketing expenses (Note 19)	234,743	2	244,048	3
General and administrative expenses (Note 19)	698,243	6	627,863	7
Research and development expenses (Note 19)	402,684	4	342,155	4
Expected credit loss (Note 9)	<u>4,664</u>	<u>-</u>	<u>2,091</u>	<u>-</u>
Total operating expenses	<u>1,340,334</u>	<u>12</u>	<u>1,216,157</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>2,541,472</u>	<u>23</u>	<u>1,438,525</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	106,753	1	21,050	-
Government grants income	64,341	-	60,226	1
Other gains	86,837	1	84,590	1
Finance costs (Note 19)	(104,257)	(1)	(26,336)	-
Gain on disposal of subsidiaries (Note 12)	-	-	294,336	3
Net foreign exchange gain (loss)	519,323	5	(31,321)	(1)
Loss on endorsement and guarantee (Note 12)	-	-	(278,258)	(3)
Other losses	(3,626)	-	(7,083)	-
Gain (loss) on disposal of property, plant and equipment	(1,422)	-	5,683	-
Net gain on financial assets at fair value through profit or loss	(2,944)	-	13,994	-
Impairment loss (Note 13)	<u>(45,272)</u>	<u>-</u>	<u>(112,292)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>619,733</u>	<u>6</u>	<u>24,589</u>	<u>-</u>
INCOME BEFORE INCOME TAX	3,161,205	29	1,463,114	17
INCOME TAX EXPENSE (Note 20)	<u>739,194</u>	<u>7</u>	<u>532,477</u>	<u>6</u>
NET INCOME	<u>2,422,011</u>	<u>22</u>	<u>930,637</u>	<u>11</u>

(Continued)

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 235,106	2	\$ (73,380)	(1)
Income tax relating to items that will be reclassified subsequently to profit or loss	<u>60,810</u>	<u>1</u>	<u>14,096</u>	<u>-</u>
	<u>295,916</u>	<u>3</u>	<u>(59,284)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,717,927</u>	<u>25</u>	<u>\$ 871,353</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,260,065	21	\$ 831,647	10
Non-controlling interests	<u>161,946</u>	<u>1</u>	<u>98,990</u>	<u>1</u>
	<u>\$ 2,422,011</u>	<u>22</u>	<u>\$ 930,637</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,548,967	23	\$ 775,262	9
Non-controlling interests	<u>168,960</u>	<u>2</u>	<u>96,091</u>	<u>1</u>
	<u>\$ 2,717,927</u>	<u>25</u>	<u>\$ 871,353</u>	<u>10</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 24.89</u>		<u>\$ 9.16</u>	
Diluted	<u>\$ 24.71</u>		<u>\$ 9.12</u>	

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

(Concluded)

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owner of the Company									
			Retained Earnings (Note 18)			Other Equity				
	Common Shares (Note 18)	Capital Surplus (Note 18)	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling Interests (Note 12)	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 908,200	\$ 1,639,532	\$ 652,367	\$ 498,508	\$ 2,198,769	\$ (552,808)	\$ (10,000)	\$ 5,334,568	\$ 255,516	\$ 5,590,084
Appropriation of 2020 earnings										
Legal reserve	-	-	67,902	-	(67,902)	-	-	-	-	-
Special reserve	-	-	-	64,300	(64,300)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(454,100)	-	-	(454,100)	-	(454,100)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	(17,508)	(17,508)
	-	-	67,902	64,300	(586,302)	-	-	(454,100)	(17,508)	(471,608)
Net profit for the year ended December 31, 2021	-	-	-	-	831,647	-	-	831,647	98,990	930,637
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(56,385)	-	(56,385)	(2,899)	(59,284)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	831,647	(56,385)	-	775,262	96,091	871,353
BALANCE AT DECEMBER 31, 2021	908,200	1,639,532	720,269	562,808	2,444,114	(609,193)	(10,000)	5,655,730	334,099	5,989,829
Appropriation of 2021 earnings										
Legal reserve	-	-	83,165	-	(83,165)	-	-	-	-	-
Special reserve	-	-	-	56,385	(56,385)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(544,920)	-	-	(544,920)	-	(544,920)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	(40,096)	(40,096)
	-	-	83,165	56,385	(684,470)	-	-	(544,920)	(40,096)	(585,016)
Net profit for the year ended December 31, 2022	-	-	-	-	2,260,065	-	-	2,260,065	161,946	2,422,011
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	288,902	-	288,902	7,014	295,916
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,260,065	288,902	-	2,548,967	168,960	2,717,927
BALANCE AT DECEMBER 31, 2022	\$ 908,200	\$ 1,639,532	\$ 803,434	\$ 619,193	\$ 4,019,709	\$ (320,291)	\$ (10,000)	\$ 7,659,777	\$ 462,963	\$ 8,122,740

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

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,161,205	\$ 1,463,114
Adjustments for:		
Depreciation expenses	408,746	424,182
Amortization expense	-	11,332
Expected credit loss	4,664	2,091
Net gain on financial assets at fair value through profit or loss	2,948	(13,994)
Finance costs	104,257	26,336
Interest income	(106,753)	(21,050)
Loss (gain) on disposal of property, plant and equipment	1,422	(5,683)
Gain on disposal of subsidiaries	-	(294,336)
Property, plant and equipment impairment loss	45,272	112,292
Write-downs (reversal) of inventories	(9,126)	23,554
Loss on foreign currency exchange	45,931	10,414
Amortization of prepayments	47,982	44,816
Loss on endorsement and guarantee	-	278,258
Gain on lease modification	(20,391)	(114)
Changes in operating assets and liabilities:		
Trade receivables	(467,983)	(327,042)
Other receivables	(14,317)	(10,437)
Inventories	(729,324)	(500,594)
Other current assets	(70,645)	(58,917)
Trade payables	83,106	21,400
Other payables	83,194	80,009
Other current liabilities	103,666	(27,093)
Other non-current liabilities	(25,470)	37,660
Cash generated from operations	2,648,384	1,276,198
Interest received	112,462	20,920
Interest paid	(103,919)	(26,136)
Income tax paid	(498,404)	(293,303)
Net cash generated from operating activities	2,158,523	977,679
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1,147,096)	(965,166)
Proceeds from disposal of financial assets at amortized cost	2,014,430	670,143
Acquisition of financial assets at fair value through profit or loss	-	(1,043,002)
Proceeds from disposal of financial assets at fair value through profit or loss	-	1,272,067
Net cash outflow on disposal of subsidiaries	-	(35,147)
Acquisition of property, plant and equipment	(1,411,071)	(549,082)
Proceeds from disposal of property, plant and equipment	1,178	10,343
Decrease (increase) in refundable deposits	3,519	(461)
Decrease (increase) in other receivables from related parties	49,842	(100)
Increase in other non-current assets	(6,642)	(4,578)

(Continued)

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Increase in prepayments for equipment	\$ (21,092)	\$ (44,566)
Net cash used in investing activities	<u>(516,932)</u>	<u>(689,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,713,455	3,008,307
Repayments of short-term borrowings	(3,005,240)	(2,775,789)
Proceeds from long-term borrowings	40,187	41,095
Repayments of long-term borrowings	(5,200)	-
Increase (decrease) in guarantee deposits	(216,498)	276,140
Repayments of the principal portion of lease liabilities	(48,595)	(57,743)
Cash dividends distributed to owners of the Company	(544,920)	(454,100)
Cash dividends distributed to non-controlling interests	(40,096)	(17,508)
Repayments of endorsement and guarantee liabilities	<u>(138,450)</u>	<u>(139,808)</u>
Net cash generated from (used in) financing activities	<u>1,754,643</u>	<u>(119,406)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>110,280</u>	<u>(57,499)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,506,514	111,225
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,699,895</u>	<u>2,588,670</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,206,409</u>	<u>\$ 2,699,895</u>

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

(Concluded)

TOPKEY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

TOPKEY CORPORATION (the “Company”) was incorporated in the Republic of China (ROC) in July 1980; and is mainly engaged in the production, processing, sale, international trading and agency services of sporting goods, carbon fiber products, glass fiber products, and composite materials.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since October 2013.

The consolidated financial statements of the Company and its subsidiaries (referred to collectively as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 9, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Business Entity Accounting Handling, part of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Business Entity Accounting Handling, and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced 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 by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments 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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for the asset or liability.
- c. Classification of current and noncurrent 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 reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12 and Table 8 and 9 for the detailed information on subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate.)

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, work-in-process, finished goods, and merchandise are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Except for equipment which acquisition by project is recognized using the unit of production method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

i. Impairment of property, plant and equipment, right-of-use assets, and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets held by the Group are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCL.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any, interest earned and remeasurement gains or losses on such financial assets are recognized in non-operating income and expenses. Fair value is determined in the manner described in Note 23.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalent, financial assets at amortized cost, trade receivables, other receivables, and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and short-term bills which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 181 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of sporting goods, aviation products, and medical products. Sales of sporting goods, aviation products, and medical products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from professional labor services. The revenue and trade receivables are recognized by contract.

l. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 1,205	\$ 1,314
Checking accounts and demand deposits	1,683,477	1,196,378
Cash equivalents		
Time deposits	<u>4,521,727</u>	<u>1,502,203</u>
	<u>\$ 6,206,409</u>	<u>\$ 2,699,895</u>
<u>Annual interest rate (%)</u>		
Demand deposits	0.001-1.05	0.001-0.35
Time deposits	0.02-5.030	0.020-2.10

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2022	2021
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets		
Foreign exchange forward contracts	\$ <u> -</u>	\$ <u> 2,887</u>

- a. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/RMB	2022.01	USD12,000/RMB76,890

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2022	2021
Restricted deposits	\$ 969,627	\$ 1,610,372
Bonds under repurchase agreement	<u> -</u>	<u> 222,737</u>
	<u>\$ 969,627</u>	<u>\$ 1,833,109</u>
<u>Annual interest rate (%)</u>		
Restricted deposits	0.085-4.32	0.01-0.12
Bonds under repurchase agreement	-	2.765-5.23

Refer to Note 25 for the pledged of restricted deposits, and the rest are mainly repatriated funds US\$ 63,039 thousand, which approved by Taxation Bureau of Ministry of Finance in accordance with “Repatriated Offshore Funds Act” as of December 31, 2022, and the Group submit the investment plan to the Ministry of Economic Affairs. According to the Acts, deposits are limited to approved plans and cannot be used for other purposes.

9. TRADE RECEIVABLES

	December 31	
	2022	2021
At amortized cost		
Gross carrying amount	\$ 2,259,538	\$ 1,836,901
Less: Allowance for impairment loss	<u>(7,410)</u>	<u>(4,213)</u>
	<u>\$ 2,252,128</u>	<u>\$ 1,832,688</u>

The credit period of sales of goods is 60 to 120 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The loss allowance of trade receivables of the Group was as follows:

	Not Past Due	Past Due 30-90 Days	Past Due 91-180 Days	Past Due 181-364 Days	Past Due More than 365 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 2,238,789	\$ 5,744	\$ 1,528	\$ 9,651	\$ 3,826	\$ 2,259,538
Loss allowance	<u>-</u>	<u>-</u>	<u>(382)</u>	<u>(3,202)</u>	<u>(3,826)</u>	<u>(7,410)</u>
Amortized cost	<u>\$ 2,238,789</u>	<u>\$ 5,744</u>	<u>\$ 1,146</u>	<u>\$ 6,449</u>	<u>\$ -</u>	<u>\$ 2,252,128</u>
<u>December 31, 2021</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 1,831,772	\$ 937	\$ -	\$ 52	\$ 4,140	\$ 1,836,901
Loss allowance	<u>-</u>	<u>(47)</u>	<u>-</u>	<u>(26)</u>	<u>(4,140)</u>	<u>(4,213)</u>
Amortized cost	<u>\$ 1,831,772</u>	<u>\$ 890</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 1,832,688</u>

The movements of the loss allowance were as follows:

	For the Year Ended December 31, 2022	
	Trade Receivables	Other Receivables
Balance at January 1	\$ 4,213	\$ -
Net remeasurement of loss allowance	3,197	1,467
Amounts written off	<u>-</u>	<u>(1,467)</u>
Balance at December 31	<u>\$ 7,410</u>	<u>\$ -</u>

	For the Year Ended December 31, 2021	
	Trade Receivables	Other Receivables
Balance at January 1	\$ 9,750	\$ -
Net remeasurement of loss allowance	2,091	-
Lose control of the subsidiary	(7,626)	-
Foreign exchange gains and losses	<u>(2)</u>	<u>-</u>
Balance at December 31	<u>\$ 4,213</u>	<u>\$ -</u>

10. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 1,080,298	\$ 672,278
Work in progress	462,762	434,989
Finished goods	986,282	611,538
Merchandise	<u>175,567</u>	<u>223,024</u>
	<u>\$ 2,704,909</u>	<u>\$ 1,941,829</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$7,083,503 thousand and \$6,037,246 thousand, respectively.

Operating costs include:

	For the Year Ended December 31, 2021	
	2022	2021
Write-downs (reversal) of inventories	\$ (9,126)	\$ 23,554

Inventory write-downs were reversed as a result of increased selling price in markets.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME NON - CURRENT

	December 31	
	2022	2021
<u>Unlisted ordinary shares</u>		
Yue Pfong International Technology Corp. (Yue Pfong)	\$ -	\$ -

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Proportion of Ownership (%)	
		December 31, 2022	December 31, 2021
The Company	New Score Holding Limited (NSH)	100	100
	Topkey (Vietnam) Corporation Company Limited (Topkey (VN) Corp)	100	100
NSH	Composite Solutions Corporation (CSC)	100	100
	EIC Holding Limited (EIC)	76	76
	Musonic Corporation (Musonic)	100	100
	New Score Investment Limited (NSI)	100	100
	XPT Investment Co., Limited (XPT Investment)	70	70
Musonic	Xiamen Keentech Composite Technology Co., Ltd. (Keentech)	64	64
NSI	Keentech	36	36
	Xiamen Valver Color Sticker Co., Ltd. (Valver)	100	100
EIC	Xiamen Yen Chuan Composite Technology Co., Ltd. (Yeu Chuan)	100	100
XPT Investment	Xiamen Xin Hong Zhou Precision Technology Co., Ltd. (Xin Hong Zhou)	100	100

The business closure of CSC had been resolved by the board of directors in August 2021. Subsequently, CSC applied to the local court in USA for the appointment of an administrator for liquidation. When the Group lost control of CSC, the net liabilities of CSC \$294,336 thousand are removed from Consolidated Financial statements. The Company had endorsed and guaranteed bank borrowings USD 10,000 thousand for CSC, and repaid each USD5,000 thousand in November, 2021 and February, 2022. Therefore, the Company recognized endorsement and guarantee liabilities for \$138,450 thousand in December 31, 2021 and loss on endorsement and guarantee for \$278,258 thousand for the year ended December 31, 2021. Analysis of assets and liabilities on the date control was lost:

	CSC
Current assets	
Cash and cash equivalents	\$ 35,147
Trade receivables	9,916
Other receivables	606
Inventories	7,221
Prepayments	4,910
Non-current assets	
Property, plant and equipment	6,806
Right-of-use assets	70,076
Other non-current assets	2,854
Current liabilities	
Short-term borrowings	(280,236)
Borrowings from related parties	(49,742)
Trade payables	(17,988)
Other payables	(9,724)
Lease liabilities - current	(19,543)
Non-current liabilities	
Lease liabilities - non-current	<u>(54,639)</u>
Net assets disposed of	<u>\$ (294,336)</u>

Net cash outflow on disposal of subsidiaries

	CSC
Consideration received in cash and cash equivalents	\$ -
Less: Cash and cash equivalents balances disposed of	<u>35,147</u>
	<u>\$ (35,147)</u>

Refer to Table 8 and 9 following the Notes to Consolidated Financial statements for information on the place of incorporation and principal places of business for each subsidiary.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)	
	December 31	
	2022	2021
EIC	24	24
XPT Investment	30	30

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended		December 31	
	2022	2021	2022	2021
EIC	\$ 56,220	\$ 21,101	\$ 176,019	\$ 132,794
XPT Investment	<u>105,726</u>	<u>77,889</u>	<u>286,944</u>	<u>201,305</u>
	<u>\$ 161,946</u>	<u>\$ 98,990</u>	<u>\$ 462,963</u>	<u>\$ 334,099</u>

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

1) EIC and EIC's subsidiaries:

	December 31	
	2022	2021
Current assets	\$ 887,143	\$ 677,790
Non-current assets	137,222	141,165
Current liabilities	(268,100)	(235,550)
Non-current liabilities	<u>(9,156)</u>	<u>(19,763)</u>
Equity	<u>\$ 747,109</u>	<u>\$ 563,642</u>
Equity attributable to:		
Owners of EIC	\$ 571,090	\$ 430,848
Non-controlling interests of EIC	<u>176,019</u>	<u>132,794</u>
	<u>\$ 747,109</u>	<u>\$ 563,642</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 1,390,628</u>	<u>\$ 1,072,177</u>
Profit for the year	\$ 238,626	\$ 89,561
Other comprehensive income for the year	<u>(57,129)</u>	<u>12,042</u>
Total comprehensive income for the year	<u>\$ 181,497</u>	<u>\$ 101,603</u>
Profit attributable to:		
Owners of EIC	\$ 182,406	\$ 68,460
Non-controlling interests of EIC	<u>56,220</u>	<u>21,101</u>
	<u>\$ 238,626</u>	<u>\$ 89,561</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Total comprehensive income attributable to:		
Owners of EIC	\$ 138,736	\$ 77,665
Non-controlling interests of EIC	<u>42,761</u>	<u>23,938</u>
	<u>\$ 181,497</u>	<u>\$ 101,603</u>
Cash inflow/(outflow) from:		
Operating activities	\$ 245,348	\$ 82,746
Investing activities	58,807	(130,774)
Financing activities	<u>(76,113)</u>	<u>(88,604)</u>
Net cash outflow	<u>\$ 228,042</u>	<u>\$ (136,632)</u>
Dividends paid to non-controlling interest of EIC	<u>\$ 14,946</u>	<u>\$ 17,508</u> (Concluded)

2) XPT Investment and XPT Investment's subsidiaries:

	December 31	
	2022	2021
Current assets	\$ 977,360	\$ 641,565
Non-current assets	199,312	193,592
Current liabilities	(208,783)	(155,128)
Non-current liabilities	<u>(966)</u>	<u>(1,687)</u>
Equity	<u>\$ 966,923</u>	<u>\$ 678,342</u>
Equity attributable to:		
Owners of XPT Investment	\$ 679,979	\$ 477,037
Non-controlling interests of XPT Investment	<u>286,944</u>	<u>201,305</u>
	<u>\$ 966,923</u>	<u>\$ 678,342</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 1,096,390</u>	<u>\$ 1,037,902</u>
Profit for the year	\$ 356,268	\$ 262,467
Other comprehensive income for the year	<u>(58,495)</u>	<u>9,376</u>
Total comprehensive income for the year	<u>\$ 297,773</u>	<u>\$ 271,843</u>
Profit attributable to:		
Owners of XPT Investment	\$ 250,542	\$ 184,578
Non-controlling interests of XPT Investment	<u>105,726</u>	<u>77,889</u>
	<u>\$ 356,268</u>	<u>\$ 262,467</u> (Continued)

	For the Year Ended December 31	
	2022	2021
Total comprehensive income attributable to:		
Owners of XPT Investment	\$ 209,406	\$ 191,171
Non-controlling interests of XPT Investment	<u>88,367</u>	<u>80,672</u>
	<u>\$ 297,773</u>	<u>\$ 271,843</u>
Cash inflow/(outflow) from:		
Operating activities	\$ 407,014	\$ 387,357
Investing activities	(43,506)	(40,289)
Financing activities	<u>(10,607)</u>	<u>(209,349)</u>
Net cash inflow	<u>\$ 352,901</u>	<u>\$ 137,719</u>
Dividends paid to non-controlling interest of XPT Investment	<u>\$ 25,150</u>	<u>\$ -</u>
		(Concluded)

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022						
	Beginning Balance	Additions	Disposals	Reclassifications	Loss Control of the Subsidiary	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>							
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,939
Buildings	1,107,982	-	(37,591)	458,481	-	29,557	1,558,429
Machinery equipment	1,355,554	174,994	(60,890)	91,550	-	20,312	1,581,520
Transportation equipment	15,950	4,208	(2,963)	-	-	177	17,372
Other equipment	520,643	119,353	(145,931)	52,022	-	7,251	553,338
Construction in progress	<u>521,854</u>	<u>1,130,958</u>	<u>-</u>	<u>(575,225)</u>	<u>-</u>	<u>29,818</u>	<u>1,107,405</u>
	<u>3,574,922</u>	<u>\$ 1,429,513</u>	<u>\$ (247,375)</u>	<u>\$ 26,828</u>	<u>\$ -</u>	<u>\$ 87,115</u>	<u>4,871,003</u>
					\$ =		
<u>Accumulated depreciation</u>							
Buildings	593,871	\$ 69,508	\$ (37,591)	\$ -	\$ -	\$ 8,118	633,906
Machinery equipment	598,306	134,226	(57,532)	-	-	7,000	682,000
Transportation equipment	4,847	3,027	(2,871)	-	-	66	5,069
Other equipment	<u>287,701</u>	<u>144,344</u>	<u>(145,257)</u>	<u>-</u>	<u>-</u>	<u>4,161</u>	<u>290,949</u>
	<u>1,484,725</u>	<u>\$ 351,105</u>	<u>\$ (243,251)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,345</u>	<u>1,611,924</u>
<u>Accumulated impairment</u>							
Machinery equipment	139,617	\$ 45,272	\$ (1,412)	\$ -	\$ -	\$ 2,130	185,607
Other equipment	<u>1,501</u>	<u>-</u>	<u>(112)</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>1,412</u>
	<u>141,118</u>	<u>\$ 45,272</u>	<u>\$ (1,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,153</u>	<u>187,019</u>
	<u>\$ 1,949,079</u>						<u>\$ 3,072,060</u>

For the Year Ended December 31, 2021							
	Beginning Balance	Additions	Disposals	Reclassifications	Loss Control of the Subsidiary	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>							
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,939
Buildings	1,116,258	-	(2,247)	-	-	(6,029)	1,107,982
Machinery equipment	1,633,157	72,247	(336,348)	85,841	90,134	(9,209)	1,355,554
Transportation equipment	6,439	8,795	-	758	-	(42)	15,950
Other equipment	707,713	109,071	(169,223)	19,553	140,900	(5,571)	520,643
Construction in progress	227,769	391,356	-	(89,790)	-	(7,481)	521,854
	<u>3,744,275</u>	<u>\$ 581,469</u>	<u>\$ (507,818)</u>	<u>\$ 16,362</u>	<u>\$ 231,034</u>	<u>\$ (28,332)</u>	<u>3,574,922</u>
<u>Accumulated depreciation</u>							
Buildings	547,291	\$ 51,618	\$ (2,247)	\$ -	\$ -	\$ (2,791)	593,871
Machinery equipment	786,713	141,087	(295,651)	-	29,630	(4,213)	598,306
Transportation equipment	2,748	2,117	-	-	-	(18)	4,847
Other equipment	378,129	167,063	(165,985)	-	88,419	(3,087)	287,701
	<u>1,714,881</u>	<u>\$ 361,885</u>	<u>\$ (463,883)</u>	<u>\$ -</u>	<u>\$ 118,049</u>	<u>\$ (10,109)</u>	<u>1,484,725</u>
<u>Accumulated impairment</u>							
Machinery equipment	175,155	\$ 58,388	\$ (39,206)	\$ -	\$ 53,698	\$ (1,022)	139,617
Other equipment	148	53,904	(69)	-	52,481	(1)	1,501
	<u>175,303</u>	<u>\$ 112,292</u>	<u>\$ (39,275)</u>	<u>\$ -</u>	<u>\$ 106,179</u>	<u>\$ (1,023)</u>	<u>141,118</u>
	<u>\$ 1,854,091</u>						<u>\$ 1,949,079</u>

The estimated future cash flows expected to arise from some related machinery and other equipment decreased. The Group carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable. The review led to the recognition of an impairment loss of \$45,272 thousand and \$112,292 thousand, which was recognized in other gains and losses on the consolidated statement of comprehensive income for the year ended December 31, 2022 and 2021.

The Group determined the recoverable amount of the assets based on their fair values less costs of disposal. The fair values were categorized as Level 3 measurement and measured using the market quotation.

Except for equipment which acquisition by project (which is recognized in other equipment), depreciation of property, plant and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	40-55 years
Ancillary work	5-30 years
Machinery equipment	3-30 years
Transportation equipment	5-10 years
Other equipment	3-10 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 522,846	\$ 524,055
Buildings	67,806	74,751
Transportation equipment	<u>533</u>	<u>869</u>
	<u>\$ 591,185</u>	<u>\$ 599,675</u>

	For the Year Ended December 31,	
	2022	2021
Additions to right-of-use assets	\$ 54,532	\$ 91,330
Depreciation of right-of-use assets		
Land	\$ 21,371	\$ 17,232
Buildings	35,491	43,946
Transportation equipment	<u>336</u>	<u>684</u>
	\$ 57,198	\$ 61,862

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 43,859	\$ 70,830
Non-current	<u>\$ 276,686</u>	<u>\$ 288,570</u>

Rage of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.35%-4%	1.35%-4%
Buildings	0.85%-4.9%	0.85%-4.9%
Transportation equipment	0.85%	0.85%-4.75%

c. Material leasing activities and terms

The Group leases certain transportation equipment for the use of operation with lease terms of 3 years. These arrangements do not contain renewal or purchase options.

The Group also leases land and buildings for the use of plants and offices with lease terms of 2 to 50 years. The lease contract for land located that lease payments will be adjusted on the basis of changes in the consumer price index or announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31,	
	2022	2021
Expenses relating to short-term lease	\$ 1,345	\$ 2,332
Expenses relating to low value asset leases	\$ 52	\$ 125
Total cash outflow for leases	<u>\$ (57,997)</u>	<u>\$ (68,648)</u>

The Group leases certain equipment which qualify as short-term leases and which qualify as low-value asset leases. The Group has elected to apply the recognition exemption for these leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 4,705,396	\$ 2,132,450
<u>Secured borrowings (Note 25)</u>		
Mortgage borrowings	<u>145,502</u>	<u>-</u>
	<u>\$ 4,850,898</u>	<u>\$ 2,132,450</u>
<u>Annual interest rate range (%)</u>		
Line of credit borrowings	0.85-4.99	0.61-3.82
Mortgage borrowings	3	-

b. Long-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 78,236	\$ 40,606
Less: Current portion	<u>(22,353)</u>	<u>-</u>
	<u>\$ 55,883</u>	<u>\$ 40,606</u>
<u>Annual interest rate range (%)</u>	9.68	3.82

16. OTHER PAYABLES

	December 31	
	2022	2021
Salaries and bonuses	\$ 449,096	\$ 423,952
Compensation of employees	104,269	42,628
Acquisition of equipment	72,083	68,096
Remuneration of directors and supervisors	39,324	32,103
Others	<u>83,057</u>	<u>90,862</u>
	<u>\$ 747,829</u>	<u>\$ 657,641</u>

17. RETIREMENT BENEFIT PLANS

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

NSH, Musonic, NSI, EIC, XPT Investment and Maggio are an investment holding trade company; therefore, there is no retirement policy. CSC adopted defined contribution plan. CSC contributes funds and manages it independently. Keentech, Valver, Yeu Chuan, and Xin Hong Zhou pay endowment insurance in accordance with the regulations of mainland China. They are approved by local governments to contribute to local governments under the local regulations. Topkey (VN) Corp contributes retirement pension fund on a monthly basis under the regulations of local governments to local governments.

18. EQUITY

a. Capital stock

	December 31	
	2022	2021
Authorized shares (in thousands of shares)	180,000	180,000
Authorized capital	\$ 1,800,000	\$ 1,800,000
Issued and paid shares (in thousands of shares)	90,820	90,820

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 1,549,452	\$ 1,549,452
The difference between the consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	52,190	52,190
<u>May only be used to offset a deficit (2)</u>		
Disposal assets gain	35,824	35,824
Disgorgement exercise	204	204
<u>May not be used for any purpose</u>		
Employee share options	1,862	1,862
	<u>\$ 1,639,532</u>	<u>\$ 1,639,532</u>

- 1) The capital surplus generated from the excess of the issuance price over the par value of capital stock, the difference between the consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company’s capital surplus. Other capital surplus

shall not be used for any purpose.

2) Such capital surplus may be used to offset a deficit.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "Articles"), the proposal for profit distribution or offsetting of losses may be made at the end of each six months of the fiscal year. When allocating profit, the company shall first estimate and reserve the taxes to be paid, offset its losses, set legal capital of the remaining earnings, until the legal reserve equals the Company's paid-in capital. The Board of Directors shall formulate a profit distribution or loss compensation proposal and submit it along with the business report and financial statements to the Audit Committee for review and later to the Board of Directors for resolution. If the distribution is done in the form of new share issuance, the proposal shall be complied with the Company Act in Article 240; and if the distribution is done in the form of cash, the proposal shall be resolved by the Board of Directors.

Where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if here are profit left expect dividends, along with accumulated unappropriated earnings, submit it to the shareholders' meeting for resolution. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 19.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of 2021 and 2020 earnings which have been approved by the shareholders in the shareholders' meetings in May 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve	\$ 83,165	\$ 67,902		
Special reserve	56,385	64,300		
Cash dividends	544,920	454,100	\$ 6	\$ 5

The appropriation of 2022 earnings which has been proposed by the Company's board of directors on March, 2023 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 226,006	
Reversal of Special reserve	(288,902)	
Cash dividends	999,020	\$ 11

The appropriation of 2022 earnings is subject to the resolution of the shareholders in the shareholders' meeting to be held in May 2023.

d. Special reserve

On the initial adoption of IFRS, the retained earnings was not enough, the Company appropriated a special reserve at \$126,886 thousand that was the same as the net increase in retained earnings.

The appropriations of earning for 2021 and 2020, the Company appropriated a special reserve at \$56,385 thousand and \$64,300 thousand because of the deduction of other equity in the end of reporting period.

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 96,252	\$ 17,888
Interest on lease liabilities	<u>8,005</u>	<u>8,448</u>
	<u><u>\$ 104,257</u></u>	<u><u>\$ 26,336</u></u>

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Employee benefit expense			
Salary expenses	\$ 2,096,219	\$ 762,451	\$ 2,858,670
Retirement pension	128,634	42,388	171,022
Other employee benefits	115,107	100,204	215,311
Depreciation expenses	305,895	102,851	408,746
<u>For the Year Ended December 31, 2021</u>			
Employee benefit expense			
Salary expenses	1,829,883	675,322	2,505,205
Retirement pension	81,371	29,127	110,498
Other employee benefits	93,717	99,418	193,135
Depreciation expenses	348,095	76,087	424,182
Amortization expenses	11,332	-	11,332

c. Compensation of employees and remuneration of directors and supervisors

According to the Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 3%-10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors on March, 2023 and 2022, respectively, are as follows:

	For the Year Ended December 31			
	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	3.61%	\$ 104,269	3.21%	\$ 42,628
Remuneration of directors and supervisors	1.36%	39,324	2.42%	32,103

If there is a change in the amounts after the annual consolidated financial statements were authorized for issuance, the differences will be recorded as a change in the accounting estimate in the following year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 707,274	\$ 267,543
Income tax on unappropriated earnings	7,359	4,636
Repatriated offshore funds	-	50,205
Adjustment for prior years	(3,996)	46,795
	<u>710,637</u>	<u>369,179</u>
Deferred tax		
In respect of the current year	10,430	208,901
Adjustment for prior years	18,127	(45,603)
	<u>28,557</u>	<u>163,298</u>
Income tax expense recognized in profit or loss	<u>\$ 739,194</u>	<u>\$ 532,477</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 849,423	\$ 384,876
Permanent differences	(131,719)	152,405
Temporary differences	-	(10,632)
Income tax on unappropriated earnings	7,359	4,636
Adjustments for prior years' tax	<u>14,131</u>	<u>1,192</u>
Income tax expense recognized in profit or loss	<u>\$ 739,194</u>	<u>\$ 532,477</u>

b. Deferred tax assets and liabilities

For the Year Ended December 31, 2022				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Exchange difference on translating the financial Statement of foreign operation	\$ -	\$ -	\$ 51,700	\$ 51,700
Deferred revenue	27,941	(6,451)	-	21,490
Property, plant and equipment impairment loss	-	8,868	-	8,868
Unrealized loss on inventories	6,176	7,122	-	13,298
Unrealized exchange loss	1,615	2,750	-	4,365
Others	1,534	709	-	2,243
	<u>\$ 37,266</u>	<u>\$ 12,998</u>	<u>\$ 51,700</u>	<u>\$ 101,964</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 468,429	\$ 41,555	\$ -	\$ 509,984
Reserve for land value increment tax	8,707	-	-	8,707
Exchange differences on translating the financial statements of foreign operations	9,110	-	(9,110)	-
	<u>\$ 486,246</u>	<u>\$ 41,555</u>	<u>\$ (9,110)</u>	<u>\$ 518,691</u>
For the Year Ended December 31, 2021				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Deferred revenue	\$ 11,716	\$ 16,225	\$ -	\$ 27,941
Unrealized exchange loss	7,691	(6,076)	-	1,615
Unrealized loss on inventories	5,541	635	-	6,176
Others	1,744	(210)	-	1,534
	<u>\$ 26,692</u>	<u>\$ 10,574</u>	<u>\$ -</u>	<u>\$ 37,266</u>

(Continued)

For the Year Ended December 31, 2021				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 294,557	\$ 173,872	\$ -	\$ 468,429
Exchange differences on translating the financial statements of foreign operations	23,206	-	(14,096)	9,110
Reserve for land value increment tax	<u>8,707</u>	<u>-</u>	<u>-</u>	<u>8,707</u>
	<u>\$ 326,470</u>	<u>\$ 173,872</u>	<u>\$ (14,096)</u>	<u>\$ 486,246</u> (Concluded)

- c. The information of unrecognized deferred income tax liabilities associated with investments

As of December 31, 2022 and 2021, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred income tax liabilities amounted to \$0 thousand and \$21,856 thousand, respectively.

- d. Income tax assessments

The tax returns through 2020 of the Company have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 2,260,065	90,820	<u>\$24.89</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>632</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 2,260,065</u>	<u>91,452</u>	<u>\$24.71</u>

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 831,647	90,820	<u>\$9.16</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>324</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 831,647</u>	<u>91,144</u>	<u>\$9.12</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings, and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel of the Group consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the key management personnel, the Group expects to balance its capital structure through the payment of dividends, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

23. FINANCIAL INSTRUMENTS

a. Fair value - Fair value of financial instruments not measured at fair value

Management of the Group consider the carrying amounts of the Group's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 2,887	\$ -	\$ 2,887

There were no transfers between Levels 1 and 2 in the current year and prior years.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL	\$ -	\$ 2,887
Financial assets at amortized cost	9,509,695	6,492,563
<u>Financial liabilities</u>		
Amortized cost	6,401,043	3,854,668

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, trade receivables, other receivables, and refundable deposits.

The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables, endorsement and guarantee liabilities, long-term borrowings (including those due within one year), and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities, and borrowings. The Group's financial department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group enters into foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 27.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the NTD against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in income before income tax and other equity associated with the NTD strengthening 1% against the relevant currency. For a 1% weakening of the NTD against the USD, there would be an equal and opposite impact on income before income tax and other equity, and the balances below would be negative.

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit or loss	\$ <u>66,235</u>	\$ <u>37,052</u>

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 5,486,587	\$ 3,332,100
Financial liabilities	4,193,679	2,136,456
Cash flow interest rate risk		
Financial assets	1,688,244	1,199,591
Financial liabilities	1,056,000	396,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For a 1% basis points higher/lower against interest rates and all other variables were held constant, the Group's income before income tax for the years ended December 31, 2022 and 2021 would decrease/increase by \$6,322 thousand and \$8,036 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The Group's management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Group also continuously evaluates the financial status of the customers of the accounts receivable, and purchases credit guarantee insurance contracts when necessary.

The Group's concentration of credit risk of 35% and 53% of total trade receivables as of December 31, 2022 and 2021, respectively, was attributable to the Group's five largest customers in the property construction business segment.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities set out as follows:

	December 31	
	2022	2021
Unutilized bank loan limits	<u>\$ 6,013,212</u>	<u>\$ 4,596,775</u>

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Less than 1 Year	More than 1 Years
<u>December 31, 2022</u>		
Non-interest bearing liabilities	\$ 1,409,519	\$ 62,390
Lease liabilities	49,767	323,523
Floating interest rate liabilities	1,056,000	-
Fix interest rate liabilities	<u>3,817,251</u>	<u>55,883</u>
	<u>\$ 6,332,537</u>	<u>\$ 441,796</u>
<u>December 31, 2021</u>		
Non-interest bearing liabilities	\$ 1,405,472	\$ 276,140
Lease liabilities	76,493	320,614
Floating interest rate liabilities	396,000	-
Fix interest rate liabilities	<u>1,736,450</u>	<u>40,606</u>
	<u>\$ 3,614,415</u>	<u>\$ 637,360</u>

Further information on maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	More than 20 Years
<u>December 31, 2022</u>						
Lease liabilities	\$ 49,767	\$ 108,298	\$ 91,137	\$ 91,137	\$ 8,342	\$ 24,609
Floating interest rate liabilities	1,056,000	-	-	-	-	-
Fix interest rate liabilities	<u>3,817,251</u>	<u>55,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,923,018</u>	<u>\$ 164,181</u>	<u>\$ 91,137</u>	<u>\$ 91,137</u>	<u>\$ 8,342</u>	<u>\$ 24,609</u>

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>10-15 Years</u>	<u>15-20 Years</u>	<u>More than 20 Years</u>
<u>December 31, 2021</u>						
Lease liabilities	\$ 76,493	\$ 105,221	\$ 74,516	\$ 91,075	\$ 24,201	\$ 25,601
Floating interest rate liabilities	396,000	-	-	-	-	-
Fix interest rate liabilities	<u>1,736,450</u>	<u>40,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,208,493</u>	<u>\$ 145,827</u>	<u>\$ 74,516</u>	<u>\$ 91,075</u>	<u>\$ 24,201</u>	<u>\$ 25,601</u>

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
CSC	Sub-subsidiary (liquidation in progress)

- b. Other receivables

<u>Related Party Name</u>	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
CSC	<u>\$ -</u>	<u>\$ 49,842</u>

- c. Loans to related parties

<u>Line Item</u>	<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Interest income	CSC	<u>\$ -</u>	<u>\$ 573</u>

The Company provided short-term loans to subsidiaries at rates comparable to market interest rates. The interest rate is 1% in 2021.

- d. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 87,193	\$ 82,740
Post-employment benefits	<u>885</u>	<u>966</u>
	<u>\$ 88,078</u>	<u>\$ 83,706</u>

The remuneration of directors and key management personnel was determined by the remuneration committee based on the market trends and performance of individuals.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the deposits for electricity company and performance bond:

	December 31	
	2022	2021
Financial assets at amortized cost	\$ 189,208	\$ 3,091

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company insures liability insurance for products sold all regions of the world. The renewal period for bicycle products is from December 1, 2022 to December 1, 2023. The maximum compensation amount for a single event is US\$6,000 thousand, and the cumulative compensation amount is US\$8,000 thousand. The renewal period for helmet products is from April 1, 2022 to April 1, 2023. The maximum compensation amount for a single event is US\$5,000 thousand, and the cumulative compensation amount is US\$6,000 thousand. The renewal period for aviation products is from August 1, 2022 to August 1, 2023. The maximum compensation amount for a single event is US\$ 1,000 thousand, and the cumulative compensation amount is US\$ 2,000 thousand.
- b. Unrecognized commitments were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	\$ 1,108,408	\$ 451,519

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Group entities and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In USD)	Exchange Rate	Carrying Amount (In NTD)
<u>December 31, 2022</u>			
Financial assets			
Monetary items	\$ 282,132	30.71	\$ 8,663,686
Financial liabilities			
Monetary items	66,438	30.71	2,040,177
<u>December 31, 2021</u>			
Financial assets			
Monetary items	201,565	27.69	5,581,330
Financial liabilities			
Monetary items	67,755	27.69	1,876,123

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended December 31, 2022		For the Year Ended December 31, 2021	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (USD:NTD)	\$ 193,830	1 (USD:NTD)	\$ (30,075)
USD	29.81 (USD:NTD)	(19,431)	28.02 (USD:NTD)	34,818
RMB	4.43 (RMB:NTD)	344,924	4.35 (RMB:NTD)	(36,064)

28. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

- 1) Financing provided to others (Table 1).
- 2) Endorsements/guarantees provided (Table 2).
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3).
- 4) Marketable securities acquired or 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 at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4).
- 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6).
- 9) Trading in derivative instruments (Note 7).
- 10) Intercompany relationships and significant intercompany transactions (Table 7).
- 11) Information on investees (Table 8).

c. Information on investments in mainland China.

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as sporting products, aviation and medical products, and others.

a. Segment revenue and operating results

The following was an analysis of the Group's revenue and operating results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit or Loss	
	2022	2021	2022	2021
Sporting products	\$ 8,912,376	\$ 6,592,098	\$ 2,143,948	\$ 1,209,552
Aviation and medical products	661,672	731,946	217,042	69,778
Others	<u>1,391,261</u>	<u>1,367,884</u>	<u>180,482</u>	<u>159,195</u>
Generated from Continuing Operating Segment	<u>\$10,965,309</u>	<u>\$ 8,691,928</u>	2,541,472	1,438,525
Interest income			106,753	21,050
Government grants income			64,341	60,226
Other gains			86,837	84,590
Finance costs			(104,257)	(26,336)
Gain on disposal of subsidiaries			-	294,336
Foreign exchange gain (loss)			519,323	(31,321)
Loss on endorsement and guarantee			-	(278,258)

(Continued)

	Segment Revenue		Segment Profit or Loss	
	2022	2021	2022	2021
Other losses			\$ (3,626)	\$ (7,083)
Gain (loss) on disposal of property, plant and equipment			(1,422)	5,683
Net gains on financial assets at FVTPL			(2,944)	13,994
Impairment loss			<u>(45,272)</u>	<u>(112,292)</u>
Income before income tax			<u>\$ 3,161,205</u>	<u>\$ 1,463,114</u> (Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2022 and 2021.

Segment profit represents the gains and losses earned by each segment excluding interest income, government grants income, other gains, finance costs, gain on disposal of subsidiaries, foreign exchange gain (loss), loss on endorsement and guarantee, other losses, gain (loss) on disposal of property, plant and equipment, net gain on financial assets at FVTPL, impairment loss and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

The Group does not provide reporting segment information for operational decision maker, so the measurement of assets and liabilities are zero.

c. Geographical information

The Group operates in three principal geographical areas - Asia, Europe, and America.

Revenue from continuing operations of the Group from external customers by location of operations and information about its non-current assets by location of assets were as follows.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Asia	\$ 6,587,160	\$ 5,400,034	\$ 3,741,951	\$ 2,653,275
Europe	2,458,375	1,765,863	-	-
America	1,728,681	1,325,547	-	-
Others	<u>191,093</u>	<u>200,484</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,965,309</u>	<u>\$ 8,691,928</u>	<u>\$ 3,741,951</u>	<u>\$ 2,653,275</u>

Non-current assets exclude deferred tax assets.

d. Information of major customers

Single customer contributed 10% or more to the Group's revenue as below:

Name	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 2,416,427	22	\$ 2,411,255	28

TOPKEY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Company	CSC	Other receivable from related parties	Yes	\$ 56,042	\$ -	\$ -	1	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,914,944 (Note 2)	\$ 1,914,944 (Note 2)

Note 1: The nature of financing provided to other:

1. Business transaction.

2. Operating capital.

Note 2: 20% of the net equity of the company in their latest financial statement. If the company hold 100% voting rights directly or indirectly, no more than 25% of the net equity of the company in their latest financial statement.

Note 3: 25% of the net equity of the company who provide financing to other in their latest financial statement.

Note 4: Highest balance for the period and ending balance are the quota approved by board of directors as reporting amount and exchange by foreign amount in reporting month multiply by New Taiwan dollar exchange rate in reporting month.

Note 5: Actual amount borrowed is actual foreign amount borrowed multiply New Taiwan dollar exchange rate in reporting month.

TABLE 2

TOPKEY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Amount Borrowed (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	NSI	Indirectly owned subsidiary	\$ 3,829,889 (Note 1)	\$ 773,040	\$ 122,832	\$ -	\$ -	2	\$ 3,829,889 (Note 1)	Y	-	-
		CSC	Indirectly owned subsidiary	3,829,889 (Note 1)	140,105	-	-	-	-	3,829,889 (Note 1)	Y	-	-
		Topkey (VN) Corp	Directly owned subsidiary	3,829,889 (Note 1)	1,095,660	951,948	483,574	-	12	3,829,889 (Note 1)	Y	-	-
		XPT Investment	Indirectly owned subsidiary	2,297,933 (Note 1)	61,804	61,416	-	-	1	2,297,933 (Note 1)	Y	-	-

Note 1: 30% of the net equity of the company in their latest financial statement. If the company hold 100% voting rights directly or indirectly, no more than 50% of the net equity of the company in their latest financial statement.

Note 2: Highest balance for the period and ending balance are the quota approved by board of directors as reporting amount and exchange by foreign amount in reporting month multiply by New Taiwan dollar exchange rate in reporting month.

Note 3: Actual amount borrowed is actual foreign amount borrowed multiply New Taiwan dollar exchange rate in reporting month.

TABLE 3

TOPKEY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Stock</u> Yue Pfong	-	Financial assets at FVTOCI - non-current	190	\$ -	1	\$ -	

Note: Refer to Tables 8 and 9 for information on subsidiary investment.

TABLE 4

TOPKEY CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Company Name	Property	Event Date (Note 1)	Transaction Amount (Note 2)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Engaging others to build on rented land	2022.1.21	\$ 1,866,667	\$ 800,665	Earth Power Construction Co., Ltd.	-	-	-	-	\$ -	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-
	Engaging others to build on rented land	2022.8.18	670,000	100,500	Chang Jia M&E Engineering Corp.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-

Note 1: According to the transaction signing date.

Note 2: Contract amount.

TABLE 5

TOPKEY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	NSI	Indirectly owned subsidiary	Sale	\$ (102,000)	(1)	T/T 90 days	\$	-	\$ 16,806	1	
		Indirectly owned subsidiary	Sale	(191,674)	(2)	T/T 90 days		-	126,026	6	
	Yeu Chuan	Indirectly owned subsidiary	Purchase	4,621,926	72	T/T 90 days		-	(1,421,184)	(78)	
			Purchase	740,802	12	T/T 90 days		-	(224,921)	(12)	
NSI	Keentech	Investment accounted for using the equity method	Sale	(875,910)	(39)	T/T 30 days	-	-	120,418	38	
			Purchase	1,100,491	56	T/T 60 days	-	-	(147,753)	(82)	
XPT Investment	Xin Hong Zhou	XPT Investment's subsidiary	Purchase	710,706	100	T/T 45-50 days	-	-	(125,978)	(100)	
Yeu Chuan	Keentech	The same parent company	Sale	(120,280)	(9)	T/T 90 days	-	-	41,328	13	

Note: Transactions have been eliminated.

TABLE 6

TOPKEY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Keentech	Indirectly owned subsidiary	\$ 126,026	1.85	\$ -	-	\$ 26,155	\$ -
Keentech	The Company	The ultimate parent of Keentech	1,421,184	1.82	-	-	433,226	-
Keentech	NSI	The parent for using the equity method of Keentech	147,753	2.09	-	-	-	-
Yeu Chuan	The Company	The ultimate parent of Yeu Chuan	224,921	1.93	-	-	-	-
Xin Hong Zhou	XPT Investment	The parent of Xin Hong Zhou	125,978	2.99	-	-	-	-
NSI	Keentech	Investment accounted for using the equity method	120,418	3.77	-	-	85,949	-

Note: Transactions have been eliminated.

TABLE 7

TOPKEY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Amounts in Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
0	The Company	NSI	1	Sales	\$ 102,000	T/T 90 days	1
			1	Sales	191,674	T/T 90 days	2
		Keentech	1	Purchases	4,621,926	T/T 90 days	42
			1	Trade receivables	126,026	T/T 90 days	1
			1	Trade payables	1,421,184	T/T 90 days	9
		Yeu Chuan	1	Purchases	740,802	T/T 90 days	7
			1	Trade payables	224,921	T/T 90 days	1
1	NSI	Keentech	2	Sales	875,910	T/T 30 days	8
			2	Purchases	1,100,491	T/T 60 days	10
			2	Trade receivables	120,418	T/T 30 days	1
			2	Trade payables	147,753	T/T 60 days	1
2	XPT Investment	Xin Hong Zhou	2	Purchases	710,706	T/T 45-50 days	6
			2	Trade payables	125,978	T/T 45-50 days	1
3	Yea Chuan	Keentech	2	Sales	120,280	T/T 90 days	1

Note 1: 1) From parent company to subsidiary.

2) From subsidiary to subsidiary.

Note 2: Transactions have been eliminated.

Note 3: Unrealized gross profit of sales with Keentech are 5,645 thousand, which have been eliminated.

TOPKEY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	NSH Topkey (VN) Corp	British Virgin Islands Vietnam	International investment	\$ 2,500,092	\$ 2,254,381	80,137	100	\$ 4,870,250	\$ 1,264,986	\$ 1,257,114	Subsidiary
			Manufacture and sale of carbon fiber products, glass fiber products and composite components	460,620	415,350	-	100	337,334	(103,322)	(98,417)	Subsidiary
NSH	CSC	Seattle, USA	Development, manufacture and sale of aviation composite components	657,520	592,898	22	100	-	-	(Note 1)	Indirectly owned subsidiary
	EIC	Seychelles	International investment	177,646	160,187	3,822	76	571,090	238,626	(Note 1)	Indirectly owned subsidiary
	NSI	Hong Kong	International investment and trade	385,017	347,177	12,498	100	1,797,896	415,098	(Note 1)	Indirectly owned subsidiary
	Musonic	British Virgin Islands	International investment	1,158,705	1,044,827	22,228	100	1,847,884	416,302	(Note 1)	Indirectly owned subsidiary
	XPT Investment	Hong Kong	International investment and trade	379,167	341,902	11,388	70	679,979	356,268	(Note 1)	Indirectly owned subsidiary

Note 1: Exempted according to regulations.

Note 2: Transactions have been eliminated.

Note 3: Refer to Table 9 for information on subsidiary investment in mainland China.

Note 4: Foreign amount in the Table is exchanged to New Taiwan dollars by rate on balance sheet date.

TABLE 9

TOPKEY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Investee Company (Note 5)	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Keentech	Manufacture and sale of carbon fiber products, glass fiber products and composite components	\$ 1,412,568	(Note 1)	\$ 1,066,612	\$ -	\$ -	\$ 1,066,612	\$ 760,589	100	\$ 760,589	\$ 2,878,214	\$ 3,687,450
Yeu Chuan	Manufacture of various helmets, glasses, and components of vehicles	153,540	(Note 1)	84,447	-	-	84,447	247,628	76	189,287	568,778	258,993
Xin Hong Zhou	Development, design and manufacture of various precision molds, processing of various plastic and rubber products	472,136	(Note 1)	258,715	-	-	258,715	333,164	70	234,294	604,832	-
Valver	Manufacture of water gage and HRNT	38,385	(Note 1)	46,461	-	-	46,461	11,520	100	11,520	73,857	54,739

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,456,235 (USD 47,422)	\$ 2,041,038 (USD 66,466)	(Note 3)

Note 1: The investment was made through a company established in a third country, which in turn invested in company located in mainland China.

Note 2: The investment gain (loss) are recognized according to the financial statements audited by the Company’s independent auditors.

Note 3: The Company had obtained the certification documents issued by the Industrial Bureau of the Ministry of Economic Affairs to meet the operating scope of operational headquarters with “Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China” noticed by the Ministry of Economic Affairs on August 29, 2008.

Note 4: Foreign amount in the Table is exchanged to New Taiwan dollars by rate on balance sheet date.

Note 5: Transactions have been eliminated.

TABLE 10**TOPKEY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Shen Wen Chen	9,654,182	10.63%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

8.2 2022 Parent Company Only Financial Reports of Topkey Corporation

Topkey Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Topkey Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 of the Company's financial statements for the year ended December 31, 2022 is as follows:

Revenue Recognition

The Company's sales revenue mainly comes from the manufacture and sale of sporting goods, carbon fiber products, glass fiber products, and composite materials. A significant portion of export sales to customers increased significantly has a material impact on the financial statements. Therefore, we identified recognition authenticity of sales revenue as a key audit matter. For the accounting policies on the recognition of sales revenue, refer to Note 4.

Our key audit procedures performed in respect of revenue recognition included the following:

1. We understood and evaluated the design and appropriateness of implementation of the internal controls related to the recognition of sales revenue, and tested the continuous effectiveness of its controls during the year.
2. We selected samples of the sales revenue receipts and vouched the documents to sales order, delivery of goods and receipt vouchers related to sales revenue and verified the occurrence of the sales revenue.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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 entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

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

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

TOPKEY CORPORATION

BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,233,774	17	\$ 1,655,745	15
Financial assets at amortized cost - current (Notes 7 and 24)	797,419	6	1,607,281	15
Trade receivables (Note 8)	1,821,754	14	1,082,314	10
Trade receivables from related parties (Note 23)	179,816	2	210,264	2
Other receivables (Note 8)	29,672	-	21,747	-
Other receivables from related parties (Note 23)	2,062	-	51,894	-
Inventories (Note 9)	995,132	8	786,251	7
Other current assets	<u>96,769</u>	<u>1</u>	<u>79,450</u>	<u>1</u>
Total current assets	<u>6,156,398</u>	<u>48</u>	<u>5,494,946</u>	<u>50</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 10)	-	-	-	-
Investments accounted for using the equity method (Note 11)	5,207,584	40	4,866,209	44
Property, plant and equipment (Note 12)	1,134,724	9	283,115	3
Right-of-use assets (Note 13)	251,999	2	263,559	3
Deferred tax assets (Note 19)	101,964	1	37,266	-
Refundable deposits	9,425	-	8,700	-
Other non-current assets	<u>32,981</u>	<u>-</u>	<u>38,723</u>	<u>-</u>
Total non-current assets	<u>6,738,677</u>	<u>52</u>	<u>5,497,572</u>	<u>50</u>
TOTAL	<u>\$ 12,895,075</u>	<u>100</u>	<u>\$ 10,992,518</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 1,556,000	12	\$ 1,994,000	18
Trade payables	175,514	1	182,844	2
Trade payables to related parties (Note 23)	1,646,105	13	1,214,781	11
Other payables (Note 15)	240,260	2	234,230	2
Other payables to related parties (Note 23)	7,926	-	18,988	-
Current tax liabilities (Note 19)	342,274	3	143,674	2
Lease liabilities - current (Note 13)	28,216	-	31,858	-
Endorsement and guarantee liabilities (Note 11)	-	-	138,450	1
Other current liabilities	<u>373,377</u>	<u>3</u>	<u>298,829</u>	<u>3</u>
Total current liabilities	<u>4,369,672</u>	<u>34</u>	<u>4,257,654</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 19)	518,691	4	486,246	4
Lease liabilities - non-current (Note 13)	229,988	2	236,501	2
Guarantee deposits	62,170	1	276,140	3
Other non-current liabilities	<u>54,777</u>	<u>-</u>	<u>80,247</u>	<u>1</u>
Total non-current liabilities	<u>865,626</u>	<u>7</u>	<u>1,079,134</u>	<u>10</u>
Total liabilities	<u>5,235,298</u>	<u>41</u>	<u>5,336,788</u>	<u>49</u>
EQUITY				
Capital stock	908,200	7	908,200	8
Capital surplus	1,639,532	13	1,639,532	15
Retained earnings				
Legal reserve	803,434	6	720,269	7
Special reserve	619,193	5	562,808	5
Unappropriated earnings	4,019,709	31	2,444,114	22
Other equity				
Exchange differences on translation of the financial statement of foreign operations	(320,291)	(3)	(609,193)	(6)
Unrealized valuation loss on financial assets at fair value through other comprehensive income	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Total equity	<u>7,659,777</u>	<u>59</u>	<u>5,655,730</u>	<u>51</u>
TOTAL	<u>\$ 12,895,075</u>	<u>100</u>	<u>\$ 10,992,518</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2023)

TOPKEY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET REVENUE (Note 23)	\$ 8,245,125	100	\$ 5,862,658	100
COST OF GOODS SOLD (Notes 9, 18 and 23)	<u>6,418,393</u>	<u>78</u>	<u>4,744,478</u>	<u>81</u>
GROSS PROFIT	1,826,732	22	1,118,180	19
UNREALIZED LOSS (GAIN) ON TRANSACTIONS WITH SUBSIDIARIES	<u>(3,857)</u>	<u>-</u>	<u>81</u>	<u>-</u>
GROSS PROFIT	<u>1,822,875</u>	<u>22</u>	<u>1,118,261</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing expenses (Note 18)	93,296	1	106,995	2
General and administrative expenses (Note 18)	328,077	4	321,027	5
Research and development expenses (Note 18)	40,473	1	47,823	1
Expected credit loss (gain) (Note 8)	<u>4,664</u>	<u>-</u>	<u>(5,149)</u>	<u>-</u>
Total operating expenses	<u>466,510</u>	<u>6</u>	<u>470,696</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>1,356,365</u>	<u>16</u>	<u>647,565</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries (Note 11)	1,158,697	14	869,355	15
Interest income (Note 23)	55,024	1	2,670	-
Other gains	51,564	1	57,641	1
Finance costs (Note 18)	(26,349)	-	(14,623)	-
Loss on endorsement and guarantee (Note 11)	-	-	(278,258)	(5)
Other losses	(880)	-	(1,167)	-
Impairment loss (Note 18)	(45,272)	(1)	-	-
Net foreign exchange gain (loss)	<u>193,830</u>	<u>2</u>	<u>(30,075)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>1,386,614</u>	<u>17</u>	<u>605,543</u>	<u>10</u>
INCOME BEFORE INCOME TAX	2,742,979	33	1,253,108	21
INCOME TAX EXPENSE (Note 19)	<u>482,914</u>	<u>6</u>	<u>421,461</u>	<u>7</u>
NET INCOME	<u>2,260,065</u>	<u>27</u>	<u>831,647</u>	<u>14</u>

(Continued)

TOPKEY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 228,092	3	\$ (70,481)	(1)
Income tax relating to items that will be reclassified subsequently to profit or loss (Note 19)	<u>60,810</u>	<u>1</u>	<u>14,096</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>288,902</u>	<u>4</u>	<u>(56,385)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,548,967</u>	<u>31</u>	<u>\$ 775,262</u>	<u>13</u>
EARNINGS PER SHARE (Note 20)				
Basic	<u>\$ 24.89</u>		<u>\$ 9.16</u>	
Diluted	<u>\$ 24.71</u>		<u>\$ 9.12</u>	

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

(With Deloitte & Touche auditors' report dated March 9, 2023)

(Concluded)

TOPKEY CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Common Shares (Note 17)	Capital Surplus (Note 17)	Retained Earnings (Note 17)			Other Equity		Total Equity
			Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 908,200	\$ 1,639,532	\$ 652,367	\$ 498,508	\$ 2,198,769	\$ (552,808)	\$ (10,000)	\$ 5,334,568
Appropriation of 2020 earnings								
Legal reserve	-	-	67,902	-	(67,902)	-	-	-
Special reserve	-	-	-	64,300	(64,300)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(454,100)	-	-	(454,100)
	-	-	67,902	64,300	(586,302)	-	-	(454,100)
Net profit for the year ended December 31, 2021	-	-	-	-	831,647	-	-	831,647
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(56,385)	-	(56,385)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	831,647	(56,385)	-	775,262
BALANCE AT DECEMBER 31, 2021	908,200	1,639,532	720,269	562,808	2,444,114	(609,193)	(10,000)	5,655,730
Appropriation of 2021 earnings								
Legal reserve	-	-	83,165	-	(83,165)	-	-	-
Special reserve	-	-	-	56,385	(56,385)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(544,920)	-	-	(544,920)
	-	-	83,165	56,385	(684,470)	-	-	(544,920)
Net profit for the year ended December 31, 2022	-	-	-	-	2,260,065	-	-	2,260,065
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	288,902	-	288,902
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,260,065	288,902	-	2,548,967
BALANCE AT DECEMBER 31, 2022	\$ 908,200	\$ 1,639,532	\$ 803,434	\$ 619,193	\$ 4,019,709	\$ (320,291)	\$ (10,000)	\$ 7,659,777

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

(With Deloitte & Touche auditors' report dated March 9, 2023)

TOPKEY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,742,979	\$ 1,253,108
Adjustments for:		
Depreciation expenses	74,601	67,982
Expected credit loss (gain)	4,664	(5,149)
Finance costs	26,349	14,623
Interest income	(55,024)	(2,670)
Share of profit of subsidiaries	(1,158,697)	(869,355)
Loss on disposal of property, plant and equipment	245	-
Property, plants and equipment impairment loss	45,272	-
Write-downs of inventories	10,705	3,178
Unrealized loss (gain) on the transactions with subsidiaries	3,857	(81)
Loss (gain) on foreign currency exchange	(1,365)	982
Amortization of prepayments	2,824	3,473
Loss on endorsement and guarantee	-	278,258
Gain on lease modification	(287)	(4)
Changes in operating assets and liabilities:		
Trade receivables	(734,403)	(178,265)
Other receivables	(4,443)	(57,500)
Inventories	(219,586)	(457,836)
Other current assets	(19,445)	(36,228)
Trade payables	450,445	335,140
Other payables	9,336	45,298
Other current liabilities	74,548	(30,908)
Other non-current liabilities	(25,470)	37,661
Cash generated from operations	1,227,105	401,707
Interest received	50,049	2,541
Interest paid	(26,114)	(14,136)
Income tax paid	(255,757)	(148,512)
Net cash generated from operating activities	995,283	241,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(954,247)	(454,690)
Proceeds from disposal of financial assets at amortized cost	1,764,109	41,407
Acquisition of property, plant and equipment	(933,470)	(5,831)
Proceeds from disposal of property, plant and equipment	338	-
Decrease (increase) in refundable deposits	(725)	950
Decrease in other receivables from related parties	49,842	73,830
Increase in other non-current assets	(223)	(146)
Increase in prepayments for equipment	(17,423)	(21,016)
Dividends received	1,041,557	1,081,179
Net cash generated from investing activities	949,758	715,683

(Continued)

TOPKEY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 2,337,000	\$ 2,644,000
Repayments of short-term borrowings	(2,775,000)	(2,343,000)
Increase (decrease) in guarantee deposits	(216,720)	276,140
Repayments of the principal portion of lease liabilities	(28,922)	(28,044)
Cash dividends distributed to owners of the Company	(544,920)	(454,100)
Repayments of endorsement and guarantee liabilities	<u>(138,450)</u>	<u>(139,808)</u>
Net cash used in financing activities	<u>(1,367,012)</u>	<u>(44,812)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	578,029	912,471
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,655,745</u>	<u>743,274</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,233,774</u>	<u>\$ 1,655,745</u>

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

(With Deloitte & Touche auditors' report dated March 9, 2023)

(Concluded)

TOPKEY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

Topkey Corporation (the “Company”) was incorporated in the Republic of China (ROC) in July 1980; and is mainly engaged in the production, processing, sale, international trading and agency services of sporting goods, carbon fiber products, glass fiber products, and composite materials.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since October 2013.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 9, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Business Entity Accounting Handling, part of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced 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 by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments 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 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and noncurrent 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 reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purpose of presenting the financial statements, the functional currencies of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work-in-process, finished goods, and merchandise are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Except for equipment which acquisition by project is recognized using the unit of production method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of property, plant and equipment, and right-of-use assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, and right-of-use assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, 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 costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets held by the Company are classified into the following categories: financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalent, financial assets at amortized cost, trade receivables, other receivables, and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition and short-term bills which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 181 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

j. Revenue recognition

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of sporting goods, aviation products, and medical products. Sales of sporting goods, aviation products, and medical products are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from professional labor services. The revenue and trade receivables are recognized by contract.

k. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 989	\$ 910
Checking accounts and demand deposits	269,445	430,908
Cash equivalents		
Time deposits	<u>1,963,340</u>	<u>1,223,927</u>
	<u>\$ 2,233,774</u>	<u>\$ 1,655,745</u>
<u>Annual interest rate (%)</u>		
Demand deposits	0.001-1.05	0.001-0.2
Time deposits	0.02-5.030	0.02-0.315

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2022	2021
Restricted deposits	<u>\$ 797,419</u>	<u>\$ 1,607,281</u>
<u>Annual interest rate (%)</u>		
Restricted deposits	0.085-4.30	0.01-0.12

Refer to Note 24 for the pledged of restricted deposits, and the rest are mainly repatriated funds US\$ 63,039 thousand, which approved by Taxation Bureau of Ministry of Finance in accordance with “Repatriated Offshore Funds Act” as of December 31, 2022, and the Company submit the investment plan to the Ministry of Economic Affairs. According to the Acts, deposits are limited to approved plans and cannot be used for other purposes.

8. TRADE RECEIVABLES

	December 31	
	2022	2021
At amortized cost		
Gross carrying amount	\$ 1,829,164	\$ 1,086,527
Less: Allowance for impairment loss	<u>(7,410)</u>	<u>(4,213)</u>
	<u>\$ 1,821,754</u>	<u>\$ 1,082,314</u>

The credit period of sales of goods is 60 to 120 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The loss allowance of trade receivables of the Company were as follows:

	Not Past Due	Past Due 30-90 Days	Past Due 91-180 Days	Past Due 181-365 Days	Past Due More than 365 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 1,817,407	\$ -	\$ 1,528	\$ 6,403	\$ 3,826	\$ 1,829,164
Loss allowance	-	-	(382)	(3,202)	(3,826)	(7,410)
Amortized cost	<u>\$ 1,817,407</u>	<u>\$ -</u>	<u>\$ 1,146</u>	<u>\$ 3,201</u>	<u>\$ -</u>	<u>\$ 1,821,754</u>
<u>December 31, 2021</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 1,081,398	\$ 937	\$ -	\$ 52	\$ 4,140	\$ 1,086,527
Loss allowance	-	(47)	-	(26)	(4,140)	(4,213)
Amortized cost	<u>\$ 1,081,398</u>	<u>\$ 890</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 1,082,314</u>

The movements of the loss allowance was as follows:

	For the Year Ended December 31, 2022	
	Trade Receivables	Other Receivables
Balance at January 1	\$ 4,213	\$ -
Net remeasurement of loss allowance	3,197	1,467
Amount written off	-	(1,467)
Balance at December 31	<u>\$ 7,410</u>	<u>\$ -</u>

	For the Year Ended December 31, 2021	
	Trade Receivables	Other Receivables
Balance at January 1	\$ 9,362	\$ -
Net remeasurement of loss allowance	<u>(5,149)</u>	<u>-</u>
Balance at December 31	<u>\$ 4,213</u>	<u>\$ -</u>

9. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 335,419	\$ 213,259
Work in progress	90,852	99,634
Finished goods	393,294	250,334
Merchandise	<u>175,567</u>	<u>223,024</u>
	<u>\$ 995,132</u>	<u>\$ 786,251</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$6,418,393 thousand and \$4,744,478 thousand, respectively.

Operating costs include:

	For the Year Ended December 31,	
	2022	2021
Write downs of inventories	\$ 10,705	\$ 3,178

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME NON - CURRENT

	December 31	
	2022	2021
<u>Unlisted ordinary shares</u>		
Yue Pfong International Technology Corp. (Yue Pfong)	<u>\$ -</u>	<u>\$ -</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Subsidiary	December 31	
	2022	2021
New Score Holding Limited (NSH)	\$ 4,870,250	\$ 4,470,740
Topkey (Vietnam) Corporation Company Limited (Topkey (VN) Corp)	<u>337,334</u>	<u>395,469</u>
	<u>\$ 5,207,584</u>	<u>\$ 4,866,209</u>
Name of Subsidiary	Proportion of Ownership (%)	
	2022	2021
NSH	100	100
Topkey (VN) Corp	100	100

The business closure of Composite Solutions Corporation (CSC), the subsidiary of NSH, had been resolved by the board of directors in August 2021. Subsequently, CSC applied to the local court in USA for the appointment of an administration of liquidation. When NSH lose control of CSC, the net liabilities of CSC \$294,336 thousand are removed from Financial Statement. The Company had endorsed and guaranteed bank borrowings USD 10,000 thousand for CSC, and repaid each USD5,000 thousand in November, 2022 and February, 2022. Therefore, the Company recognized endorsement and guarantee liabilities for \$138,450 thousand in December 31, 2021 and loss on endorsement and guarantee for \$278,258 thousand for the year ended December 31, 2021.

Share of income (loss) and other comprehensive income (loss) of subsidiaries is recognized by the financial reports that have been audited by auditors in 2022 and 2021.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
<u>Cost</u>					
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ 52,939
Buildings	131,567	-	-	-	131,567
Machinery equipment	260,537	10,495	(2,076)	3,063	272,019
Other equipment	55,175	21,826	(2,677)	243	74,567
Construction in progress	<u>27,149</u>	<u>905,824</u>	<u>-</u>	<u>-</u>	<u>932,973</u>
	<u>527,367</u>	<u>\$ 938,145</u>	<u>\$ (4,753)</u>	<u>\$ 3,306</u>	<u>1,464,065</u>
<u>Accumulated depreciation</u>					
Buildings	96,031	\$ 6,795	\$ -	\$ -	102,826
Machinery equipment	128,397	24,650	(1,660)	-	151,387
Other equipment	<u>19,824</u>	<u>12,542</u>	<u>(2,510)</u>	<u>-</u>	<u>29,856</u>
	<u>244,252</u>	<u>\$ 43,987</u>	<u>\$ (4,170)</u>	<u>\$ -</u>	<u>284,069</u>
<u>Accumulated impairment</u>					
Machinery equipment	<u>-</u>	<u>\$ 45,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>45,272</u>
	<u>\$ 283,115</u>				<u>\$ 1,134,724</u>

For the Year Ended December 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
<u>Cost</u>					
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ 52,939
Buildings	133,814	-	(2,247)	-	131,567
Machinery equipment	254,678	13,266	(7,407)	-	260,537
Other equipment	39,509	16,620	(1,122)	168	55,175
Construction in progress	<u>27,337</u>	<u>-</u>	<u>-</u>	<u>(188)</u>	<u>27,149</u>
	<u>508,277</u>	<u>\$ 29,886</u>	<u>\$ (10,776)</u>	<u>\$ 20</u>	<u>527,367</u>
<u>Accumulated depreciation</u>					
Buildings	91,399	\$ 6,879	\$ (2,247)	\$ -	96,031
Machinery equipment	111,715	24,089	(7,407)	-	128,397
Other equipment	<u>13,446</u>	<u>7,500</u>	<u>(1,122)</u>	<u>-</u>	<u>19,824</u>
	<u>216,560</u>	<u>\$ 38,468</u>	<u>\$ (10,776)</u>	<u>\$ -</u>	<u>244,252</u>
	<u>\$ 291,717</u>				<u>\$ 283,115</u>

The estimated future cash flows expected to arise from some related machinery equipment decreased. The Company carried out a review of the recoverable amount of the related machinery equipment and determined that the carrying amount exceeded the recoverable. The review led to the recognition of an impairment loss of \$45,272 thousand, which was recognized in other gains and losses on the consolidated statement of comprehensive income for the year ended December 31, 2022.

The Company determined the recoverable amount of the assets based on their fair values less costs of disposal. The fair values were categorized as Level 3 measurement and measured using the market quotation.

Except for equipment which acquisition by project (which is recognized in other equipment), depreciation of property, plant and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	40-55 years
Ancillary work	5-10 years
Machinery and equipment	5-10 years
Other equipment	3-10 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 219,027	\$ 233,629
Buildings	32,439	29,061
Transportation equipment	<u>533</u>	<u>869</u>
	<u>\$ 251,999</u>	<u>\$ 263,559</u>

	For the Year Ended December 31,	
	2022	2021
Additions to right-of-use assets	\$ 43,252	\$ 41,371
Depreciation of right-of-use assets		
Land	\$ 14,602	\$ 14,602
Buildings	15,676	14,480
Transportation equipment	<u>336</u>	<u>432</u>
	<u>\$ 30,614</u>	<u>\$ 29,514</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 28,216	\$ 31,858
Non-current	<u>\$ 229,988</u>	<u>\$ 236,501</u>

Rage of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.35%	1.35%
Buildings	1.10%	0.85%
Transportation equipment	0.85%	0.85%

c. Material leasing activities and terms

The Company leases certain transportation equipment for the use of operation with lease terms of 3 years. These arrangements do not contain renewal or purchase options.

The Company also leases land and buildings for the use of plants and offices with lease terms of 3 to 19 years. The lease contract for land located in the Republic of China specifies that lease payments will be adjusted based on announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31,	
	2022	2021
Expenses relating to short-term lease	\$ 772	\$ 527
Expenses relating to low value asset leases	<u>\$ 52</u>	<u>\$ 125</u>
Total cash outflow for leases	<u>\$ (33,265)</u>	<u>\$ (32,187)</u>

The Company leases certain equipment which qualify as short-term leases and which qualify as low-value asset leases. The Company has elected to apply the recognition exemption for these leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. SHORT-TERM BORROWINGS

	December 31	
	2022	2021
Line of credit borrowings	<u>\$ 1,556,000</u>	<u>\$ 1,994,000</u>
Annual interest rate range (%)	1.35-1.745	0.61-0.68

15. OTHER PAYABLES

	December 31	
	2022	2021
Compensation of employees	\$ 104,269	\$ 42,628
Salaries and bonuses	57,254	102,660
Remuneration of directors and supervisors	39,324	32,103
Acquisition of equipment	24,936	39,644
Others	<u>14,477</u>	<u>17,195</u>
	<u>\$ 240,260</u>	<u>\$ 234,230</u>

16. RETIREMENT BENEFIT PLANS

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

17. EQUITY

a. Capital stock

	December 31	
	2022	2021
Authorized shares (in thousands of shares)	180,000	180,000
Authorized capital	\$ 1,800,000	\$ 1,800,000
Issued and paid shares (in thousands of shares)	90,820	90,820

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capital	\$ 1,549,452	\$ 1,549,452
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	52,190	52,190
<u>May only be used to offset a deficit (2)</u>		
Disposal assets gain	35,824	35,824
Disgorgement exercise	204	204
<u>May not be used for any purpose</u>		
Employee share options	<u>1,862</u>	<u>1,862</u>
	<u>\$ 1,639,532</u>	<u>\$ 1,639,532</u>

1) The capital surplus generated from the excess of the issuance price over the par value of capital stock, the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus. Other capital surplus shall not be used for any purpose.

2) Such capital surplus may be used to offset a deficit.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "Articles"), the proposal for profit distribution or offsetting of losses may be made at the end of each six months of the fiscal year. When allocating profit, the company shall first estimate and reserve the taxes to be paid, offset its losses, set legal capital of the remaining earnings, until the legal reserve equals the Company's paid-in capital. The Board of Directors shall formulate a profit distribution or loss compensation proposal and submit it along with the business report and financial statements to the Audit Committee for review and later to the Board of Directors for resolution. If the distribution is done in the form of new share issuance, the proposal shall be complied with the Company Act in Article 240; and if the distribution is done in the form of cash, the proposal shall be resolved by the Board of Directors.

Where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if there are profit left expect dividends, along with accumulated unappropriated earnings, submit it to the shareholders' meeting for resolution. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 18.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of 2021 and 2020 earnings which have been approved by the shareholders in the shareholders' meetings in May 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve	\$ 83,165	\$ 67,902		
Special reserve	56,385	64,300		
Cash dividends	544,920	454,100	\$ 6	\$ 5

The appropriation of 2022 earnings which has been proposed by the Company's board of directors on March, 2023 was as follows:

	Appropriation	Dividends Per
	of Earnings	Share (NT\$)
Legal reserve	\$ 226,006	
Reversal of special reserve	(288,902)	
Cash dividends	999,020	\$ 11

The appropriation of 2022 earnings is subject to the resolution of the shareholders in the shareholders' meeting to be held in May 2023.

d. Special reserve

On the initial adoption of IFRS, the retained earnings was not enough, the Company appropriated a special reserve at \$126,886 thousand that was the same as the net increase in retained earnings.

The appropriations of earning for 2021 and 2020, the Company appropriated a special reserve at \$56,385 thousand and \$64,300 thousand because of the deduction of other equity in the end of reporting period.

18. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 22,830	\$ 11,132
Interest on lease liabilities	<u>3,519</u>	<u>3,491</u>
	<u>\$ 26,349</u>	<u>\$ 14,623</u>

b. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Employee benefit expense			
Salary expenses	\$ 68,834	\$ 228,941	\$ 297,775
Labor and health insurance costs	7,311	14,972	22,283
Retirement pension	2,624	5,914	8,538
Remuneration of directors	-	56,336	56,336
Other employee benefits	8,881	10,586	19,467
Depreciation expenses	41,593	33,008	74,601
<u>For the Year Ended December 31, 2021</u>			
Employee benefit expense			
Salary expenses	57,252	230,418	287,670
Labor and health insurance costs	6,437	15,396	21,833
Retirement pension	2,418	6,414	8,832
Remuneration of directors	-	44,349	44,349
Other employee benefits	6,612	11,192	17,804
Depreciation expenses	36,555	31,427	67,982

As of 2022 and 2021, the Company had 328 and 318 employees, respectively. There were 5 directors who did not serve concurrently as employees for both years. The headcounts were based on those used in the calculation of employee benefit expense. As of 2022 and 2021, the average of employee benefits expense was \$1,078 thousand and \$1,074 thousand, respectively; as of 2022 and 2021, the average of employee salaries was \$922 thousand and \$919 thousand, respectively, and the change in the average employee salaries was 0.33%.

The salary, remuneration and business execution expenses of the directors of the company are determined in accordance with the industry standard, the attendance of directors and the Articles. The remuneration of managers and employees includes salary, retirement pension, bonus and employee compensation, which are determined according to their contributions, qualifications, business performance and responsibilities and with reference to the industry standard. In accordance with the provisions of the Articles and the operation of the board of directors and the remuneration committee, the remuneration of directors and senior managers shall not only refer to the Company's overall operating performance and future development trends, but also give reasonable remuneration according to their participation in the Company's operations and the value of their contributions. Relevant performance appraisals and the rationality of remuneration are reviewed in a timely manner, and are submitted to the remuneration committee and the board of directors for review, so as to minimize the possibility and relevance of future risks, and so as to achieve a balance between the Company's sustainable operation and risk control.

c. Compensation of employees and remuneration of directors and supervisors

According to the Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 3%-10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors on March, 2023 and 2022, respectively, are as follows:

	For the Year Ended December 31			
	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	3.61%	\$ 104,269	3.21%	\$ 42,628
Remuneration of directors and supervisors	1.36%	39,324	2.42%	32,103

If there is a change in the amounts after the annual financial statements were authorized for issuance, the differences will be recorded as a change in the accounting estimate in the following year.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 452,788	\$ 165,560
Income tax on unappropriated earnings	7,359	4,636
Repatriated offshore funds	-	50,205
Adjustment for prior years	(5,790)	37,762
	<u>454,357</u>	<u>258,163</u>
Deferred tax		
In respect of the current year	10,430	208,901
Adjustment for prior years	18,127	(45,603)
	<u>28,557</u>	<u>163,298</u>
Income tax expense recognized in profit or loss	<u>\$ 482,914</u>	<u>\$ 421,461</u>

- b. A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 548,595	\$ 250,622
Permanent differences	(85,377)	184,676
Temporary differences	-	(10,632)
Income tax on unappropriated earnings	7,359	4,636
Adjustments for prior years' tax	<u>12,337</u>	<u>(7,841)</u>
Income tax expense recognized in profit or loss	<u>\$ 482,914</u>	<u>\$ 421,461</u>

b. Deferred tax assets and liabilities

For the Year Ended December 31, 2022				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Exchange difference on translating the financial Statement of foreign operation	\$ -	\$ -	\$ 51,700	\$ 51,700
Deferred revenue	27,941	(6,451)	-	21,490
Property, plant and equipment impairment loss	-	8,868	-	8,868
Unrealized loss on inventories	6,176	7,122	-	13,298
Unrealized exchange loss	1,615	2,750	-	4,365
Others	1,534	709	-	2,243
	<u>\$ 37,266</u>	<u>\$ 12,998</u>	<u>\$ 51,700</u>	<u>\$ 101,964</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 468,429	\$ 41,555	\$ -	\$ 509,984
Reserve for land value increment tax	8,707	-	-	8,707
Exchange differences on translating the financial statements of foreign operations	9,110	-	(9,110)	-
	<u>\$ 486,246</u>	<u>\$ 41,555</u>	<u>\$ (9,110)</u>	<u>\$ 518,691</u>
For the Year Ended December 31, 2021				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Deferred revenue	\$ 11,716	\$ 16,225	\$ -	\$ 27,941
Unrealized exchange loss	7,691	(6,076)	-	1,615
Unrealized loss on inventories	5,541	635	-	6,176
Others	1,744	(210)	-	1,534
	<u>\$ 26,692</u>	<u>\$ 10,574</u>	<u>\$ -</u>	<u>\$ 37,266</u>

(Continued)

For the Year Ended December 31, 2021				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 294,557	\$ 173,872	\$ -	\$ 468,429
Exchange differences on translating the financial statements of foreign operations	23,206	-	(14,096)	9,110
Reserve for land value increment tax	<u>8,707</u>	<u>-</u>	<u>-</u>	<u>8,707</u>
	<u>\$ 326,470</u>	<u>\$ 173,872</u>	<u>\$ (14,096)</u>	<u>\$ 486,246</u>
				(Concluded)

- c. The information of unrecognized deferred income tax liabilities associated with investments

As of December 31, 2022 and 2021, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred income tax liabilities amounted to \$0 thousand and \$21,856 thousand, respectively.

- d. Income tax assessments

The tax returns through 2020 of the Company have been assessed by the tax authorities.

20. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 2,260,065	90,820	<u>\$ 24.89</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>632</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 2,260,065</u>	<u>91,452</u>	<u>\$ 24.71</u>

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Year Ended December 31, 2021</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 831,647	90,820	<u>\$ 9.16</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>324</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 831,647</u>	<u>91,144</u>	<u>\$ 9.12</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entity will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

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

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the key management personnel, the Company expects to balance its capital structure through the payment of dividends, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

22. FINANCIAL INSTRUMENTS

a. Fair value - Fair value of financial instruments not measured at fair value

Management of the Company consider the carrying amounts of the Company's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 5,073,922	\$ 4,637,945
<u>Financial liabilities</u>		
Amortized cost	3,687,975	4,059,433

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, trade receivables, other receivables, and refundable deposits.

The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payable, other payables, endorsement and guarantee liabilities, and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, lease liabilities, and borrowings. The Company's financial department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company enters into foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 26.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the NTD against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in income

before income tax and other equity associated with the NTD strengthening 1% against the relevant currency. For a 1% weakening of the NTD against the USD, there would be an equal and opposite impact on income before income tax and other equity, and the balances below would be negative.

	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 25,535	\$ 16,938
Equity	52,076	48,662

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 2,755,992	\$ 2,827,996
Financial liabilities	758,204	1,866,359
Cash flow interest rate risk		
Financial assets	274,212	434,120
Financial liabilities	1,056,000	396,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 1% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For a 1% basis points higher/lower against interest rates and all other variables were held constant, the Company's income before income tax for the years ended December 31, 2022 and 2021 would decrease/increase by \$7,818 thousand and \$381 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The Company's management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Company also continuously evaluates the financial status of the customers of the accounts receivable, and purchases credit guarantee insurance contracts when necessary.

The Company's concentration of credit risk of 46% and 58% of total trade receivables as of December 31, 2022 and 2021, respectively, was attributable to the Company's five largest customers in the property construction business segment.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. The Company had available unutilized bank loan facilities set out as follows:

	December 31	
	2022	2021
Unutilized bank loan limits	<u>\$ 3,304,620</u>	<u>\$ 2,143,850</u>

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

	Less than 1 Year	More than 1 Years
<u>December 31, 2022</u>		
Non-interest bearing liabilities	\$ 2,069,805	\$ 62,170
Lease liabilities	31,455	250,792
Fix interest rate liabilities	500,000	-
Floating interest rate liabilities	<u>1,056,000</u>	<u>-</u>
	<u>\$ 3,657,260</u>	<u>\$ 312,962</u>

	Less than 1 Year	More than 1 Years
<u>December 31, 2021</u>		
Non-interest bearing liabilities	\$ 1,789,293	\$ 276,140
Lease liabilities	35,170	260,182
Fix interest rate liabilities	1,598,000	-
Floating interest rate liabilities	<u>396,000</u>	<u>-</u>
	<u>\$ 3,818,463</u>	<u>\$ 536,322</u>

Further information on maturity analysis of the above financial liabilities was as follow:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>December 31, 2022</u>					
Lease liabilities	\$ 31,455	\$ 85,202	\$ 82,795	\$ 82,795	\$ -
Fix interest rate liabilities	500,000	-	-	-	-
Floating interest rate liabilities	<u>1,056,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,587,455</u>	<u>\$ 85,202</u>	<u>\$ 82,795</u>	<u>\$ 82,795</u>	<u>\$ -</u>
<u>December 31, 2021</u>					
Lease liabilities	\$ 35,170	\$ 78,032	\$ 74,516	\$ 91,075	\$ 16,559
Fix interest rate liabilities	1,598,000	-	-	-	-
Floating interest rate liabilities	<u>396,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,029,170</u>	<u>\$ 78,032</u>	<u>\$ 74,516</u>	<u>\$ 91,075</u>	<u>\$ 16,559</u>

23. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Related party name and categories

Related Party Name	Related Party Categories
Topkey (VN) Corp	Subsidiary
CSC	Sub-subsidiary (liquidation in progress)
New Score Investment Limited (NSI)	Sub-subsidiary
EIC Holding Limited (EIC)	Sub-subsidiary
XPT Investment Co., Limited (XPT Investment)	Sub-subsidiary
Xiamen Yeu Chuan Composite Technology Co., Ltd. (Yeu Chuan)	Sub-subsidiary
Xiamen Keentech Composite Technology Co., Ltd. (Keentech)	Sub-subsidiary

(Continued)

Related Party Name	Related Party Categories
Xiamen Valver Color Sticker Co., Ltd. (Valver)	Sub-subsidiary
Xiamen Xin Hong Zhou Precision Technology Co., Ltd. (Xin Hong Zhou)	Sub-subsidiary
	(Concluded)

b. Sales of goods

Related Party Name	For the Year Ended December 31	
	2022	2021
Keentech	\$ 191,674	\$ 89,660
NSI	102,000	102,000
Yeu Chuan	53,122	119,941
Topkey (VN) Corp	6,735	74,922
Valver	4,050	3,474
Xin Hong Zhou	<u>1,023</u>	<u>835</u>
	<u>\$ 358,604</u>	<u>\$ 390,832</u>

Due to the differences in product specifications, the selling prices of goods sold to related parties and those sold to third parties are not comparable. The selling price is quoted at cost plus a reasonable margin based on the market and competitor pricing. The price is marked up by 6-10% on cost in 2022 and 2021. Payment terms are all T/T 60 days. The transaction between the Company and Topkey (VN) Corp is an agency purchase transaction, and it is sold to Topkey (VN) Corp at the purchase price. Payment term is T/T 180 days.

The Company has made a technical service cooperation contract with the subsidiary to dispatch professionals to provide related labor services. Monthly payment of 8,500 thousand as agreed in 2022 and 2021.

c. Purchases of goods

Related Party Name	For the Year Ended December 31	
	2022	2021
Keentech	\$ 4,621,926	\$ 3,571,519
Yeu Chuan	740,802	543,123
NSI	<u>-</u>	<u>28</u>
	<u>\$ 5,362,728</u>	<u>\$ 4,114,670</u>

The products purchased from related parties and those from third parties are not the same, therefore, their prices are not comparable. Payment terms are all T/T 90 days.

Items referred to under Rule No. 00747 issued by the FSC on March 18, 1998, should be eliminated for the amount of purchases and sales that are calculated double between related parties are as follows:

	For the Year Ended December 31	
	2022	2021
Yeu Chuan	\$ -	\$ 16,365
Topkey (VN) Corp	<u>-</u>	<u>74,922</u>
	<u>\$ -</u>	<u>\$ 91,287</u>

d. Trade receivables

Related Party Name	December 31	
	2022	2021
Keentech	\$ 126,026	\$ 91,722
Yeu Chuan	36,778	27,707
NSI	16,806	16,939
Xin Hong Zhou	149	54
Topkey (VN) Corp	57	73,837
Valver	<u>-</u>	<u>5</u>
	<u>\$ 179,816</u>	<u>\$ 210,264</u>

Receivables from related parties are not estimated for loss allowance.

e. Other receivables

Related Party Name	December 31	
	2022	2021
NSI	\$ 906	\$ 987
XPT Investment	835	675
EIC	171	174
Topkey (VN) Corp	149	216
CSC	<u>-</u>	<u>49,842</u>
	<u>\$ 2,062</u>	<u>\$ 51,894</u>

f. Loans to related parties

Line Item	Related Party Name	For the Year Ended December 31	
		2022	2021
Interest income	CSC	\$ -	\$ 573
	Topkey (VN) Corp	<u>-</u>	<u>240</u>
		<u>\$ -</u>	<u>\$ 813</u>

The Company provided short-term loans to subsidiaries at rates comparable to market interest rates. The interest rate is 1% in 2021.

g. Trade payable

Related Party Name	December 31	
	2022	2021
Keentech	\$ 1,421,184	\$ 1,069,828
Yeu Chuan	224,921	144,946
NSI	<u>-</u>	<u>7</u>
	<u>\$ 1,646,105</u>	<u>\$ 1,214,781</u>

h. Other payables

Related Party Name	December 31	
	2022	2021
Keentech	\$ 7,281	\$ 10,419
Yeu Chuan	<u>645</u>	<u>8,569</u>
	<u>\$ 7,926</u>	<u>\$ 18,988</u>

i. Endorsements/ guarantees

Related Party Category	December 31	
	2022	2021
Sub-subsidiaries		
Amount endorse	\$ 1,136,196	\$ 1,799,850
Amount utilized	483,574	317,309

j. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 83,468	\$ 76,550
Post-employment benefits	<u>885</u>	<u>966</u>
	<u>\$ 84,353</u>	<u>\$ 77,516</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

24. ASSETS PLEDGED AS COLLATERAL OF FOR SECURITY

The following assets were provided as collateral for performance bond:

	December 31	
	2022	2021
Financial assets at amortized cost	<u>\$ 17,000</u>	<u>\$ -</u>

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company insures liability insurance for products sold all regions of the world. The renewal period for bicycle products is from December 1, 2022 to December 1, 2023. The maximum compensation amount for a single event is US\$ 6,000 thousand, and the cumulative compensation amount is US\$ 8,000 thousand. The renewal period for helmet products is from April 1, 2022 to April 1, 2023. The maximum compensation amount for a single event is US\$ 5,000 thousand, and the cumulative compensation amount is US\$ 6,000 thousand. The renewal period for aviation products is from August 1, 2022 to August 1, 2023. The maximum compensation amount for a single event is US\$ 1,000 thousand, and the cumulative compensation amount is US\$ 2,000 thousand.
- b. Unrecognized commitments were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	<u>\$ 1,094,464</u>	<u>\$ 6,245</u>

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Company entities and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In USD)	Exchange Rate	Carrying Amount (In NTD)
<u>December 31, 2022</u>			
Financial assets			
Monetary items	\$ 139,802	30.708	\$ 4,293,040
Non-monetary items			
Financial liabilities	169,584	30.708	5,207,584
Monetary items			
<u>December 31, 2021</u>			
	56,649	30.708	1,739,577
Financial assets			
Monetary items	121,523	27.690	3,364,959
Non-monetary items	175,739	27.690	4,866,209
Financial liabilities			
Monetary items	60,353	27.690	1,671,175

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31, 2022		For the Year Ended December 31, 2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (USD:NTD)	\$ 193,830	1 (USD:NTD)	\$ (30,075)

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1).
- 2) Endorsements/guarantees provided (Table 2).
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3).
- 4) Marketable securities acquired or 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 at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4).
- 6) Disposal of individual real estate 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 amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6).
- 9) Trading in derivative instruments (None).
- 10) Information on investees (Table 7).

b. Information on investments in mainland China.

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (Table 5).
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (Table 5).
 - c) The amount of property transactions and the amount of the resultant gains or losses (None).
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (None).
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (None).

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None).
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9).

TOPKEY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Amount Borrowed (Note 5)	Interest Rate (%)	Nature of Financing (Note 1)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit (Note 3)
													Item	Value		
0	The Company	CSC	Other receivable from related parties	Yes	\$ 56,042	\$ -	\$ -	1	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,914,944 (Note 2)	\$ 1,914,944 (Note 2)

Note 1: The nature of financing provided to other:

1. Business transaction.

2. Operating capital.

Note 2: 20% of the net equity of the company in their latest financial statement. If the company hold 100% voting rights directly or indirectly, no more than 25% of the net equity of the company in their latest financial statement.

Note 3: 25% of the net equity of the company who provide financing to other in their latest financial statement.

Note 4: Highest balance for the period and ending balance are the quota approved by board of directors as reporting amount and exchange by foreign amount in reporting month multiply by New Taiwan dollar exchange rate in reporting month.

Note 5: Actual amount borrowed is actual foreign amount borrowed multiply New Taiwan dollar exchange rate in reporting month.

TABLE 2

TOPKEY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Amount Borrowed (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	NSI	Indirectly owned subsidiary	\$ 3,829,889 (Note 1)	\$ 773,040	\$ 122,832	\$ -	\$ -	2	\$ 3,829,889 (Note 1)	Y	-	-
		CSC	Indirectly owned subsidiary	3,829,889 (Note 1)	140,105	-	-	-	-	3,829,889 (Note 1)	Y	-	-
		Topkey (VN) Corp	Directly owned subsidiary	3,829,889 (Note 1)	1,095,660	951,948	483,574	-	12	3,829,889 (Note 1)	Y	-	-
		XPT Investment	Indirectly owned subsidiary	2,297,933 (Note 1)	61,804	61,416	-	-	1	2,297,933 (Note 1)	Y	-	-

Note 1: 30% of the net equity of the company in their latest financial statement. If the company hold 100% voting rights directly or indirectly, no more than 50% of the net equity of the company in their latest financial statement.

Note 2: Highest balance for the period and ending balance are the quota approved by board of directors as reporting amount and exchange by foreign amount in reporting month multiply by New Taiwan dollar exchange rate in reporting month.

Note 3: Actual amount borrowed is actual foreign amount borrowed multiply New Taiwan dollar exchange rate in reporting month.

TABLE 3

TOPKEY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Stock</u>							
	Yue Pfong	-	Financial assets at FVTOCI - non-current	190	\$ -	1	\$ -	

Note: Refer to Tables 7 and 8 for information on subsidiary investment.

TABLE 4

TOPKEY CORPORATION AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)**

Company Name	Property	Event Date (Note 1)	Transaction Amount (Note 2)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Engaging others to build on rented land	2022.1.21	\$ 1,866,667	\$ 800,665	Earth Power Construction Co., Ltd.	-	-	-	-	\$ -	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-
	Engaging others to build on rented land	2022.8.18	670,000	100,500	Chang Jia M&E Engineering Corp.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-

Note 1: According to the transaction signing date.

Note 2: Contract amount.

TABLE 5

TOPKEY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party (Note)	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	NSI	Indirectly owned subsidiary	Sale	\$ (102,000)	(1)	T/T 90 days	\$ -	-	\$ 16,806	1	
		Indirectly owned subsidiary	Sale	(191,674)	(2)	T/T 90 days	-	-	126,026	6	
	Yeu Chuan	Indirectly owned subsidiary	Purchase	4,621,926	72	T/T 90 days	-	-	(1,421,184)	(78)	
			Purchase	740,802	12	T/T 90 days	-	-	(224,921)	(12)	
NSI	Keentech	Investment accounted for using the equity method	Sale	(875,910)	(39)	T/T 30 days	-	-	120,418	38	
			Purchase	1,100,491	56	T/T 60 days	-	-	(147,753)	(82)	
XPT Investment	Xin Hong Zhou	XPT Investment's subsidiary	Purchase	710,706	100	T/T 45-50 days	-	-	(125,978)	(100)	
Yeu Chuan	Keentech	The same parent company	Sale	(120,280)	(9)	T/T 90 days	-	-	41,328	13	

TABLE 6

TOPKEY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Keentech	Indirectly owned subsidiary	\$ 126,026	1.85	\$ -	-	\$ 26,155	\$ -
Keentech	The Company	The ultimate parent of Keentech	1,421,184	1.82	-	-	433,226	-
Keentech	NSI	The parent for using the equity method of Keentech	147,753	2.09	-	-	-	-
Yeu Chuan	The Company	The ultimate parent of Yeu Chuan	224,921	1.93	-	-	-	-
Xin Hong Zhou	XPT Investment	The parent of Xin Hong Zhou	125,978	2.99	-	-	-	-
NSI	Keentech	Invesment accounted for using the equity method	120,418	3.77	-	-	85,949	-

TOPKEY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
The Company	NSH	British Virgin Islands	International investment	\$ 2,500,092	\$ 2,254,381	80,137	100	\$ 4,870,250	\$ 1,264,986	\$ 1,257,114	Subsidiary
	Topkey (VN) Corp	Vietnam	Manufacture and sale of carbon fiber products, glass fiber products and composite components	460,620	415,350	-	100	337,334	(103,322)	(98,417)	Subsidiary
NSH	CSC	Seattle, USA	Development, manufacture and sale of aviation composite components	657,520	592,898	22	100	-	-	(Note 1)	Indirectly owned subsidiary
	EIC	Seychelles	International investment	177,646	160,187	3,822	76	571,090	238,626	(Note 1)	Indirectly owned subsidiary
	NSI	Hong Kong	International investment and trade	385,017	347,177	12,498	100	1,797,896	415,098	(Note 1)	Indirectly owned subsidiary
	Musonic	British Virgin Islands	International investment	1,158,705	1,044,827	22,228	100	1,847,884	416,302	(Note 1)	Indirectly owned subsidiary
	XPT Investment	Hong Kong	International investment and trade	379,167	341,902	11,388	70	679,979	356,268	(Note 1)	Indirectly owned subsidiary

Note 1: Exempted according to regulations.

Note 2: Refer to Table 8 for information on subsidiary investment in mainland China.

Note 3: Foreign amount in the Table is exchanged to New Taiwan dollars by rate on balance sheet date.

TABLE 8**TOPKEY CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Keentech	Manufacture and sale of carbon fiber products, glass fiber products and composite components	\$ 1,412,568	(Note 1)	\$ 1,066,612	\$ -	\$ -	\$ 1,066,612	\$ 760,589	100	\$ 760,589	\$ 2,878,214	\$ 3,687,450
Yeu Chuan	Manufacture of various helmets, glasses, and components of vehicles	153,540	(Note 1)	84,447	-	-	84,447	247,628	76	189,287	568,778	258,993
Xin Hong Zhou	Development, design and manufacture of various precision molds, processing of various plastic and rubber products	472,136	(Note 1)	258,715	-	-	258,715	333,164	70	234,294	604,832	-
Valver	Manufacture of water gage and HRNT	38,385	(Note 1)	46,461	-	-	46,461	11,520	100	11,520	73,857	54,739

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,456,235 (USD 47,422)	\$ 2,041,038 (USD 66,466)	(Note 3)

Note 1: The investment was made through a company established in a third country, which in turn invested in company located in mainland China.

Note 2: The investment gain (loss) are recognized according to the financial statements audited by the Company's independent auditors.

Note 3: The Company had obtained the certification documents issued by the Industrial Bureau of the Ministry of Economic Affairs to meet the operating scope of operational headquarters with "Regulation Governing the Examination of Investment or Technical Cooperation in Mainland China" noticed by the Ministry of Economic Affairs on August 29, 2008.

Note 4: Foreign amount in the Table is exchanged to New Taiwan dollars by rate on balance sheet date.

TABLE 9**TOPKEY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Shen Wen Chen	9,654,182	10.63%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES	2
STATEMENT OF INVENTORIES	3
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	Note 10
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	4
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	5
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 19
STATEMENT OF SHORT-TERM BANK BORROWINGS	6
STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES	7
STATEMENT OF OTHER PAYABLES	Note 15
STATEMENT OF LEASE LIABILITIES	8
STATEMENT OF DEFERRED INCOME TAX LIABILITIES	Note 19
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET REVENUE	9
STATEMENT OF OPERATING COSTS	10
STATEMENT OF OPERATING EXPENSES	11
STATEMENT OF NON-OPERATING INCOME AND EXPENSES	STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF FINANCE COSTS	Note 18
STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION	Note 18

STATEMENT 1

TOPKEY CORPORATION

**STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Cash on hand	\$ 989
Cash in banks	
Checking accounts and demand deposits	4,091
Foreign deposits(Note 1)	265,354
Time deposits(Note 2)	<u>1,963,340</u>
	<u>\$ 2,233,774</u>

Note 1 : It includes US\$7,336 thousand and EUR 1,208 thousand converted at the exchange rate of US\$1 = NT\$30.708 and EUR\$1 = NT\$32.8637

Note2 : It includes US\$63,936 thousand converted at the exchange rate of US\$1 = NT\$30.708. The due period is March 2023, at an annual percentage rate of 0.02%/5.03%.

STATEMENT 2

TOPKEY CORPORATION

**STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Amount</u>
Company A	\$ 279,939
Company B	240,302
Company C	115,228
Company D	114,582
Company E	111,243
Company F	107,265
Others (Note)	<u>860,605</u>
	1,829,164
Less: Allowance for bad debts	(<u>7,410</u>)
	<u><u>\$ 1,821,754</u></u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3**TOPKEY CORPORATION****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount	Market Price (Note)
Raw materials	\$ 362,122	\$ 335,419
Work in process	91,794	90,852
Finished goods	407,215	393,294
Merchandise	<u>175,588</u>	<u>175,567</u>
	1,036,719	<u>\$ 995,132</u>
Less: Allowance to reduce inventory to market	(<u>41,587</u>)	
	<u>\$ 995,132</u>	

Note : Stated at the lower of cost or net realizable value and compare them item by item.

TOPKEY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2022		Additions		Decrease		Investment Gain (Loss)	Cash dividends distributed from the Investee	Exchange Differences on Translating of Foreign Operations	Realized (Unrealized) Gain	Balance, December 31, 2022			Market Price or Net Equity Value
	Share	Amount	Share	Amount	Share	Amount					Share	Ownership (%)	Amount	
NSH	80,137	\$ 4,470,740	-	\$ -	-	\$ -	\$ 1,257,114	(\$ 1,041,557)	\$ 187,810	(\$ 3,857)	80,137	100	\$ 4,870,250	\$ 4,904,944
Topkey (VN) Corp	-	395,469	-	-	-	-	(98,417)	-	40,282	-	-	100	337,334	337,334
		<u>\$ 4,866,209</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 1,158,697</u>	<u>(\$ 1,041,557)</u>	<u>\$ 228,092</u>	<u>(\$ 3,857)</u>			<u>\$ 5,207,584</u>	<u>\$ 5,242,278</u>

STATEMENT 5**TOPKEY CORPORATION**
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2022	Addition	Decrease	Balance at December 31, 2022
Cost				
Land	\$ 277,396	\$ -	\$ -	\$ 277,396
Buildings	40,363	43,252	(40,363)	43,252
Transportation equipment	1,009	-	-	1,009
	<u>318,768</u>	<u>\$ 43,252</u>	<u>(\$ 40,363)</u>	<u>321,657</u>
Accumulated depreciation				
Land	43,767	\$ 14,602	\$ -	58,369
Buildings	11,302	15,676	(16,165)	10,813
Transportation equipment	140	336	-	476
	<u>55,209</u>	<u>\$ 30,614</u>	<u>(\$ 16,165)</u>	<u>69,658</u>
	<u>\$ 263,559</u>			<u>\$ 251,999</u>

STATEMENT 6**TOPKEY CORPORATION****STATEMENT OF SHORT-TERM BANK BORROWINGS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Types of Loan and Bank	Loan Due Date (Note)	Annual interest rate (%)	Amount
Credit loan			
HSBC Bank Taichung Branch	112.03.27	1.50-1.63	\$ 539,000
SinoPac Bank South Taichung Branch	112.02.06	1.53-1.66	500,000
Citi Bank Taipei Branch	112.02.16	1.35	300,000
CTBC Bank	112.02.24	1.40	200,000
First Commercial Bank Taichung Branch	112.03.09	1.62-1.75	<u>17,000</u>
			<u>\$ 1,556,000</u>

Note: Shown maturity date is the last maturity date of all the loans.

STATEMENT 7

TOPKEY CORPORATION

**STATEMENT OF TRADE PAYABLES TO UNRELATED PARTIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Company A	\$ 36,132
Company B	35,028
Company C	14,159
Others (Note)	<u>90,195</u>
	<u>\$ 175,514</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

STATEMENT 8**TOPKEY CORPORATION****STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Lease Period	Discount Rate (%)	Ending Balance
Land	107.12-126.12	1.35	\$ 224,774
Buildings	111.4-114.4	1.10	32,895
Transportation equipment	110.7-113.7	0.85	<u>535</u>
			<u>\$ 258,204</u>

STATEMENT 9

TOPKEY CORPORATION

**STATEMENT OF NET REVENUE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Shipments (In thousands of units)	Amount
Sporting products	2,314	\$ 7,126,155
Aviation and medical products	91	661,672
Raw materials and others	(Note)	<u>457,298</u>
Operating revenue		<u>\$ 8,245,125</u>

Note : The product specifications and units of the company's raw materials are different, so the quantity cannot be listed.

STATEMENT 10**TOPKEY CORPORATION****STATEMENT OF OPERATING COSTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials, beginning of year	\$ 227,002
Raw materials purchased	845,492
Others	(9,688)
Raw materials, end of year	(<u>352,705</u>)
Raw materials used	\$ 710,101
Supplies, beginning of year	4,977
Supplies purchased	20,231
Others	(2,022)
Supplies, end of year	(<u>9,417</u>)
Supplies used	13,769
Direct labor	47,587
Manufacturing expenses	<u>100,914</u>
Manufacturing cost	872,371
Work in process, beginning of year	100,184
Others	14,044
Work in process, end of year	(<u>91,794</u>)
Cost of finished goods	894,805
Finished goods, beginning of year	260,315
Finished goods purchased	1,185,347
Others	68,097
Finished goods, end of year	(<u>407,215</u>)
Cost of goods sold	2,001,349
Merchandise, beginning of year	224,655
Merchandise purchased	4,227,269
Others	105,060
Merchandise, end of year	(<u>175,588</u>)
Cost of merchandise sold	6,382,745
Inventories scrapped and shortage	24,913
Service costs	30
Inventory write-downs	<u>10,705</u>
Operating costs	<u>\$ 6,418,393</u>

TOPKEY CORPORATION**STATEMENT OF OPERATING EXPENSES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary	\$ 24,889	\$ 243,716	\$ 22,586	\$ 291,191
Freight	28,227	165	53	28,445
Insurance	15,227	11,578	2,363	29,168
Depreciation	3,731	19,446	9,831	33,008
Others	<u>21,222</u>	<u>53,172</u>	<u>5,640</u>	<u>80,034</u>
	<u>\$ 93,296</u>	<u>\$ 328,077</u>	<u>\$ 40,473</u>	<u>\$ 461,846</u>

Topkey Corporation

Chairman: Wen-Chen Shen

May 5, 2023