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TOPKEY CORPORATION

2023 Annual Report

Annual Report

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

Company

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

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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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I. Letter to Shareholders

Dear Shareholders,

In 2023, the global economy had a poor performance as a result of global inflation and tense geopolitics; on top of that, the customers' orders declined in the sports and leisure industry under the influence of high stock. Therefore, the consolidated revenue of Topkey Corporation dropped to NT\$9.267 billion in 2023. In terms of profit, impacted by decline of orders and drop of yield, the margin slumped by 2.69%, compared with 2022; in addition, under the circumstances that there was no injection of income from the foreign currency exchange in respect of non-operating income, the earnings per share in 2023 was only achieved in the second highest record of NT\$15.58.

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, the Topkey's management team will continue to reinforce implementation of ESG, promote financial information transparency in compliance with the regulations of the competent authority, make corporate governance more sophisticated, make efforts to achieve carbon neutrality, and move towards the goal of net zero emissions in pursuit of corporate consolidated and sustainable development; we anticipate to create higher economic benefits, and fulfil the whole shareholders' commitments and expectations.

The report on 2023 business results is as follows:

1. 2023 Business Report

(1) Implementation Results of Business Plan

As Topkey's parent company only financial statements indicated, the operating revenue in 2023 was NT\$7.328 billion, accounting for a decrease of NT\$0.917 billion compared with NT\$8.245 billion in 2022 with a decline of 11.12%; the margin in 2023 was 19.81%, decreasing by 2.30% compared with 22.11% in the previous year; the pre-tax net profit was 24.25%, decreasing by 9.02% compared with 33.27% in the previous year.

As Topkey's consolidated financial statements showed, the net operating revenue in 2023 was NT\$9.267 billion, decreasing by NT\$1.698 billion compared with NT\$10.965 billion in 2022 with a decline of 15.49%; under the influence of slump of the operational scale in 2023, the consolidated margin was 32.71%, decreasing by 2.69% compared with 35.40% in the previous year; the consolidated pre-tax net profit was 21.55%, representing a decrease of 7.28% compared with 28.83% in the previous year.

As a whole, the net profit after tax, attributable to the Company in 2023, was NT\$1.415 billion, decreasing by NT\$0.845 billion less than NT\$2.26 billion in 2022 at a decline rate of 37.37%. The earnings per share after tax was NT\$15.58, declining by 37.40% less than NT\$24.89 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	2023	2022	Increase (Decrease) (%)
Analysis of Profit and Loss	Operating Revenue	Consolidated	9,266,547	10,965,309	-15.49%
		Parent Company Only	7,327,891	8,245,125	-11.12%
	Operating Margin	Consolidated	3,030,788	3,881,806	-21.92%
		Parent Company Only	1,451,758	1,822,875	-20.36%
	After-tax Net Profit (Attributable to Shareholder of the Parent Company)	Parent Company Only/Consolidated	1,415,377	2,260,065	-37.37%
Profitability	Return on Assets (%)	Consolidated	9.92	17.04	-41.78%
		Parent Company Only	11.50	19.10	-39.79%
	Return on Equity (%)	Consolidated	17.09	32.03	-46.64%
		Parent Company Only	18.04	33.95	-46.86%
	Ratio of Pre-tax Net Profit to Paid-in Capital (%)	Consolidated	219.86	348.07	-36.83%
		Parent Company Only	195.65	302.02	-35.22%
	Net Profit (%)	Consolidated	15.27	20.61	-25.91%
		Parent Company Only	19.31	27.41	-29.55%
	Earnings per Share (Dollar)	Parent Company Only/Consolidated	15.58	24.89	-37.40%

(3) Research and Development Results

1. Develop the light-weighted carbon-fiber bike rim with weight decreased by 20% around.
2. Combine carbon fiber with Twaron to greatly improve the anti-twisting performance of rackets.
3. Develop the removable and ventilation-adjusted splitter and flank of helmet, which can reduce cycling wind resistance, and adjust cycling balance.
4. Develop the new-model helmet lens and the actuating mechanism with mandible moving forward, and obtain the practical new-model patent.
5. Develop the light-weighted 800g carbon-fiber economy-class seat back.
6. Develop the bedplate of new-model advanced imaging inspection equipment.
7. Develop the headrest of advanced imaging inspection equipment in 15° slope.

2. Overview of 2024 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

Over this year, inflation in major developed countries or economies in the world has been slightly relaxed. Most of economists predict that favorable news of interest rate cut will come in the first half of this year. However, through the end of last year to early this year, economy of the US and the European Union is better than what is expected with stable labor market, and inflation has not been significantly reduced. As a result, the US Federal Reserve and the European Central Bank released information on suspension or postponement of interest rate cut. Besides, the geopolitical risks warm up, and it is impossible for cease of various wars (including the Ukraine-Russia War, the Gaza Strip War, the Red Sea Crisis, etc.) within a short time. Accordingly, it is expected that the global economy will still be in a downturn this year.

Since the Climate Change Response Act was published and enforced last February, the heaviest carbon emitters in an annual emission volume of up to 25,000 tons will be imposed the carbon fee effective this year in Taiwan. In addition, in 2026, the European Union will implement the Carbon Border Adjustment Mechanism (CBAM) to assess the carbon border tax upon products which are imported to the EU such as cement, fertilizer, steel, aluminum, chemical, power, etc. As a trend, to achieve net-zero emission has become a significant issue which affects the long-term operational competitiveness of businesses in pursuit of sustainable development.

In order to achieve the sustainable development goal, Topkey continues, in the course of operation, to import the low-carbon manufacturing process, enhance the energy efficiency, use the low-carbon or carbon-free power and fuel, promote the circular economy in order to save energy and reduce carbon, and strive to move towards the carbon neutrality and net zero carbon emission goal. However, the external operation environment might be interrupted by the weak global economy this year. In spite of such an interruption, the stock in the bicycle market has been continuously digested through last year to the first half of this year, and it is expected to return to a healthy level in the second half of this year. Topkey's management team will keep guiding 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 Corporation ● 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 racing with world-renowned brand customer and entered mass

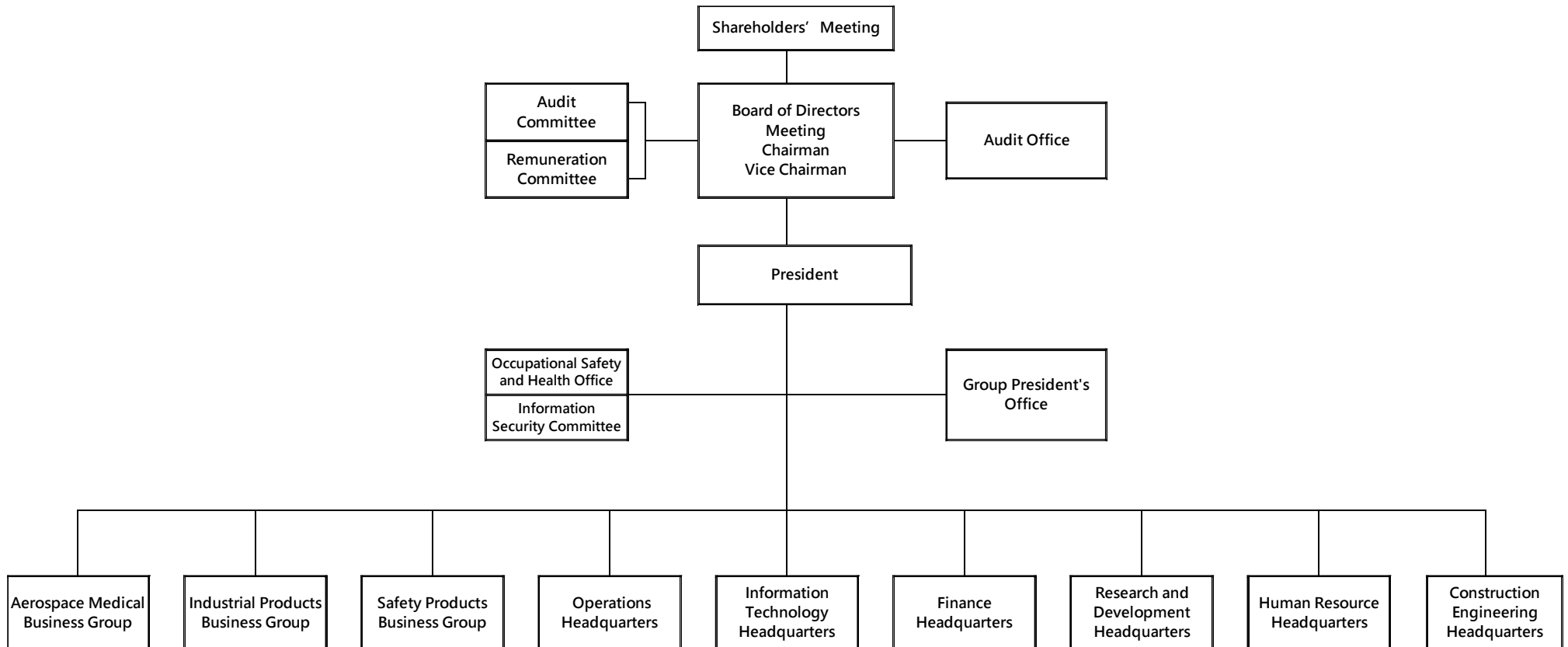
<u>Year</u>	<u>Important Company Events or Milestones</u>
	production.
	<ul style="list-style-type: none"> • Developed a tubular composite automatic rolling machine and put into mass production. • Organized the "Taichung Corporate Volunteer Day" public service project, and river cleanup activity with 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.
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. • The Board of Directors approved the revision of the investment amount of Houli District, Central Taiwan Science Park (CTSP) to NT \$2.83 billion. • Develop the light-weighted carbon-fiber bike rim with weight decreased by 20% around. • Combine carbon fiber with Twaron to greatly improve the anti-twisting performance of rackets. • Develop the removable and ventilation-adjusted splitter

<u>Year</u>	<u>Important Company Events or Milestones</u>
	and flank of helmet, which can reduce cycling wind resistance, and adjust cycling balance.
	<ul style="list-style-type: none"> • Develop the new-model helmet lens and the actuating mechanism with mandible moving forward, and obtain the practical new-model patent. • Develop the light-weighted 800g carbon-fiber economy-class seat back. • Develop the bedplate of new-model advanced imaging inspection equipment. • Develop the headrest of advanced imaging inspection equipment in 15° slope.
2024	<ul style="list-style-type: none"> • Reinvested subsidiary, CSC USA completed its liquidation in January. • Together with the Tzu Chi Foundation and the Taichung City Government launched a charity fundraising campaign to support Hualien, all donations and proceeds from the charity sales were fully donated to Hualien for disaster relief.

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, 2024 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 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	Directors, 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	3,469,789	3.82	911,681	1.00	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 / 70-80	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, 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., and Chairman of the Company. Director of 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; Executive Director of Taiwan Composites Association; Executive Director of TAIA; Executive Director of National Taipei University of Technology Foundation.

Note 2: Chairman of Topkey Vietnam Corporation Company Limited, Vice Chairman of Keentech Composite Tech. Co., Ltd.; Director of Xiamen Xin Hong Zhou Precision Technology Co., Ltd.; New Score Investment Limited, EIC Holding Limited, XPT Investments Co., 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: Chairman of Xiamen Valver Color Sticker Co., Ltd., Director/ President of Keentech Composite Tech. Co., Ltd.; Director of Keentech Composite Tech. Co., Ltd., Xiamen Xin Hong Zhou Precision Technology Co., Ltd., Xiamen Yeu Chuan Composite Technology 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, 2024 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 8
Project General Manager of Group President's Office	Republic of China	Zhong-Xing Shen	Male	2020.01.01.	458,164	0.50	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	
Chief Accountant, Finance Headquarters	Republic of China	Sen Chang	Male	2016.03.16.	1,447	0.00	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	
Spokesperson of Topkey Corporation/ Chief Corporate Governance Officer	Republic of China	Benny Chou	Male	2022.01.01.	157,993	0.17	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	
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.					
Construction Director of Group President's Office	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 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.	Note 7	None	None	None	
Deputy General Manager of Projects, Group President's Office	Republic of China	Kevin Huang	Male	2024.01.01	168,000	0.18	161,000	0.18	0	0	Department of Chemical Engineering, Chinese Culture University (Bachelor's) Deputy Manager of Li-Fon Company Director of the Procurement Division of the Company General Manager of Xiamen Valver Color Sticker Co., Ltd.,	None	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	
Deputy Assistant General Manager of Group President's Office	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)	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 Assistant General Manager of the Finance Department of Keentech Composite Tech. Co., Ltd. Deputy Director, General Manager's Office, Keentech Composite Tech. Co., Ltd.					
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	
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	
Assistant General Manager of Industrial Products Business Group	Republic of China	David Lin	Male	2024.01.01.	0	0	0	0	0	0	Business Administration, National Taiwan University (Bachelor's) Manager of the Business Division of the Company	None	None	None	None	

Note 1: Chairman of Xiamen Valver Color Sticker Co., Ltd., Director/ President of Keentech Composite Tech. Co., Ltd.; Director of 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: Director/General Manager of Topkey Vietnam Corporation Company Limited; Director of Xiamen Valver Color Sticker Co., Ltd.

Note 6: Supervisor of Xiamen Valver Color Sticker Co., Ltd.

Note 7: Director of Xiamen Yeu Chuan Composite Technology Co., Ltd.,

Note 8: 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	<p>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>	<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	<p>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>	<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 34-36 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 2023, 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 23-26 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 13-17 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, 2023 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	1,009	1,009	0	0	13,602	13,602	36	36	14,647 1.03%	14,647 1.03%	4,340	4,340	0	0	10,230	0	10,230	0	29,217 2.06%	29,217 2.06%	None
	Kwei-Lin Chang	1,009	1,009	0	0	5,358	5,358	36	36	6,403 0.45%	6,403 0.45%	2,227	2,770	0	0	3,857	0	3,857	0	12,487 0.88%	13,030 0.92%	
	Pei-Ni Shen	1,009	1,009	0	0	7,419	7,419	30	30	8,458 0.60%	8,458 0.60%	2,116	2,659	0	0	4,700	0	4,700	0	15,274 1.08%	15,817 1.12%	
	Tong-Chen Chu	1,009	1,009	0	0	4,121	4,121	136	136	5,266 0.37%	5,266 0.37%	0	0	0	0	0	0	0	0	5,266 0.37%	5,266 0.37%	
	Kuo-Feng Lin	1,009	1,009	0	0	825	825	36	36	1,870 0.13%	1,870 0.13%	0	0	0	0	0	0	0	0	1,870 0.13%	1,870 0.13%	
	Chao-Yuen Chuang	1,009	1,009	0	0	825	825	36	36	1,870 0.13%	1,870 0.13%	0	0	0	0	0	0	0	0	1,870 0.13%	1,870 0.13%	
Independent Director	Shih-Chieh Yang	1,009	1,009	0	0	0	0	876	876	1,885 0.13%	1,885 0.13%	0	0	0	0	0	0	0	0	1,885 0.13%	1,885 0.13%	None
	Chen-Chi Ma	1,009	1,009	0	0	0	0	876	876	1,885 0.13%	1,885 0.13%	0	0	0	0	0	0	0	0	1,885 0.13%	1,885 0.13%	
	Ying-Hwang Yang	1,009	1,009	0	0	0	0	900	900	1,909 0.13%	1,909 0.13%	0	0	0	0	0	0	0	0	1,909 0.13%	1,909 0.13%	
	Cherng Lee	1,009	1,009	0	0	0	0	876	876	1,885 0.13%	1,885 0.13%	0	0	0	0	0	0	0	0	1,885 0.13%	1,885 0.13%	
1. 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.
2. 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 February 29, 2024, to allocate NT\$ 85,546 thousand of employee compensation and NT\$32,150 thousand of director compensation for the FY 2023 and disclosed relevant information to the public in accordance with laws and regulations.

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

December 31, 2023

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	1,740	2,283	0	0	376	376	4,700	0	4,700	0	6,816 0.48%	7,359 0.52%	None
Project General Manager of Group President's Office	Zhong-Xing Shen	1,926	1,926	91	91	321	321	1,605	0	1,605	0	3,943 0.28%	3,943 0.28%	
General Manager, Safety Products Business Group	Jing-Wei Chang	1,432	1,887	93	93	286	286	2,574	0	2,574	0	4,385 0.31%	4,840 0.34%	
Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu	1,071	1,526	69	69	223	223	1,896	0	1,896	0	3,259 0.23%	3,714 0.26%	
Group Chief Financial Officer	Ren-Di Chang	1,710	1,710	103	103	285	285	3,847	0	3,847	0	5,945 0.42%	5,945 0.42%	

(3) Remuneration to the top five most highly compensated executives

December 31, 2023 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	1,740	2,283	0	0	376	376	4,700	0	4,700	0	6,816 0.48%	7,359 0.52%	None
General Manager of Subsidiary	Kwei-Lin Chang	1,860	2,403	0	0	367	367	3,857	0	3,857	0	6,084 0.43%	6,627 0.47%	
Group Chief Financial Officer	Ren-Di Chang	1,710	1,710	103	103	285	285	3,847	0	3,847	0	5,945 0.42%	5,945 0.42%	
General Manager, Safety Products Business Group	Jing-Wei Chang	1,432	1,887	93	93	286	286	2,574	0	2,574	0	4,385 0.31%	4,840 0.34%	
Project General Manager of Group President's Office	Zhong-Xing Shen	1,926	1,926	91	91	321	321	1,605	0	1,605	0	3,943 0.28%	3,943 0.28%	

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

December 31, 2023

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			
	Project General Manager of Group President's Office	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/ Chief Corporate Governance Officer	Benny Chou			
	Deputy Assistant General Manager of Group President's Office	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	22,628	22,628	1.60

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 2022		Total Profit Sharing Paid to Management Team as a % of Net Profit for the FY 2023	
	The Company	All Consolidated Companies	The Company	All Consolidated Companies
Directors	3.91%	3.96%	5.20%	5.27%
General Managers and Assistant General Managers	1.41%	1.49%	1.72%	1.82%

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. Given the larger decrease in after-tax profit this year compared to the previous year, a corresponding adjustment had been made in the Directors' remuneration. This adjustment correlates positively with operational performance. Nonetheless, the ratio of remuneration to after-tax profit has experienced a slight increase. 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.
 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. Given the larger decrease in after-tax profit this year compared to the previous year, and the remuneration of the general manager and assistant general manager was also adjusted simultaneously, which is positively correlated to the performance. Nonetheless, the ratio of remuneration to after-tax profit has experienced a slight increase.
- (2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

In FY 2022 and 2023, 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 2022 was approved at the shareholders' meeting, and the director compensation for the FY 2023 was approved by the board of directors on February 29, 2024, and disclosed to the public in accordance with regulations, and reported to the shareholders' meeting in the FY 2024. 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 6 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 6 times	0 times	100.00%	
Director	Tong-Chen Chu	Attended 6 times	0 times	100.00%	
Director	Kwei-Lin Chang	Attended 6 times	0 times	100.00%	
Director	Pei-Ni Shen	Attended 5 times	0 time	83.33%	
Director	Kuo-Feng Lin	Attended 6 times	0 times	100.00%	
Director	Chao-Yuen Chuang	Attended 6 times	0 times	100.00%	
Independent Director	Shih-Chien Yang	Attended 6 times	0 times	100.00%	
Independent Director	Chen-Chi Ma	Attended 6 times	0 times	100.00%	
Independent Director	Ying-Hwang Yang	Attended 6 times	0 times	100.00%	
Independent Director	Cheng Lee	Attended 6 times	0 times	100.00%	

Other information required to be disclosed:

- 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:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act: For the FY 2023 and up to the date of publication of the annual report, the contents of the Board's resolutions are as shown on pages 95-100 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.
 - 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.
- 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 2022	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.	2023.03.09

3. Board Member Diversity Policy and the Implementation Status:

- 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 70 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 surpassed 98% for both the FY 2023 and 2022, 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			

Independent Director	Kwei-Lin Chang		Male	V		V					
	Pei-Ni Shen		Female	V	V						
	Kuo-Feng Lin		Male					V			
	Chao-Yueg Chuang		Male					V			
	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, 2023 to December 31, 2023
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</p>

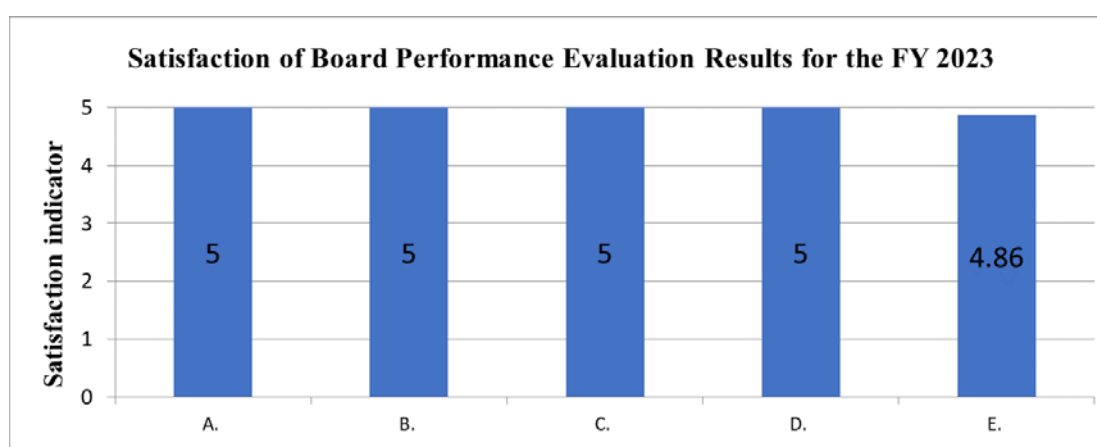
communication", "the director's professionalism and continuing education" and "internal control". Combining the above-mentioned evaluation aspects, a self-administered questionnaires with a total of 23 questions for the performance evaluation of directors (self or peer evaluation) is formulated;

(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.

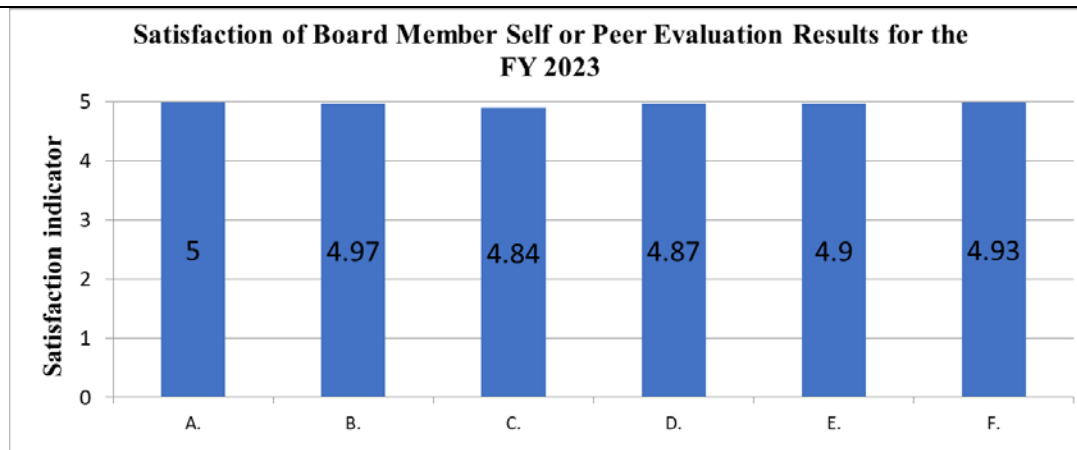
The results of this evaluation are presented in a 5-level scale, of which the number 1 represents: very poor (strongly disagree); the number 2 represents: poor (disagree); the number 3 represents: medium (neutral); the number 4 represents: good (agree); the number 5 represents: excellent (strongly agree).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

(1) Evaluation results of the Board and Board members for the FY 2023

The self-assessment results of the Board and Board members are shown in the figure below, respectively, and the overall average ranging from 4.84 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.



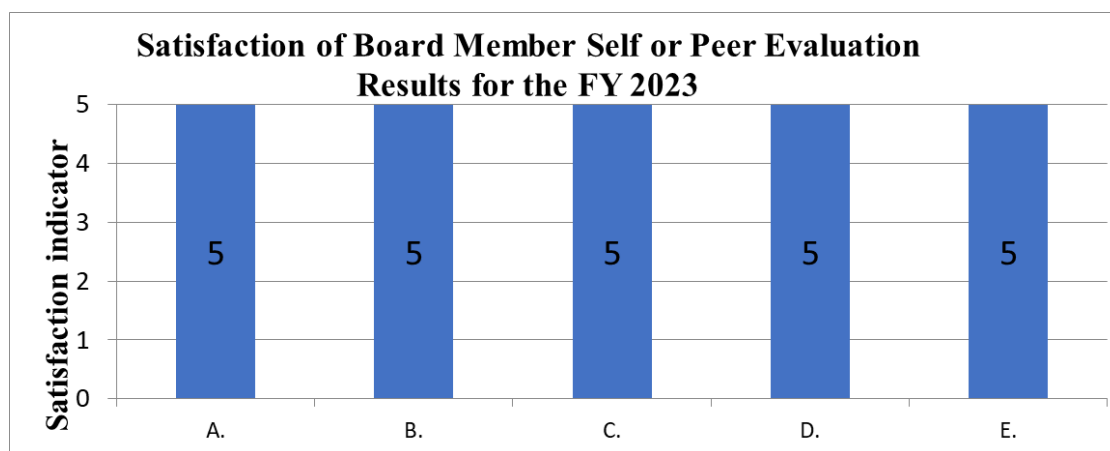
- A. Degree of the board's participation in the operation of the Company
- B. Improvement of the board's decision-making quality
- C. Composition and structure of the board
- D. Election and continuing education of the directors
- E. Internal control



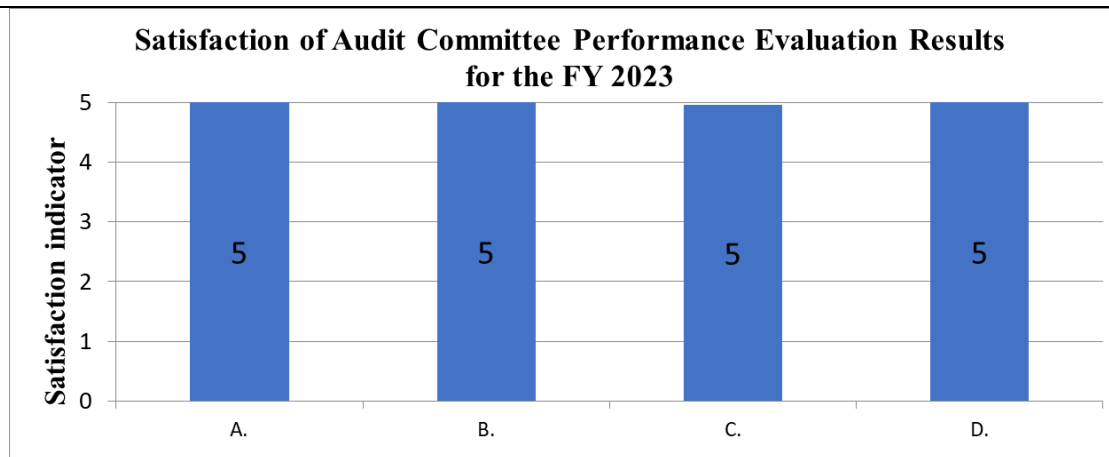
- A. Familiarity with the goals and missions of the Company
- B. Awareness of the duties of a director
- C. Degree of the board's participation in the operation of the Company
- D. Management of internal relationships and communication
- E. Director's professionalism and continuing education
- F. Internal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

(2) Evaluation results of the functional committee for the FY 2023

The functional committee includes the Audit Committee and the Remuneration Committee, each chairs by four independent directors of the Company, and its self-assessment results are shown in the figure below. Functional committee members rated themselves on five dimensions of performance, with a maximum score of 5.00.



- 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



- 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

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 2023, 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	Cheng Lee	Attended 5 times	0 times	100.00%	

Remarks:

On May 31, 2016, the Audit Committee was established to fully replace the supervisor.

Other information required to be disclosed:

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.
 - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: The decisions made by the Audit Committee in the FY 2023 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.
 - (2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.
2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.
3. The key focus areas of the Audit Committee

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.

 - (1) The main function of the Audit Committee is to supervise the following matters:
 - (i) Fair presentation of the financial reports of the Company.
 - (ii) The hiring (and dismissal), independence, and performance of CPAs of the Company.
 - (iii) The effective implementation of the internal control system of the Company.
 - (iv) Compliance with relevant laws and regulations by the Company.
 - (v) Management of the existing or potential risks of the Company.
 - (2) The powers of the Audit Committee are as follows:
 - (i) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (ii) Assessment of the effectiveness of the internal control system.
 - (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.
 - (iv) Matters in which a director is an interested party.
 - (v) Asset transactions or derivatives trading of a material nature.
 - (vi) Loans of funds, endorsements, or provision of guarantees of a material nature.
 - (vii) The offering, issuance, or private placement of equity-type securities.
 - (viii) The hiring or dismissal of a certified public accountant, or their compensation.
 - (ix) The appointment or discharge of a financial, accounting, or internal audit officer.
 - (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.
 - (xi) Other material matters as may be required by this Corporation or by the competent authority.
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):
 - (1) Communication methods between independent directors and chief internal audit officer and CPAs
 - 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 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 2023:
 - i. The independent directors of the Company have good communication regarding the implementation and effectiveness of the audit operations.
 - ii. In FY 2023, 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 2023 are summarized in the following table:

Date	Audit Committee Communication Highlights	Communication Outcome
March 10, 2023	<ul style="list-style-type: none"> Q4 2022 Internal Audit Execution Report "Internal Control System Statement" for the FY 2022 	<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 11, 2023	Q1 2023 Internal Audit Execution Report	All attending members agreed and have been informed.
August 10, 2023	Q2 2023 Internal Audit Execution Report	All attending members agreed and have been informed.
November 09, 2023	Q3 2023 Internal Audit Execution Report	All attending members agreed and have been informed.
December 21, 2023	Audit Plan for the FY 2024	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 2023:

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 09, 2023	<ul style="list-style-type: none"> Audit results of the consolidated and individual financial statements for the FY 2022 Audit results and key audit matters for the FY 2022(including audit of financial statements and audit of business planning report) 	<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 11, 2023	<ul style="list-style-type: none"> Audit review results of the consolidated financial statements for the Q1 of 2023 Disclosure of the financial report for the Q1 of 2023 Communication on matters consulted by members of the Audit Committee 	<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.
August 10, 2023	<ul style="list-style-type: none"> Audit review results of the consolidated financial statements for the Q2 of 2023 Disclosure of the financial report for the Q2 of 2023 Communication on matters consulted by members of the Audit Committee 	<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.
November 09, 2023	<ul style="list-style-type: none"> Audit review results of the consolidated financial statements for the Q3 of 2023 Disclosure of the financial report for the Q3 of 2023 Communication on matters consulted by members of the Audit Committee 	<ul style="list-style-type: none"> 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. The assessment and outcome of the independence and suitability of the Company's CPAs:

The audit committee conducts the independence and suitability assessment of the Company's CPAs annually. This assessment entails requiring the CPAs to submit a Statement of Independence in Fact and Audit Quality Indicators (AQIs). Additionally, the committee utilizes 13 AQIs and independence assessment standards for the evaluation process.

It has been verified that the Company's CPAs have no other financial interests or business relationships with the Company aside from fees related to auditing and taxation matters, and there are no conflicts regarding independence requirements with the CPAs' family members. Referring to the AQIs, it has been verified that both the CPAs and their firm have surpass the

industry average in terms of auditing experience and training hours. Additionally, they have consistently integrated digital auditing tools over the past three years, thereby enhancing auditing quality.

Following the communication and approval by the audit committee on December 21, 2023, the assessment outcome of the independence and suitability of the Company's CPAs for the most recent FY were submitted to and approved by the Board of Directors on the same day.

(1) Independence 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 that are part of the financial statements and have a significant impact and a high degree of subjectivity. 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. 5.2 Bookkeeping services: 5.2.1 Has not provided bookkeeping services that do not comply with the requirements of professional ethics. 5.3 Internal audit services: 5.3.1 Has not provided assistance or undertaking for internal audit services that are not performed in accordance with generally accepted auditing standards. 5.3.2 Has not provided assistance or undertaking for internal audit services related to the operation of the enterprise.	None of the circumstances listed in the left-hand column.	Yes
6	Other matters: 6.1 Offerings and gifts: 6.1.1 Has not received any offerings or gifts of significant value from audit clients.	None of the circumstances listed in the left-hand column.	Yes

	6.1.2 Has not received any offerings or gifts of significant value from the directors, supervisors or managerial personnels of the audit clients. 6.2 Remuneration and commissions: 6.2.1 Has not signed any contingency fee arrangement with audit clients for audit engagements or other public expense matters. 6.2.2 Has not requested, contracted, or received any fees other than the prescribed remuneration.		
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(2) Audit Quality Indicators

Scope(s)		Indicator(s)		Items(s)
1	Profession	1-1	Audit Experience	Audit Experience of Partners
				Audit Experience of Engagement Quality Control Reviewers (EQCR)
				Audit Experience of Managers or above Title (excl. Partner)
		1-2	Training Hours	Training Hours of Partners
				Training Hours of Managers or above Titles (excl. Partners)
		1-3	Attrition Rate	Attrition Rate of Managers or above Titles (excl. Partners)
		1-4	Professional Support	No. of Experts to Support Audit Service Section (%)
				The Devoted Hours of Experts for Listed Companies (%)
2	Quality Control	2-1	Workload	No. of PIEs Audited by Partners as EP
				% of Devoted Time per Partner
		2-2	Involvement	Involvement by Phase-Planning
				Involvement by Phase-Execution
				Involvement by Phase-Total
		2-3	Audit Experience of Engagement Quality Control Reviewers (EQCR)	EQCR Hours (%)
		2-4	Quality Supporting Capacity	No. of Full Time Equivalent (FTE) Quality Controllers
				FTE Quality Controllers (%)
3	Independence	3-1	Non-Audit Service (NAS)	NAS Fees (%)
		3-2	Familiarity	Audit Tenure
4	Monitor	4-1	External Inspection Result & Enforcement	Inspection Results by FSC-No. of Deficiencies in QC
				Inspection Results by FSC-No. of Deficiencies per Engagement
				Inspection Results by PCAOB-No. of Deficiencies per Engagement
				No. of CPA Disciplinary Cases & Sanctions Made according to Article 37 of Securities and Exchange Act
		4-2	No. of Official Improvement Letters (OILs) Issued by Authority	OILs Issued by Authority(%)
5	Creativity	5-1	Innovative Planning or Initiatives	Introduction of Cloud-based Auditors' Platforms and Tools
				Application of Digital Technology
				Expansion of Audit Service Centers
				Project Management

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
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>
3rd Session Audit Committee 5th Meeting	2023/05/11 (Thursday)	<p>1st motion: Q1 2023 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 6th Meeting	2023/08/10 (Thursday)	<p>1st motion: Q2 2023 Consolidated Financial Statements of the Company.</p> <p>2nd motion: H1 2023 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 2023 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>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 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 7th Meeting	2023/11/09 (Thursday)	<p>1st motion: Q3 2023 Consolidated Financial Statements of the Company.</p> <p>2nd motion: the Houli Science Park of CTSP Capital Expenditure Budget Revision Resolution: After the Chairman's consultation by the attending members, the capital expenditure budget was revised to NT\$2.83 billion, and it is submitted to the board of directors for approval.</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 2nd 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>

Committee	Date	Major Resolution
3rd Session Audit Committee 8th Meeting	2023/12/21 (Thursday)	<p>1st motion: Audit Plan for FY 2024.</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>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 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 9th Meeting	2024/02/29 (Thursday)	<p>1st motion: Annual business report and financial statements for the FY 2023.</p> <p>2nd motion: Earnings distribution for FY 2023. Resolution: This motion was resolved after the Chairman's consultation by the attending members with a proposed cash dividend of NT\$8.5 per share for FY 2023, and it is submitted to the Board for approval.</p> <p>3rd motion: The audit committee report for FY 2023.</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>5th motion: Internal Control System Statement for FY 2023.</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 November 09, 2023, a total of 22 directors, managerial personnels and heads of various business units were given 3-hour related education and training. This course includes conceptual analysis of insider trading, domestic legal prohibition against insider trading, and common practical ambiguities related to insider trading, etc. In addition, the introduction</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	
			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	<p>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 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.</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	
(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 2023 was completed in accordance with the "Rules for Performance Evaluation of Board of Directors" before the Board meeting convened on March 21, 2024. 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, 2023. The results of the Board's performance evaluation have been informed to all Board members by email and are scheduled to be reported to the Board on May 09, 2024.	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	
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 21, 2023.)	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 board meetings and annual general meetings)?	V		To enhance corporate governance and strengthen the functionalities of the Board of Directors while safeguarding shareholder rights, the Company, in a board meeting on May 11, 2023, resolved to establish a Chief Corporate Governance Officer, responsible for handling corporate governance affairs. Mr. Benny Chou, the Company's spokesperson, was appointed to this role, effective from June 1, 2023. Simultaneously, a corporate governance task force comprising of eight members from the Group President's Office, Finance Headquarters, Human Resource Headquarters, and other relevant departments has been assembled to assist in	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	
			handling corporate governance affairs.	
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 Group President's Office 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. The financial reports for the FY 2023 has been approved by the Audit Committee and the Board of Directors on February 29, 2024, and subsequently announced. The Company has been continuously striving to promote financial information transparency as directed by the competent authority, hence the Company will continue to	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	
			implement the regulations, standards and 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 10th Corporate Governance Evaluation have been announced, and the Company's current evaluation results are listed as the top 66% to 80% of listed companies. The Company did not achieve 25 score items in the corporate governance evaluation for FY 2023. In FY 2024, 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 14-16, 26 for professional qualifications and experience disclosure of independent directors	Refer to Pages 14 -16, 26 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 2 times	0 times	100.00%	

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
5th Session Remuneration Committee 2nd Meeting	2023/03/09 (Thursday)	1st motion: Employee and director compensation distribution for FY 2022. 2nd motion: Amendment to certain provisions of the "Directors' Remuneration and Compensation Distribution Measures" of the Company. 3rd motion: Amendment to fixed remuneration of directors of

Committee	Date	Major Resolution
		<p>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>
5th Session Remuneration Committee 3rd Meeting	2023/12/21 (Thursday)	<p>1st motion: Principles for the year-end bonus distribution for FY 2023.</p> <p>2nd motion: To review the salary and compensation and relevant policies for managerial personnel for FY 2024.</p> <p>3rd motion: Amendment to certain provisions of the "Measures for the Administration of Remuneration of Directors (Supervisors) of Affiliated Companies" of the Company.</p> <p>4th motion: Amendment to fixed remuneration of Directors (Supervisors) of Affiliated Companies.</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 4th 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 4th Meeting	2024/02/29 (Thursday)	<p>1st motion: Employee and director compensation distribution 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,</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 The Establishment and Operational Status of Corporate Governance Personnel

To enhance corporate governance and strengthen the functionalities of the Board of Directors while safeguarding shareholder rights, the Company, in a board meeting on May 11, 2023, resolved to establish a Chief Corporate Governance Officer, responsible for handling corporate governance affairs. Mr. Benny Chou, the Company's spokesperson, was appointed to this role, effective from June 1, 2023. Mr. Chou, has over 12 years of experience in managerial positions related to financial or corporate governance affairs in publicly traded companies, which meets the qualifications requirements for chief corporate governance officer outlined in Article 23 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.

Simultaneously, a corporate governance task force comprising of eight members from the Group President's Office, Finance Headquarters, Human Resource Headquarters, and other relevant departments has been assembled to assist in handling corporate governance affairs.

1、Scope of Authority of the Chief Corporate Governance Officer

- (1) Handling of affairs related to meetings of the Board of Directors, functional committees, and shareholders' meetings in accordance with the regulations.
- (2) Compiling of minutes for meetings of the of the Board of Directors, functional committees, and shareholders' meetings.
- (3) Assisting directors in their appointment, as well as their continuing education and training.
- (4) Providing necessary information for the execution of directors' duties.
- (5) Assisting directors in compliance with legal requirements.
- (6) Assisting the Board of Directors in enhancing its functionalities, as well as ensuring the protection of stakeholders' rights and equitable treatment of shareholders.
- (7) Conducting legal assessment of the qualifications of independent directors.
- (8) Assisting in handling affairs related to the changes in directors.

2、Corporate Governance Implementation Status in 2023

2.1 Assisting in the Procedural Matters of the Board of Directors, Functional Committees, and Shareholders' Meetings

- (1) Drafting agenda for the meetings of the Board of Directors and functional committees, delivering notices along with essential reference materials seven days prior to the meeting. Issues involving conflicts of interests shall be highlighted to the directors before meetings.
- (2) Completing and distributing meeting minutes within twenty days after the meetings of the Board of Directors and functional committees.
- (3) Handling the convening of shareholders' meetings, preparing meeting notices, agendas, annual reports, and other necessary documents within statutory deadlines. Registering amendments in the Articles of Incorporation or re-election of directors, if needed.
- (4) Reviewing and ensuring the legality and accuracy of the disclosure of significant messages and announcements regarding material resolutions made by the shareholders' meeting and the Board of Directors, thereby safeguarding the equal access to trading information for investors.

2.2 Assisting the directors in obtaining essential information for business operations, continuing education and training, and legal compliance.

- (1) Providing timely and periodic updates on relevant laws and regulations related to corporate governance and material rules in the Company's operational areas.
- (2) Providing directors with timely and relevant information related to the

Company's operations, facilitating effective communication between the Board members and management departments.

(3) Facilitating communication meetings between independent directors and the CPAs, chief auditor, or chief financial officer regarding the Company's financial operations to implement corporate governance as well as effective internal audit and internal control systems.

(4) Organizing annual continuing education and training courses for directors based on the Company's industry characteristics and economic conditions.

(5) To safeguard shareholder rights, ensure equitable treatment of shareholders, and prevent insider trading, all directors are reminded on a monthly basis not to engage in stock transactions during the 30-day period preceding the announcement of the annual financial report and the 15-day period preceding the announcement of each quarterly financial report.

2.3 Assisting the Board of Directors in enhancing its functionalities to ensure the protection of stakeholders' rights and equitable treatment of shareholders.

(1) To strengthen the operational efficiency and effectiveness of the Board of Directors and its functional committees, performance assessments for the Board, its members, along with its functional committees for the FY 2023 have been completed in accordance with the Rules for Performance Evaluation of Board of Directors. The results of these assessments will be formally presented to the Board members during the scheduled board meeting on May 9, 2024.

(2) Quarterly investors conference are conducted to inform investors on the prevailing operational status and anticipated developments within the industry. Dedicated personnel are designated to attend to shareholders, establishing a diverse channels of communication with investors.

3、Continuing Education and Training for Managerial Personnels in 2023

Date of Training	Organizer	Course Title	Number of Training Hours(H)	Total Training Hours for the Year(H)
2023.07.04	Taiwan Stock Exchange Corporation (TWSE)	Cathay Sustainable Finance and Climate Change Summit 2023	6H	36H
2023.07.14	Securities & Futures Institute (SFI)	Discussion of Corporate Governance 3.0 Sustainable Development Road Map and Directors' Responsibilities	3H	
2023.08.10	Taiwan Corporate Governance Association(TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H	
2023.09.04	Financial Supervisory Commission R.O.C. (Taiwan) (FSC)	The 14th Taipei Corporate Governance Forum	6H	
2023.09.22~2023.09.23	Taiwan Corporate Governance Association (TCGA)	Sustainable Governance Training Course (Central Taiwan)-Carbon Offset, Carbon Credits, and Carbon Trading	9H	
2023.10.13	Securities & Futures Institute (SFI)	Annual Insider Trading Prevention Seminar 2023	3H	
2023.11.09	Taiwan Corporate Governance Association (TCGA)	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicablity of Climate Change Response Act	3H	
2023.11.29	Taiwan Stock Exchange Corporation (TWSE)	Carbon Market: Charting a Sustainable Future Summit	3H	

3.3.6 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. The relevant work of preparing the sustainability report is now planned and compiled by a dedicated unit.	The Company has not yet published a CSR report; hence it has not been verified by a third-party certification body. The relevant work of preparing the sustainability report is now planned and compiled by a dedicated unit.

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.
- (iii) The Company has implemented the eNotice platform for shareholder electronic notifications provided by the Taiwan Depository and Clearing Corporation (TDCC), transitioning from paper-based dividend notifications to electronic format. This enable investors to promptly access dividend distribution information and aligns with our commitment to advance towards the ESG sustainability goal of net-zero emission.
- (iv) The Company and E.Sun Commercial Bank have jointly signed the Charter for Sustainable Development, committing to establish a net-zero target by 2050 and undertaking immediate and sustained practical actions to achieve sustainable transformation.

(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.

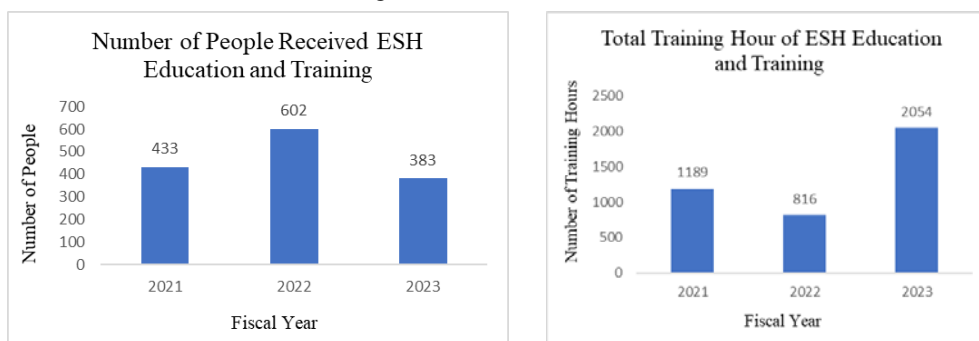
(6) Protective measures for work environment and safety of personnel:

- (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 the Prevention and Management of Disease Caused by Abnormal Workloads, and Measures for the Management of Maternal Health Protection, Procedures for Employment Selection, Return to Work, and Job Assignment, Procedures for Prevention and Handling of Unlawful Infringement in the Performance of Duties, Measures for the Management of Middle-Aged and Elderly Employees 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>
<p>(ii) ESH education and training</p> <p>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</p>	

training, advocacy, communication is carried out to enhance the safety and health awareness of employees, contractors, suppliers. In 2023, there were 1,073 people trained, with a total training hour of 2,054 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	Occupational Safety and Health Management Personnel	1
3	1st Class OHS supervisor	2
4	1st class boiler operator	2
5	2nd class boiler operator	2
6	Operator of fixed cranes	10
7	Operator in charge of hoisting operation	2
8	Operator of forklift	6
9	Supervisor in charge of organic solvent operations	4
10	Supervisor in charge of dusty operations	2
11	Supervisor in charge of specific chemical substance operations	1
12	First aid personnel	10
13	Fire protection personnel	4
14	Professional emergency responders of the toxic and concerned chemical substances	2
15	ISO14001 and ISO45001 Internal Auditors	19
16	Class A Dedicated Wastewater and Sewage Treatment Specialist	1
17	Class A Waste Disposal Technician	1
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
2022	1,009.3	41,907.1	42,916.4
2023	713.6	33,272.9	33,986.5

Note: This GHG emission volume includes both the Taiwan plant site and the Xiamen Keentech plant site in China.

- ① Mainly derived from the usage of boilers and air-conditioning equipment
- ② Mainly derived from the power consumption by the production equipment and the natural gas consumption.

At present, the Company's three plants are all located in the industrial zone in Taiwan, 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)
2022	33.38
2023	25.13

Note: This is water consumption includes both the Taiwan plant site and the Xiamen Keentech plant site in China.

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 2023, a total of 1,089,622 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)
2022	973,458	322,720	1,485,044	2,781,222	2,781.22
2023	765,671	308,690	1,089,622	2,163,983	2,163.98

Note: This is waste output includes both the Taiwan plant site and the Xiamen Keentech plant site in China.

(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 boiler 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 2023 were 33,986.5 tons of CO₂e (scope 1 and scope 2), reflecting a reduction of 8,930 tons compared to FY 2022, representing a decrease of approximately 21%.

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

①Strategies for responding to climate change or managing GHG:

*In Decemeber 2022, the Company joined the Bicycling Alliance for Sustainability (BAS) with the aim of reducing carbon emissions and promoting sustainable production.

*Implementation of energy-saving measures: Increase energy efficiency through equipment upgrades and the utilization of energy-saving technologies.

*Utilization of renewable energy: Increase the proportion of renewable energy in the Company's energy structure to reduce reliance on fossil fuels.

*Optimization of production processes: Improve production processes and technologies to reduce the usage of volatile organic compounds (VOCs), lower emissions intensity, and minimize environmental impact.

*Recycling of Resources: Promote resources recycling measures, including waste reduction and recycling to minimize the emission of GHGs.

*Product and Supply Chain Management: Optimize product design to reduce GHGs emission during product use and across the supply chain. This includes minimizing packaging, and enhancing energy efficiency, etc.

*Starting from 2024, the Company has implemented the ISO14064-1 Organization Quantification and Reporting of GHGs system to ensure data accuracy and effective systematic management, as weel as continues to undergo third-party verification.

②GHG emissions reduction

The Company joined the Bicycling Alliance for Sustainability (BAS) with the objective of achieving the alliance's goals, aiming to reduce carbon emissions per bicycle produced by 40kg or at least 25% by 2030.

③GHG emissions reduction plan

*Integration of Renewable Energy: In 2024, the Xiamen Houxi plant site has installed a 0.4MW solar power generation module, capable of generating 400,000kWh of electricity per year. This installation can reduce carbon emissions by 237.7tons per year. Additionally, the aforementioned plant site has begun purchasing green energy, with a procurement volume reaching 100,000kWh in March 2024, and will gradually increase the proportion of green energy up to 10%.

*Improving Efficiency of Production Equipment: A large-scale water pump energy-saving project is currently underway at the Xiamen plant site. This ongoing project aims to achieve an annual comprehensive energy saving rate of over 30% and focuses on centralized energy-saving improvements for vacuum pumps.

*Upgrades of Public Facilities: Energy-saving measures including the optimization of lithium bromide air-conditioning system, the optimization of power factor compensation for high voltage power station, and the replacement of energy-efficient lighting, have been implemented at the Xiamen plant site to enhance energy efficiency.

*Energy Efficiency and Carbon Reduction Strategies for New Plant Site: The Company actively evaluates alternative energy solutions for future expansions in Vietnam and Xiamen, aiming to establish eco-friendly production lines.

*Replacing oil-based paints with water-based paints in the coating process,

aiming to reduce VOC usage and emissions. The goal is to increase the use of water-based paints to 80% by 2027.

3.3.7 Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Implementation status
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors</p>	<p>1. In response to the high uncertainty of climate conditions and the rapid changes in policies and markets, the Company regularly convenes senior managers from various departments to identify significant climate-related risks and opportunities. This approach enables the Company to effectively assess and anticipate the potential impacts of climate change and to comprehensively consider overall operational strategic planning by understanding external environmental climate changes and market dynamics.</p> <p>The Company's Board of Directors functions as the highest governing entity for climate-related matters, responsible for overseeing and managing climate-related risks and opportunities, as well as driving the overall climate strategy and policies of the Group. In addition to integrating climate issues into the material consideration of corporate governance and operational strategy, the Board conducts periodic discussions on climate-related risk issues, evaluates, and constantly oversees the execution of various risk management systems, ensuring the robust operation of the Company. The Company's Board of Directors has designated the Group President's Office as the dedicated unit for promoting sustainable development and established the "ESG Advisory Committee". This committee is tasked with formulating, promoting, and enhancing action plans and capital expenditure for significant policies related to sustainable development (including climate-related issues) across the Group. Furthermore, the committee oversees the implementation and effectiveness of sustainable development efforts and regularly reports on progress to the Board of Directors.</p> <p>Moreover, other functional committees also bear responsibility for governing certain climate-related matters, including:</p> <p>The Audit Committee convenes regular meetings to discuss climate-related issues. During these meetings, the chief internal auditor presents an audit item report on the annual audit plan and incorporates climate-related risks, as well as ESG promotion recommendations raised by independent directors, as references for the future design and execution of the Company's internal control system to ensure operational effectiveness.</p> <p>2. The Company is proactively developing feasible solutions to mitigate the operational and financial</p>

<p>and major financial impacts used should be described.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete</p>	<p>impacts of climate change, aiming to enhance organizational resilience to climate change. We define short term as within 3 years, medium term as 3 to 5 years, and long term as 5 years and above. We assess the potential operational and financial impacts of climate-related risks and opportunities on the Company, to plan for appropriate actions to address the findings.</p> <table border="1" data-bbox="584 434 1458 1211"> <tr> <td>Transition risks</td><td>Focusing on the risks associated with transitioning to a low-carbon economy, which include policy, legal, technology, market, and reputation risks.</td></tr> <tr> <td>Short term (1 to 3 years)</td><td> <ul style="list-style-type: none"> Regulations of greenhouse gas emissions and carbon tax or carbon fee </td></tr> <tr> <td>Medium term (3 to 5 years)</td><td> <ul style="list-style-type: none"> Changes in consumer demand and preferences Transitioning to low carbon technologies Enforcement of new legal regulations on renewable energy sources Inadequate climate action resulting in a decrease in brand reputation </td></tr> <tr> <td>Long term (5 years and above)</td><td> <ul style="list-style-type: none"> Trend towards net-zero emissions </td></tr> </table> <table border="1" data-bbox="584 1249 1458 1695"> <tr> <td>Physical risks</td><td>Risks resulting from long-term climate change driven by climate models (long term physical risks)</td></tr> <tr> <td>Short term (1 to 3 years)</td><td> <ul style="list-style-type: none"> Damage to operational assets resulting from increased flooding caused by extreme changes in climate patterns </td></tr> <tr> <td>Medium term (3 to 5 years)</td><td> <ul style="list-style-type: none"> Supply chain disruptions caused by increased droughts </td></tr> <tr> <td>Long term (5 years and above)</td><td> <ul style="list-style-type: none"> Rising average temperatures </td></tr> </table> <table border="1" data-bbox="584 1733 1458 2098"> <tr> <td>Climate opportunities</td><td>Positive impacts of climate change on individuals. Efforts to mitigate and adapt to climate change may create opportunities related to climate for individuals.</td></tr> <tr> <td>Short term (1 to 3 years)</td><td> <ul style="list-style-type: none"> Research and development of new low carbon products and services </td></tr> <tr> <td>Medium term (3 to 5 years)</td><td> <ul style="list-style-type: none"> Enhancing resource use efficiency </td></tr> </table>	Transition risks	Focusing on the risks associated with transitioning to a low-carbon economy, which include policy, legal, technology, market, and reputation risks.	Short term (1 to 3 years)	<ul style="list-style-type: none"> Regulations of greenhouse gas emissions and carbon tax or carbon fee 	Medium term (3 to 5 years)	<ul style="list-style-type: none"> Changes in consumer demand and preferences Transitioning to low carbon technologies Enforcement of new legal regulations on renewable energy sources Inadequate climate action resulting in a decrease in brand reputation 	Long term (5 years and above)	<ul style="list-style-type: none"> Trend towards net-zero emissions 	Physical risks	Risks resulting from long-term climate change driven by climate models (long term physical risks)	Short term (1 to 3 years)	<ul style="list-style-type: none"> Damage to operational assets resulting from increased flooding caused by extreme changes in climate patterns 	Medium term (3 to 5 years)	<ul style="list-style-type: none"> Supply chain disruptions caused by increased droughts 	Long term (5 years and above)	<ul style="list-style-type: none"> Rising average temperatures 	Climate opportunities	Positive impacts of climate change on individuals. Efforts to mitigate and adapt to climate change may create opportunities related to climate for individuals.	Short term (1 to 3 years)	<ul style="list-style-type: none"> Research and development of new low carbon products and services 	Medium term (3 to 5 years)	<ul style="list-style-type: none"> Enhancing resource use efficiency
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action plan (separately fill out in points 1-1 and 1-2 below).	Long term (5 years and above)	• Enhancing corporate reputation	
	The Company has assessed the above risks and identified climate-related risks and opportunities that may cause significant financial impacts. The proposed mitigation strategies for addressing the findings are as follows:		
	Transition risks / Climate opportunities		
	R Risks/O Opportunities	Financial Impacts – / +	Mitigation Strategies
	R: Regulations of greenhouse gas emissions and carbon tax or carbon fee R: Enforcement of new legal regulations on renewable energy sources	– Payment of carbon fees resulting in increased operational costs – Purchase of renewable energy certificates resulting in increased operational costs – Violation of legal requirements resulting in penalties and increased operational expenses	• Strengthening green research and development • Increasing energy efficiency and investing in green energy equipment
R: Trend towards net- zero emissions	– Increased installation and operational costs of carbon reduction equipment	• Continuous implementation of greenhouse gas reduction initiatives • Constructing green factories to obtain green building certifications • Encouraging suppliers to implement climate mitigation and adaptation initiatives	
R: Changes in consumer	– Decreased market sales	• Continuous investment in	

		demand and preferences O: Research and development of new low carbon products and services	resulting in reduced revenue (R) + Increasing the sales proportion of low carbon products to enhance revenue (O)	the research and development of low carbon products • Adopting raw materials with low carbon footprints and reconfiguring product composition • Innovation in the research and development of green products
		R: Transitioning to low carbon technologies	— Development of new low carbon process technologies resulting in increased research and development costs, and failure in development could result in financial losses	• Establishing dedicated project team and collaborating with external research teams to jointly develop optimized, low carbon, and manageable low carbon technologies aimed at reducing plastic usage
		R: Inadequate climate action resulting in a decrease in brand reputation	— Failing to meet stakeholders' expectations, resulting in damage to the Company's reputation and leading to decreased market sales	• Strengthening the Company's social responsibility image on relevant issues to increase customer identification
		O: Enhancing corporate reputation	+ Enhancing capital accessibility and reducing the cost of fundings	• Enhancing the Company's green corporate image through transparent disclosure • Strengthening corporate governance to establish a culture of

			<p>prioritizing and taking action on climate-related issues within the Company</p> <ul style="list-style-type: none"> • Improving sustainability ratings to establish a positive corporate image
Physical risks / Climate opportunities			
R Risks/O Opportunities	Financial Impacts – / +	Mitigation Strategies	
<p>R: Damage to operational assets resulting from increased flooding caused by extreme changes in climate patterns</p> <p>R: Supply chain disruptions caused by increased droughts</p>	<p>– Shutdown of operational facilities resulting in decreased revenue</p> <p>– Damage to machinery and equipment resulting in property loss</p> <p>– Increased raw material prices resulting in increased operating costs</p> <p>– Decreased production output resulting in reduced revenue</p>	<ul style="list-style-type: none"> • Considering flood risks in the location selection for new operational facilities • Evaluating flood risks at each production facilities and implementing risk mitigation measures • Developing alternative raw materials • Exploring alternative suppliers from different regions 	
<p>R: Rising average temperatures</p> <p>O: Enhancing resource use efficiency</p>	<p>– Increased electricity consumption resulting in increased operational expenses (R)</p> <p>– Shortage of raw materials resulting in increased material price (R)</p> <p>– Increased costs or decreased</p>	<ul style="list-style-type: none"> • Constructing green building • Utilizing renewable energy • Developing alternative raw materials • Purchasing energy-saving equipment • Implementing environmental management system to 	

		production output resulting in reduced revenue (R) + Decrease in electricity costs (O)	monitor energy consumption
	<p>3. Regarding the financial impact of extreme weather events and transformative actions (carbon reduction policies, regulatory compliance costs, installation costs of carbon reduction equipment, and development costs of low-carbon technologies), please refer to the detailed explanation provided in Item 2 above.</p> <p>The Company intends to address these transition risks by implementing energy-saving and carbon reduction measures, focusing on maximizing operational and supply chain efficiency to minimize climate impacts such as energy consumption, water usage, and waste generation. This includes enhancing energy efficiency, investing in green energy equipment, and allocating resources to the research and development of green products that align with consumer demands.</p> <p>4. The Board of Directors serves as the highest decision-making entity for risk management within the Company, directly overseeing the risk governance framework. The "ESG Committee" is responsible for identifying and managing operational risks, including both physical and transition risks associated with climate change. It leads the planning of relevant responsive measures, ensuring that risks across various operational functions are controlled within acceptable limits and establishing effective risk management principles. Based on the scope of business operations, risk identification and analysis are conducted in seven major dimensions: operations, finance, regulatory compliance, ESG, human resources, and cybersecurity. Each department then develop strategies in response to the results of risk identification, integrating and managing risks that could impact operations and profitability. The Committee submits management execution and risk management reports to the Board of Directors at least once annually, overseeing and monitoring the implementation of risk management by the management team, aiming to strengthen the resilience of the enterprise.</p> <p>5. The Company complies with the goal of quantifying climate risks outlined by TCFD. It references reports on industry risk assessments and economic analyses from reputable domestic and international institutions. This approach allows the Company to include various environmental and social risk factors in our assessment of industry risk levels. These factors include the impact of emerging environmental or social trends on industry</p>		

	<p>dynamics, the costs associated with climate-related transition risks, and barriers to entry within the industry. The Company conducts scenario analysis using a top-down approach to assess various financial impacts related to climate change across different timeframes and scenarios. It aims to explore diversified perspectives in analyzing climate-related financial impacts. This assessment is currently ongoing.</p> <p>6. In order to achieve the goal of net-zero emissions, the Company plans to develop a low-carbon transformation plan, focusing on reducing emissions directly from operational activities (Scope 1), indirect energy emissions (Scope 2), and indirect emissions generated throughout the value chain (Scope 3). The concrete implementation plan includes:</p> <p>(1) Continuously engaging in proactive and self-driven carbon reduction efforts: This involves researching and developing advanced technologies, enhancing energy productivity and usage efficiency to minimize carbon emissions during manufacturing and product usage stages.</p> <p>(2) Utilizing renewable energy: This involves significantly increasing the proportion of renewable energy usage and promoting it throughout the value chain to actively support the transition to low-carbon energy.</p> <p>(3) Investing in net-zero technologies: This involves investing in net-zero emission technologies and participating in carbon offset programs to compensate for carbon emissions that are unavoidable or technologically limited.</p> <p>The indicators and objectives adopted by the Company to identify and manage physical risks and transition risks are as follows:</p> <p>(1) Transition risks: The amount and percentage of operational activities vulnerable to the impact of transitioning to a low-carbon economy. This is indicated by the proportion of operating costs of goods affected in the current fiscal year as a percentage of total operating costs.</p> <p>(2) Physical risks: The amount and percentage of assets vulnerable to the impact of climate change (including floods and droughts). This is indicated by the proportion of the book value of properties, plants, and equipment vulnerable to impact in the current fiscal year as a percentage of total assets.</p> <p>7. The Company intends to initiate relevant projects through the ESG Advisory Committee, in collaboration with various key management departments such as finance, accounting, human resources, operations, and occupational safety and health. This cross-departmental approach aims to comprehensively assess and plan related matters, addressing the reasonableness of carbon</p>
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	<p>pricing, fairness in the internal allocation of carbon credits, accuracy of carbon reduction targets, and effectiveness of carbon reduction initiatives. The operational management outcomes will be reported to the Board of Directors for review.</p> <p>The Company will establish adjustment mechanisms in accordance with both domestic and international decarbonization trends, as well as the Company's own decarbonization objectives.</p> <p>Moving forward, the Company will continuously adjust our internal carbon pricing based on Science-Based Targets (SBT) and international carbon pricing trends, ensuring alignment with both global decarbonization objectives and internal operational strategies.</p> <p>8. The Company has maintained a longstanding commitment towards environmental protection, aiming to achieve a harmonious win-win situation for both the economy and the environment through green operational practices. Furthermore, we continue to enhance ecological benefits by reducing energy consumption, conserving water, minimizing waste, and reducing greenhouse gas emissions through source reduction and efficiency improvements. These efforts contribute to sustainable environmental practices.</p> <p>The Company joined the Bicycling Alliance for Sustainability (BAS) with the objective of achieving the alliance's goals, aiming to reduce carbon emissions per bicycle produced by 40kg or at least 25% by 2030.</p> <p>In 2024, the Xiamen Houxi plant site has installed a 0.4MW solar power generation module, capable of generating 400,000kWh of electricity per year. This installation can reduce carbon emissions by 237.7tons per year. Additionally, the aforementioned plant site has begun purchasing green energy, with a procurement volume reaching 100,000kWh in March 2024, and will gradually increase the proportion of green energy up to 10%.</p> <p>9. Please refer to points 1-1 and 1-2 below in the section titled "Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan".</p>
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1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.
According to the regulations outlined in the Financial Supervisory Commission's 13 December 2023 Order No. Financial-Supervisory-Securities-Corporate-11203852314, the Company, being the parent entity of listed

companies with a paid-in capital not exceeding NT\$5 billion, shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2026 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2028. Similarly, all consolidated financial reporting subsidiaries of the Company shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2027 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2029.

1-1-2 Greenhouse Gas Assurance Information

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

According to the regulations outlined in the Financial Supervisory Commission's 13 December 2023 Order No. Financial-Supervisory-Securities-Corporate-11203852314, the Company, being the parent entity of listed companies with a paid-in capital not exceeding NT\$5 billion, shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2026 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2028. Similarly, all consolidated financial reporting subsidiaries of the Company shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2027 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2029.

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

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

According to the regulations outlined in the Financial Supervisory Commission's 13 December 2023 Order No. Financial-Supervisory-Securities-Corporate-11203852314, the Company, being the parent entity of listed companies with a paid-in capital not exceeding NT\$5 billion, shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2026 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2028. Similarly, all consolidated financial reporting subsidiaries of the Company shall complete disclosure of information regarding greenhouse gas inventory starting from the year 2027 and complete disclosure of information regarding greenhouse gas assurance starting from the year 2029.

3.3.8 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	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(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?</p>	V		<p>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.</p>	None
<p>(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</p>	V		<p>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.</p>	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	
TWSE/TPE Listed Companies?				
(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
(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	V		The "Ethical Corporate Management Best Practice Principles" stipulates relevant matters to avoid, and each business unit has	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	
complaint channels, and properly implemented such policies?			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.	
(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
(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

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 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 whistleblowing.	None
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.

3.3.9 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
- (17) Regulations Governing Transactions between Affiliated Enterprises, Specified Companies, and Interested Parties
- (18) Standard Procedures for Responding to Requests from 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/>.

3.3.10 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

Title	Name	Date of Training	Organizer	Course Title	Number of Training Hours
President	Pei-Ni Shen	2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
General Manager, Safety Products Business Group	Jing-Wei Chang	2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Chief Operating Officer, Safety Products Business Group	Qing-Zheng Wu	2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Group Finance Headquarters Chief Financial Officer	Ren-Di Chang	2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Chief Accountant, Finance Headquarters	Sen Chang	2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.09.28	Topkey Corporation	Compiling of Consolidated Revenue Statement and Consolidated Financial Statements	2H
		2023.10.26	LEE WAY ELECTRONIC S CO., LTD.	Self-Guard Fire Protection Grouping Drill, along with AED Education Training	3H
		2023.10.27	Topkey Corporation	Accounting Practices-Online Filing of Business Tax and	3H

Title	Name	Date of Training	Organizer	Course Title	Number of Training Hours
				Compiling of Consolidated Financial Statements	
		2023.10.28	Topkey Corporation	Accounting Practices-Sales Revenue Collection and Compiling of Consolidated Financial Statements	3H
		2023.11.06	Accounting Research and Development Foundation	Analyzing Key Financial Information to Strengthen Crisis Warning Capabilities of Enterprises	6H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
		2023.12.04	Accounting Research and Development Foundation	Empowering Sustainable Development Through Risk Management	6H
Manager of the Audit Office	Xiang-Dai Tsai	2023.04.12	LEE WAY ELECTRONIC S CO., LTD.	Fire Protection Training and Education for the Latter Half of 2023, along with AED Demonstrations and Emergency Response Training	3H
		2023.06.06	Yuan-Jyuan Ciou, Consultant	Learning from Practical Experience-Key Points in Process Mapping and Case Study	3H
		2023.07.01 ~ 2023.07.15	The Institute of Internal Auditors of the Republic of China	Core Knowledge and Skills for Internal Auditors (Part I): The Essence of Internal Auditing	18H
		2023.07.17	The Institute of Internal Auditors of the Republic of China	Self-Assessment in Practice	6H
		2023.08.10	Taiwan Corporate Governance Association	Analysis and Strategies for the Economic Landscape	3H
		2023.09.27	Accounting Research and Development Foundation	Practical Approaches and Case Studies in Investigating Corporate Fraud	6H
		2023.11.09	Taiwan Corporate Governance Association	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and	3H

Title	Name	Date of Training	Organizer	Course Title	Number of Training Hours
				Applicability of Climate Change Response Act	
Spokesperson of Topkey Corporation/ Chief Corporate Governance Officer	Benny Chou	2023.07.04	Taiwan Stock Exchange Corporation (TWSE)	Cathay Sustainable Finance and Climate Change Summit 2023	6H
		2023.07.14	Securities & Futures Institute (SFI)	Discussion of Corporate Governance 3.0 Sustainable Development Road Map and Directors' Responsibilities	3H
		2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H
		2023.09.04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6H
		2023.09.22 ~ 2023.09.23	Taiwan Corporate Governance Association (TCGA)	Sustainable Governance Training Course (Central Taiwan)-Carbon Offset, Carbon Credits, and Carbon Trading	9H
		2023.10.13	Securities & Futures Institute (SFI)	Annual Insider Trading Prevention Seminar 2023	3H
		2023.11.09	Taiwan Corporate Governance Association (TCGA)	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
		2023.11.29	Taiwan Stock Exchange Corporation	Carbon Market: Charting a Sustainable Future Summit	3H
Deputy Assistant General Manager of Group President's Office	Zhen-Wei Gao	2023.06.06	Yuan-Jyuan Ciou, Consultant	Learning from Practical Experience-Key Points in Process Mapping and Case Study	3H
		2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H
		2023.11.09	Taiwan Corporate Governance Association (TCGA)	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Construction Director of Group President's Office	Shou-Zhi Hsu	2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H

Title	Name	Date of Training	Organizer	Course Title	Number of Training Hours
		2023.11.09	Taiwan Corporate Governance Association (TCGA)	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Assistant General Manager of Taichung Business Development Department	Hong-Shu Wang	2023.08.09 ~ 2023.09.10	Industrial Development Administration, Ministry of Economic Affairs	2-Day Advanced Workshop on Carbon Footprint-Advancing Net-Zero Carbon Emissions and Product Innovation Value-Added Programs in Cycling Industry	14H
		2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H
		2023.08.15	SPECIALIZED	Assembly and Quality Assurance Training for Configuration of Mountain Bike CCT	2H
		2023.10.23	China Productivity Center	Refresher Training Course for Fire Protection Manager	6H
		2023.10.26	LEE WAY ELECTRONICS CO., LTD.	Self-Guard Fire Protection Grouping Drill, along with AED Education Training	3H
		2023.11.09	SPECIALIZED	Course for Road Bikes CCT	2H
Deputy General Manager of Projects, Group President's Office	Kevin Huang	2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	3H
		2023.11.09	Taiwan Corporate Governance Association (TCGA)	Trends in Carbon Credits, Carbon Taxes, and Carbon Trading, and Evolution and Applicability of Climate Change Response Act	3H
Assistant General Manager of Industrial Products Business Group	David Lin	2023.08.10	Taiwan Corporate Governance Association (TCGA)	Analysis and Strategies for the Economic Landscape in the Latter Half of 2023	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 November 09, 2023, a total of 22 directors, managerial personnels and heads of various business units were given 3-hour related education and training. This course includes conceptual analysis of insider trading, domestic legal prohibition against insider trading, and common practical ambiguities related to insider trading, etc. 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" through the resolution of all directors of the board of directors on November 9, 2023 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, to safeguard shareholder rights, ensure equitable treatment of shareholders, and prevent insider trading.
- (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 FY2024 and the closed periods of each quarterly financial report to avoid any violations of the regulations by the directors.

3.3.11 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
2021	None	Not applicable
2022	None	Not applicable

2023	None	Not applicable
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- (2) Improvements to major flaws discovered through internal auditing: None.
- (3) Internal Control Statement: See page 93-94.
- (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.

3.3.12 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: February 29, 2024

Based on the findings of a self-assessment, Topkey Corporation states the following regarding its internal control system during the year 2023:

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, 2023, 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 29, 2024, with all 6 attending directors affirming the content of this Statement.

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

3.3.13 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
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) 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: 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 ($10 \times \frac{2}{3} \div 7$). 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 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</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>5th motion: Financial institutions credit line and derivatives transactions.</p> <p>6th motion: Internal Control System Statement for FY 2022.</p> <p>7th motion: Schedule planning for GHG inventory of subsidiaries merged with the Company.</p> <p>8th motion: Amendment to certain provisions of the "Directors' Remuneration and Compensation Distribution Measures" of the Company.</p> <p>9th motion: Amendment to fixed remuneration of directors of the Company.</p> <p>10th motion: Determine the time, venue, and agenda of the AGM of Shareholders for FY 2023.</p> <p>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.</p> <p>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</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>the shareholders' meeting, 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 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>
15th Session Board of Directors meeting 7th Meeting	2023/05/11 (Thursday)	<p>1st motion: Q1 2023 Consolidated Financial Statements of the Company. Supplementary explanation: The Q1 2023 consolidated financial statements were disclosed in the material information of the Company on the same day, and the consolidated financial statements and board meeting minutes were also submitted to the competent authority for reference on May 12, 2023. 2nd motion: The Company's 2023 Budget Revision 3rd motion: The company establishes a corporate governance manager 4th motion: Financial institutions credit line and derivatives transactions.</p> <p>For the above-mentioned 1st motion to 4th 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>
AGM of Shareholders	2023/05/31 (Wednesday)	<p>Reporting matters: (1) Annual business report for the FY 2022. (2) Annual final accounting books and statements for FY 2022 reviewed by the Audit Committee. (3) Employee and director compensation distribution for FY 2022. (4) Amendment of Partial Articles of the Company's "Rules of Procedures for Board of Directors Meetings". Proposals for ratification: (1) Annual business report and financial statements for FY 2022. (2) Earnings distribution for FY 2022. Resolutions: (i) Earnings distribution in cash dividends (NT\$/share): NT\$ 11 (ii) Legal reserve and capital surplus distribution in cash (NT\$/share): NT\$ 0 (iii) Total cash (dividends) distributed to shareholders:</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>NT\$ 999,020,000</p> <p>Matters for Discussion:</p> <p>(1) To discuss and approve the amendment of Partial Articles of the Company's "Rules of Procedures for Acquisition or Disposal of Assets"</p> <p>(2) To discuss and approve the amendment of Partial Articles of the Company's "Rules of Procedure for Shareholders Meetings".</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 8th Meeting	2023/05/31 (Wednesday)	<p>1st motion: To set the ex-dividend date of the earnings distribution for FY 2022 and formulate relevant operational plans.</p> <p>Executive summary:</p> <p>1. The Company's earnings distribution for the FY 2022 has been approved by the resolution of the shareholders' meeting on May 31, 2023. A total of NT\$ 999,020,000 has been allocated from the undistributed earnings in FY 2022 and distributed in cash dividends at a rate of NT\$ 11 per share.</p> <p>2. The ex-dividend date and its related operations are proposed as follows:</p> <p>(1) Ex-rights trading day: July 13, 2023.</p> <p>(2) Last date before book closure: July 15, 2023.</p> <p>(3) Book closure period: From July 16, 2023 to July 20, 2023.</p> <p>(4) Ex-rights (ex-dividend) record date: July 20, 2023.</p> <p>(5) Cash dividend payment date: August 15, 2023.</p> <p>For the above-mentioned 1st 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 9th Meeting	2023/08/10 (Thursday)	<p>1st motion: Q2 2023 Consolidated Financial Statements of the Company.</p> <p>Supplementary explanation: The Q2 2023 consolidated financial statements were disclosed in the material information of the Company on the same day and the consolidated financial statements and board meeting minutes were also submitted to the competent authority for reference on August 11, 2023.</p> <p>2nd motion: H1 2023 earnings distribution of the Company.</p> <p>Supplementary explanation of resolution: The H1 2023 surplus temporarily not to be distributed.</p> <p>3rd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>4th motion: Financial institutions credit line and derivatives</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>transactions.</p> <p>For the above-mentioned 1st motion to 4th 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>
15th Session Board of Directors meeting 10th Meeting	2023/11/09 (Thursday)	<p>1st motion: Q3 2023 Consolidated Financial Statements of the Company. Supplementary explanation: on the same day, November 10, 2023, the Q3 2023 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. 2nd motion: Capital Expenditure Amendment in the Houli Science Park of CTSP. Supplementary explanation: The board of directors resolved to increase the capital expenditure budget, and the investment amount was revised to NT\$2.83 billion. 3rd motion: Adjustment of appointment of directors and supervisors of reinvested affiliated companies 4th motion: Financial institutions credit line and derivatives transactions. 5th motion: Amendment to certain provisions of the "Articles of Incorporation" of the Company. 6th motion: Amendment to certain provisions of the "Regulations Governing Transactions between Affiliated Enterprises, Specified Companies, and Interested Parties" of the Company. 7th motion: Amendment to certain provisions of the "Corporate Governance Best Practice Principles" of the Company. 8th motion: Amendment to certain provisions of the "Accounting professional judgment procedures, accounting policies and estimate changes process" of the Company.</p> <p>For the above-mentioned 1st motion to 8th 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>
15th Session Board of Directors meeting 11th Meeting	2023/12/21 (Thursday)	<p>1st motion: Annual budget review for FY 2024. 2nd motion: Annual audit plan for the FY 2024. 3rd motion: Endorsement guarantee for the Company's reinvestment in affiliated companies. 4th motion: Financial institutions credit line and derivatives transactions of the Company. 5th motion: Assessment of the CPAs' audit fee and the independence of CPAs as the Company appointed Deloitte Taiwan to audit the annual financial statements. 6th motion: Principles for the year-end bonus distribution for FY 2023. 7th motion: To review the salary and compensation and relevant</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>policies for managerial personnel for the FY 2024.</p> <p>8th motion: Amendment to certain provisions of the "Measures for the Administration of Remuneration of Directors (Supervisors) of Affiliated Companies" of the Company.</p> <p>9th motion: Amendment to fixed remuneration of Directors (Supervisors) of Affiliated Companies.</p> <p>For the above-mentioned 1st motions to 9th 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 12th Meeting	2024/02/29 (Thursday)	<p>1st motion: Employee and director compensation distribution for FY 2023. (Submitted to shareholders' meeting for reporting)</p> <p>Resolution: To distribute a total of NT\$ 85,546,150 for employee compensation and NT\$ 32,150,310 for director compensation for FY 2023, 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 ($10 \times \frac{2}{3} = 7$). 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 2023. (Submitted to shareholders' meeting for reporting/ratification)</p> <p>3rd motion: Earnings distribution for FY 2023. (Submitted to shareholders' meeting for ratification)</p> <p>Supplementary explanation for resolution:</p> <p>(1) Earnings distribution in cash dividends (NT\$/share): NT\$ 8.50</p> <p>(2) Legal reserve and capital surplus distribution in cash (NT\$/share): NT\$ 0</p> <p>(3) Total cash (dividends) distributed to shareholders: NT\$ 771,970,000</p> <p>4th motion: Endorsement guarantee for the Company's reinvestment in affiliated companies.</p> <p>5th motion: Financial institutions credit line and derivatives transactions.</p> <p>6th motion: Internal Control System Statement for FY 2023.</p> <p>7th motion: Amendment to certain provisions of the "Articles of Incorporation" of the Company.</p> <p>8th motion: Determine the time, venue, and agenda of the AGM of Shareholders for FY 2024.</p> <p>9th motion: Acceptance of proposals from shareholders holding</p>

Shareholders' meeting or the Board of Directors meeting	Date	Major Resolution
		<p>1% or more of the total number of outstanding shares of the Company in accordance with Article 172-1 of the Company Act.</p> <p>Supplementary explanation for 8th and 9th motions: The date of the shareholders' meeting is set at May 31, 2024, 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.</p> <p>For the above-mentioned 1st motion to 9th 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.</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>

Note: 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 2023 of the Company was held in Taichung on May 31, 2023. The attending shareholders adopted the following matters and their implementation status:

1. Ratification of annual business report and financial statements for FY 2022.

Implementation status: The resolution was adopted.

2. Approval of earnings distribution for FY 2022.

Implementation status: The resolution was adopted, and the cash dividend was allocated at NT\$ 11 per share, totaling NT\$ 999,020 thousand. On May 31, 2023, the Board of Directors resolved to set the ex-dividend date as July 20, 2023, and the cash dividend payment date as August 15, 2023, which has been fully paid.

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

1. Board of Directors meeting on March 9, 2023:

- Approval of annual business report and financial statements for the FY 2022.

Implementation status: The resolution was adopted and submitted to the shareholders' meeting for ratification on May 31, 2023.

- Approval of employee and director compensation distribution for the FY 2022.

Implementation status: The resolution was adopted and reported at the shareholders' meeting on May 31, 2023, and NT\$ 104,269,336 was allocated as the employee compensation and NT\$ 39,324,435 was allocated as the director compensation, all was paid in cash on August 15, 2023.

- Convene the AGM of Shareholders for FY 2023.

Implementation status: The AGM of Shareholders was held on May 31, 2023, and the shareholders' meeting minutes were uploaded to the MOPS on June 15, 2023.

2. Approval of the ex-dividend date of the earnings distribution for the FY 2022:

The earnings distribution for the FY 2022 has been approved by the resolution of the shareholders' meeting on May 31, 2023, and the cash dividend was allocated at NT\$ 11 per share, totaling NT \$ 999,020 thousand. On May 31, 2023, the Board of Directors resolved to set the ex-dividend date as July 20, 2023, and the cash dividend payment date as August 15, 2023, which has been fully paid.

3.3 For other material resolutions of the FY 2023 shareholders' meeting and Board of Directors meeting, please refer to pages 95-100.

3.3.14 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.

3.3.15 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 1, 2024

Title	Name	Appointment Date	Date of Dismissal	Reason for Resignation or Dismissal
None.				

3.3.16 Information Disclosure in Cyber Security Management:

1. **Cyber Security Frameworks:**

Topkey Group has established an Information Security Committee tasked with executing essential measures for information security management activities, establishing and maintaining the cyber security management system, as well as coordinating the formulation, implementation, risk management, and compliance audits of cyber security management. 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 Chairman of the Information Security Committee shall be the Chief Operating Officer, and the members of the committee shall be the directors of headquarters and relevant subsidiaries of the Group recommended by the Chairman and appointed with the consent of the President of the parent company.

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; reporting of each information security data improvement results; and cover the results of handling major cyber security incidents and the implementation results of preventing from recurrence.

The Information Security Committee operates on a PDCA cycle to ensure the achievement of objectives regarding cyber security and continuous improvement.

2. **Information Security Policy:**

The Information Security Policy of the Group covers all personnel, affiliated enterprises, outsourced service providers, visitors, and on-site contractors, as well as all information assets. Through widespread awareness, it establishes a consensus that emphasizes the shared responsibility for information security. This ensures the confidentiality, integrity, and availability of all associated information assets, in accordance with applicable regulations, safeguarding them against deliberate or accidental threats, both internal and external. By providing a secure operational environment, it promotes the sustainable continuity of the Group's business operations.

The Group has also established the Regulations Governing the Management of Cyber Security 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. The purpose is to safeguard the Company's electronic data security and efficiently regulate information and communication operations.

The Group plans to integrate a comprehensive Information Security Management System (ISMS) by 2024, aiming to mitigate security risks from system, technical, and procedural aspects. This will establish an information security framework tailored to the needs of the Company,

with continuous improvement through the Plan-Do-Check-Act (PDCA) cycle. By adhering to the standardized management protocols, the Company aims to mitigate security vulnerabilities caused by human error and facilitate continual improvement through annual internal audits.

3. Specific Management Measures:

To realize the Company's information security policies and objectives, the establishments of comprehensive information security protection, along with the implementation of management measures are as follows:

3.1 Strengthening Information Security:

Regularly conduct vulnerability scans on critical systems to identify and address weaknesses and vulnerabilities, thereby reducing security risks. Conducting annual routine security assessment assists in identifying and evaluating potential information security risks faced by the organization. Through comprehensive inspections of systems, applications, and network infrastructure, potential weaknesses and vulnerabilities can be identified and promptly addresses to enhance the overall cyber security. This helps establish robust information defense capabilities to counter evolving security threats.

3.2 Cyber Security 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 published and promotes business email fraud cases, system account passwords are regularly changed, and cooperates with external cyber security vendors to carry out social engineering training. This enables employees to understand information security and the Personal Data 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 by the collaborators.

3.3 Taiwan CERT/CSIRT Alliance:

In 2024, the Company will seek membership in the Taiwan Chief Information Security Officer Alliance (Taiwan CISO Alliance). Through active engagement with the alliance, the Company aims to establish channels for sharing cyber security intelligence, thereby bolstering collective cyber security defenses and response capabilities across enterprises. The purpose is to promote the Company's sustainable business operations.

4. Resources Allocation for Information Security Management:

The Group has prioritized information security as a critical operational issues. Below outlines the measures and resource allocation plans for information security management:

4.1 Dedicated Information Security Personnel:

Establishing an Information Security Committee responsible for

planning, implementing, and managing the information security policies and measure of the organization. The dedicated information security personnel are tasked with ensuring proper protection of the organization's information assets and integrating updated security technologies and related audit procedures to maintain and continually enhance information security.

4.2 Customer Satisfaction:

As of FY 2023, there have been no significant cyber security incidents, and there have been no complaints from customers regarding any breaches of business or personal data.

4.3 Cyber Security Training for Employees:

All employees undergo regular information security education and training sessions. Furthermore, they are subjected to social engineering phishing email tests annually, with results and relevant educational materials provided thereafter. Through these training programs, employees gain insights into the characteristics and risks associated with phishing attacks, along with techniques and best practices for detection and prevention.

4.4 Information Security Bulletins:

The Company produces over four information security bulletins biannually to enhance awareness regarding information security, as well as improve the ability to identify and response to security risks. These bulletins also serve to promote awareness of important security policy provisions and guidelines.

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, 2023 to December 31, 2023	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: None.

- ### 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 2023		Current fiscal year up to May 1, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Wen-Chen Shen	-	-	-	-
Director	Tong-Chen Chu	(14,000)	-	-	-
Director	Kwei-Lin Chang	(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	-	-	-	-
Project General Manager of Group President's Office	Zhong-Xing Shen	(133,000)	-	(36,000)	-
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	-	-	-	-
Chief Accountant, Finance Headquarters	Sen Chang	(27,000)	-	-	-
Manager of the Audit Office	Xiang-Dai Tsai	-	-	-	-
Spokesperson of Topkey Corporation/ Chief Corporate Governance Officer	Benny Chou	(47,000)	-	(8,000)	-
Deputy Assistant General Manager of Group President's Office	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	-	-	-	-
Deputy General Manager of	Kevin	Note 1	Note 1	-	-

Title	Name	FY 2023		Current fiscal year up to May 1, 2024	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Projects, Group President's Office	Huang				
Assistant General Manager of Industrial Products Business Group	David Lin	Note 1	Note 1	-	-

Note 1: Given the manager's assumption of office in 2024, disclosure regarding any changes in his/her shareholding for the FY 2023 was not included.

(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	Transaction price (NT\$ / share)
Tong-Chen Chu	Disposal	October 2023	Cong-Zhe Chu, Cong-Xian Chu	Second degree of kinship	14,000	Gifts

(1) 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 2023	E. SUN Securities	None	150,000	0.17%	0.17%	-

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

April 2, 2024 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	
Wen-Chen Shen	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	
Tong-Chen Chu	3,469,789	3.82%	911,681	1.00%	0	0%	None	None	None
Kwei-Lin Chang	2,918,846	3.21%	220,450	0.24%	0	0%	Hun-Hu Chang	First degree of kinship	None
Mei-Hua Gan	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	
Pei-Ni Shen	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	
Fu-Sheng Chang	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%	854,101	0.94%	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, 2023 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, 2024 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, 2024 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, 2024 Unit: Person; Shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	16	58	6,261	149	6,484
No. of shares held	0	2,863,681	3,178,725	70,995,692	13,781,902	90,820,000
Shareholding ratio (%)	0.00%	3.15%	3.50%	78.18%	15.17%	100.00%

2. Distribution of Shareholding (Common Stock):

April 2, 2024 Unit: Person; Shares; %

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	2,048	333,869	0.37
1,000 to 5,000	3,527	6,455,764	7.11
5,001 to 10,000	407	3,187,670	3.51
10,001 to 15,000	133	1,699,647	1.87
15,001 to 20,000	69	1,273,150	1.40
20,001 to 30,000	70	1,773,118	1.95
30,001 to 40,000	35	1,235,101	1.36
40,001 to 50,000	27	1,229,746	1.35
50,001 to 100,000	43	3,035,439	3.34
100,001 to 200,000	54	7,834,019	8.63
200,001 to 400,000	24	6,776,314	7.46
400,001 to 600,000	19	9,402,104	10.35
600,001 to 800,000	3	2,194,007	2.42
800,001 to 1,000,000	9	8,165,309	8.99
1,000,001 to 2,000,000	12	17,530,926	19.31
2,000,001 to 20,000,000	4	18,693,817	20.58
Total	6,484	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, 2024 Unit: Shares; %

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
Wen-Chen Shen		9,654,182	10.63
Tong-Chen Chu		3,469,789	3.82
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		2022 (IFRS)	2023 (IFRS)	Current fiscal year up to March 31, 2023 (IFRS)
Market price per share	Highest	206.5	247.5	197
	Lowest	119	160	176.5
	Average	149.60	185.72	184.68
Net worth per share	Before distribution	84.34	88.45	(Note 7)
	After distribution	73.34	79.95 (Note 1)	(Note 7)
Earnings per share	Weighted average shares	90,820 thousand shares	90,820 thousand shares	90,820 thousand shares
	Earnings per share (Note 2)	24.89	15.58	(Note 7)
Dividends per share	Cash dividends		11	8.5 (Note 1)
	Stock dividends	None	None	None
		None	None	None
	Accumulated undistributed dividends (Note 3)		None	None
Return on investment analysis	Price/earnings ratio (Note 4)		6.01	11.92
	Price/dividend ratio (Note 5)		13.60	21.85 (Note 1)
	Cash dividend yield (Note 6)		7.35%	4.58% (Note 1)

Note 1: The earnings distribution for FY 2023 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 2024 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 2023 has not yet been resolved by the shareholders' meeting, and the dividend distribution based on the resolution of the Board of Directors on February 29, 2024 is NT \$8.50 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 (2023) 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 2023 passed by the Board of Directors on February 29, 2023, 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\$ 85,546 thousand, cash dividends to shareholders of NT\$ 771,970 thousand, and director compensation of NT\$ 32,150 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\$ 15.58.
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 2022 was passed by the shareholders' meeting in May 2023, of which NT\$ 104,269 thousand of employee compensation and NT\$ 39,324 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 15, 2023.

4.1.8 Share Repurchases by the Company

None.

4.2 Issuance of corporate bonds

None.

4.3 Preferred shares

None.

4.4 Global depository receipts

None.

4.5 Employee share subscription warrants

None.

4.6 Employee share subscription warrants

None.

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies

None.

4.8 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:

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

Not applicable.

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

Not applicable.

4.8.3 Current issue of new shares in connection with acquisition of another company's shares

Not applicable.

4.8.4 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	2022		2023	
	Net Operating Revenue	%	Net Operating Revenue	%
Sports and Leisure Products	8,912,376	81.28	7,566,285	81.65
Aerospace Medical Products	661,672	6.03	685,792	7.40
Raw Materials and Others	1,391,261	12.69	1,014,470	10.95
Total	10,965,309	100.00	9,266,547	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 ToF optical sensor module components, and health monitoring module components, etc.

(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.

Market Sales Situation in 2023: Regarding professional tennis rackets, according to the statistics of the Tennis Industry Association (TIA): In the United States market, during the period of Q2 to Q4 2022, there was an accumulated inventory of approximately 160K tennis rackets, which remained unutilized in Q1 2023 due to unfavorable sales conditions caused by rainy and humid weather in the United States. The inventory started to decrease from Q2 to Q4 2023, showing notable improvement. A gradual recovery is anticipated in Q3 to Q4 2024. In the European market, the online sales of tennis rackets accounted for 21% in 2023, marking a 4% increase compared to 2022, indicating a phase of inventory digestion. In the Japanese market, compared to pre-pandemic levels in 2019, online sales had been increased by 10% in 2023, reflecting a shift in consumer purchasing habits from offline to online in the post-pandemic era. This shift has also changed the development practices of various brands, transitioning from internal professionals confirming paint designs to conducting preliminary market research and developing new products in collaboration with consumers and manufacturers (utilizing beta testing). The popularity of cage-style tennis rackets (Pedal) surged among various tennis specialty brands from 2020 to 2022. To capitalize on this trend and expand market share swiftly, brands rapidly stocked up on inventory, leading to an oversupply by the end of 2022. Throughout 2023, efforts were made to deplete excess inventory, while the procurement market remained sluggish in 2024, prompting major brands to postpone product launches, indicating a phase of brand restructuring in the market.

Regarding bicycles, according to the provisional statistics of the Bureau of Foreign Trade, MOEA in December 2023, FY 2023 marked the nadir for the cycling industry in Taiwan, with both export volume and value plummeting by double digits. Influenced by destocking in the European and United States markets, the export volume of Taiwan's electrically power assisted cycles (E-Bikes) in 2023 stood at 686,500 units, showing a 33.74% drop from

the previous year. Similarly, the export volume of conventional bicycle (completed units) declined from nearly 2million units to 1.3239 million units, while the export value of bicycle parts contracted by more than 40%. Nonetheless, industry insiders and foreign securities firms generally anticipated that the industry has bottomed out. With inventories gradually being digested in 2024, demand for replenishment may emerge as early as the latter half of the year, driving new manufacturing orders for bicycle manufacturers in 2025. Shipments from component manufacturers are also expected to pick up, potentially leading to improved export performance for Taiwan in 2024 compared to 2023.

The zenith of Taiwan's E-Bike exports was during the pandemic year of 2022, as E-Bikes surged in popularity in the EU and North America markets, reaching a historic peak of 1.0361 million units exported that year. However, according to the latest provisional statistics of the Taiwan Bicycle Association (TBA), Taiwan's E-bike exports plummeted to 686,500 units in 2023, representing a decline of over 30%. Despite the average export unit price increased to US\$1,767, marking a 17.85% year-on-year rise, the overall export value decreased to US\$1.213 billion, reflecting a decline of 21.91%. Moreover, Taiwan's total bicycle exports in 2023 totaled 1.3239 million units, representing a decrease of 630,000 units compared to 2022. Notably, exports to the North America market saw the most significant decline, with only 487,700 units exported, down by 44.5% from the previous year, followed by a 26.86% decrease to 384,600 units in the EU market. (Reference from <https://www.ctee.com.tw/news/20240126700178-439901>)

During the 2021 pandemic period, there was a surge in bicycle purchases among consumers in the Europe and United States market for commuting purposes. Particularly, there was a high demand for E-Bikes (electrically power assisted cycles), resulted in significant revenue growth for Taiwan's bicycle supply chain. Concurrently, issues with port congestion led to over-booking at downstream assembly plants, benefiting upstream components manufacturers. However, as the post-pandemic period unfolds, the bicycle purchasing trend subsided, leading to a decline in demand and entering a phase of inventory adjustment. Most industry players anticipated that inventory adjustments would likely continue until 2024, signaling a downturn in the cycling industry.

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. Starting from 2023, North America has introduced the UL2849 regulation revision, mandating battery components from all brands to undergo the certification before market sale to ensure consumer safety. This policy affected the supply chain of international brands, particularly those major brands that predominantly use their own motors and battery systems, leading to extended certification processes. The second trend is the differentiation in sales across regions. For example, Giant Bicycles experienced a decline in the United States and Europe markets, while the China market saw a remarkable annual growth of 70%. Many major brands also witnesses significant sales growth in the China market, with a projected upward tranjectory for the next three years. Two primary factors contributing to the growth of the domestic China market are the prevailing cycling culture and improving cycling infrastructure. Despite the impact of industrial relocation on the overall GDP of China, the rise in health awareness among the group aged between 20 to 40, coupled with shifts in post-pandemic consumption habits, has led to a transformation in the market position of bicycles.

The three main points are as follows: Firstly, the market remains in a state where production capacity exceeds demand. The launch of new products by various brands further intensifies the pressure on digesting existing inventory, necessitating effective management of the supply chain dynamics. Lead time for component supplies from Shimano and other key suppliers such as DT/Fox have returned to pre-pandemic levels. Once the inventory depeletion concludes in 2024, major brands will likely to start demanding for shorter lead times from suppliers to mitigate the risk of overbooking. Secondly, customers resorted to discounting in Q2 and Q3 of 2023 to accelerate inventory depletion, sacrificing profit margins to regain capital. Initially offering discounts ranging from 10% to 30%, manufacturers witnessed a subsequent downward spiral inprices. Several electric bicycle suppliers, including Van Moof, Prophete, amd online retailer Fahrrad.de, were forced to declare bankruptcy. According to Stork, the CEO of ZIV, the crisis in the German cycling industry is far from over, and further turbulence may be expected in the spring. As downstream manufacturers still grapple with excess inventory, the crisis is likely to extend to component manufacturers and companies with insufficient cash reserves. Even leading bicycle manufacturers are not immune. Canyon, headquartered in Koblenz, saw its revenue for the first nine months of 2023 increase significantly to €621 million from €506 million in the same period of 2022, marking a 23% growth of 23%, but incurred a loss of €1.3 million. Taiwanese

leading bicycle manufacturer, Giant Bicycles, also experienced a significant decline in revenue and profit. In addition, online retailer Bike24 saw its revenue decline to €179 million for the first nine months of 2023, an 11% decrease from the same period of the previous year, resulting in a loss of €15 million. Nonetheless, CEO Martin-Birner remains optimistic, citing Bike24's extensive presence in Europe, the inventory clearance efforts has been effective, and the company has successfully overcome the most difficult period.

(Reference from

<https://www.moneydj.com/kmdj/news/newsviewer.aspx?a=c7892064-1a81-40e0-a331-df25c031e959>)

In 2024, there is a push for suppliers to lower prices for new models, aiming to enhance the overall competitiveness of the market and alleviate sales pressure. Currently, the focus is primarily on mid- to low-priced bicycles, while demand for high-end models remains robust. Additionally, geopolitical concerns are at play as major customers of bicycle brands are concerned about the deteriorating relations between China and the United States. This has prompted calls for diversification of supply chains towards Southeast Asia to mitigate risks. Moreover, the preferential tariffs offered by the EUR/EVFTA for exports from Southeast Asia to the European Union are also a major demand from major customers.

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 implementation of the latest 3C standard in China is impacting the strategic layout of various brands in the China market. 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". During the pandemic, the European and United States market witnessed a surge in orders in 2022. However, due to slowing market demand and substantial inventory levels across brands, the entire 2023 and the first half of 2024 has been dedicated to depleting stocks. It's expected that order stabilization will commence gradually in the latter half of 2024.

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 increasing incidence of chronic diseases such as cardiovascular, cancer, orthopedic, and diabetes continues to rise, coupled with the improving healthcare policies globally, there is a growing demand for diagnostic imaging. Consequently, the global market of medical imaging equipment is expected to show moderate growth, with market size projected to increase from US\$38.16 billion in 2022 to US\$61.51 billion in 2030, representing a compound annual growth rate of approximately 6.2%.

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 advent of the post-pandemic era in 2022, the demand for CT medical imaging equipment began to stabilize, returning to more sustainable levels. Consequently, market dynamics have driven an upward trend in demand for medical imaging equipment such as Nuclear, PET, and interventional DSA. 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 February 2024, there were 14,729 open purchase orders for all commercial aircraft of the two major airline leaders, and there will be a demand for 2,488,000 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 12 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 February 2024 (Unfulfilled Orders)

Model Number	737	767	777	787	Total
Number of Unfilled Orders	4,767	101	515	794	6,177
Number of New Seats	715,050	30,300	180,250	238,200	1,163,800

Source: Boeing's official website.

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

Table 2: Airbus's Statistics on Orders as of February 2024 (Unfulfilled Orders)

Model Number	A220/A320	A330/A340/A350	A380	Total
Number of Unfilled Orders	7,724	828	0	8,552
Number of New Seats	1,158,600	165,600	0	1,324,200

Source: Airbus's official website.

(<https://www.airbus.com/en/products-services/commercial-aircraft/market/orders-and-deliveries>)

④ Global 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, while possessed characteristics of being highly precise, smooth surface, complex in shapes, and compact in 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, which includes industries such as biomedical, smart living, and environmental protection. Simultaneously, as consumers' demand for product quality continues to rise, the market outlook for micro-injection molded products will become even broader. According to the latest Global Micro Injection Molding Plastic Market Report & Forecast 2023-2029 of the 168Report, the global market size of micro injection molding plastic was approximately US\$865.7 million in 2023 and is expected to reach US\$1,845.3 million by 2029, with a compound annual growth rate (CAGR) of 11.3% in the coming years.

(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

① Sports 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. As the demands for sustainability grows, manufacturers of tennis racket and cage-style tennie racket are prioritizing the use of eco-friendly raw carbon fiber materials and sustainable manufacturing processes. Major brands are actively exploring innovative coating designs to capitalize on market sales.

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. Due to the maturation of lightweight design and simulation analyses softwares such as FEA/CAE/CFD, the integration of aerodynamic road bikes and climbing bikes into a single bicycle, known as the One for all concept, is gaining momentum to cater to the needs of cyclists.

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 6.81% from 2023 to 2029.

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, 2024

Item	Number of personnel (persons)	Percentage (%)
Master's degree or above	21	4.05%
College and university	333	64.29%
High school (inclusive) or below	164	31.66%
Total	518	100%

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

①R&D expenditures invested:

Unit: NT\$ 1,000

Item \ FY	2019	2020	2021	2022	2023
R&D Expenditures	371,965	310,546	342,155	402,684	447,713
Net Operating Revenue	7,224,899	7,234,362	8,691,928	10,965,309	9,266,547
R&D Expenditures / Net Operating Revenue	5.15%	4.29%	3.94%	3.67%	4.83%

②Successfully 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

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.

FY 2023

Develop the light-weighted carbon-fiber bike rim with weight decreased by 20% around.

Combine carbon fiber with Twaron to greatly improve the anti-twisting performance of rackets.

Develop the removable and ventilation-adjusted splitter and flank of helmet, which can reduce cycling wind resistance, and adjust cycling balance.

Develop the new-model helmet lens and the actuating mechanism with mandible moving forward, and obtain the practical new-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.
 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

FY 2023

Developed contrast components for DSA vascular imaging equipment.
 Developed contrast components for cardiac CT diagnostic equipment.
 Develop the light-weighted 800g carbon-fiber economy-class seat back.
 Develop the bedplate of new-model advanced imaging inspection equipment.
 Develop the headrest of advanced imaging inspection equipment in 15° slope.

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. Aligned with the 14th Five-Year Plan, the Chinese government offers phased fiscal subsidies to facilitate the upgrading and improvement of medical equipment, aiming to optimize and elevate the entire industry chain, enhance technological innovation, and increase brand influence. This initiative aims to propel medical equipment towards the higher tiers of the value

chain. Through sustained process innovation and competitive pricing that surpasses the European and American competitors, the initiative remains committed to identify opportunities for Best Cost Country transfers.

- 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 2022		FY 2023	
	Sales Amount	Sales Proportion	Sales Amount	Sales Proportion
Asia	6,587,160	60.07%	5,757,898	62.14%
Europe	2,458,375	22.42%	2,077,099	22.41%
Americas	1,728,681	15.77%	1,210,296	13.06%
Others	191,093	1.74%	221,254	2.39%
Total	10,965,309	100.00%	9,266,547	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 40% to 50% 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. The participation in tennis is experiencing a resurgence, with expectations for a continued upward trajectory in the number of individuals engaging in the sport throughout the year.

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.

②Aerospace 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 dominates with a share of 35.5%. This growth is primarily fueled by the rising adoption of interventional X-ray system, including C-arms. Moreover, ultrasound leads with the highest compound annual growth rate of 7.3%, followed by MRI at 6.3%, and CT at 5.6%.

(4) Competitive niche

- ①In-house supply center that can control the R&D and production of raw materials.
- ②With 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.
- ③With core composite application technology and manufacturing technology and abundant composite professionals, it is conducive to expanding higher value-added fields in the composite industry.
- ④Entry barrier is high due to long product development and certification time.

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

①Favorable 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.

②Unfavorable 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

①Sports 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.

②Aerospace Medical Products

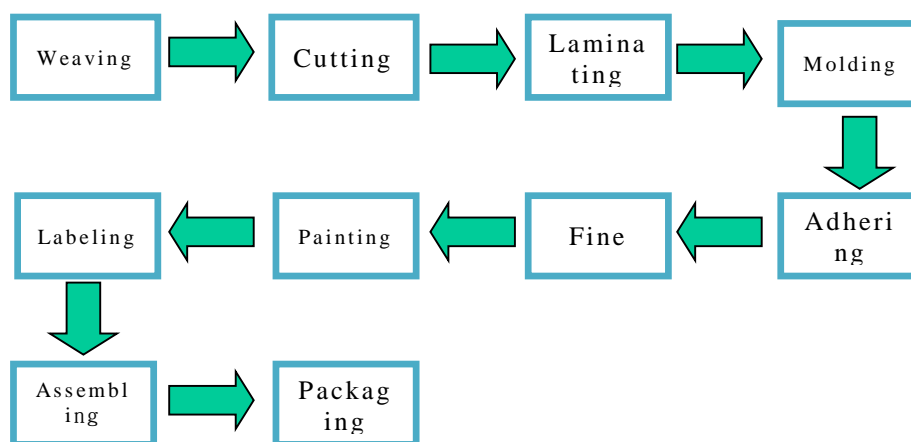
The main products are lightweight, durable, energy-saving and environmentally friendly high-end products, including commercial aircraft interior products, barrier-free space design auxiliary platforms (ramps), exoskeleton aids, safety accessories of ambulances and social welfare vehicles, and parts and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

ray/Nuclear/PET/DSA 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 2022	FY 2023
Net Operating Revenue	10,965,309	9,266,547
Gross Profit (Note)	3,881,806	3,030,788
Gross Profit Margin (Note)	35.40	32.71
Rate of Change in Gross Profit Margin	-7.60%	

- 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 2022				FY 2023			
Item	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer
1	Others	4,274,335	100.00	None	Others	2,293,085	100.00	None
	Net Purchases	4,274,335	100.00		Net Purchases	2,293,085	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 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 2022				FY 2023			
Item	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer
1	Company A	2,416,427	22.04	None	Company A	1,386,584	14.96	None
	Company B	-	-	-	Company B	1,152,018	12.43	None
2	Others	8,548,882	77.96	None	Others	6,727,945	72.61	None
	Net Sales	10,965,309	100.00		Net Sales	9,266,547	100.00	

Explanation for the reason for increase/decrease: Both clients A and B are integral assembly factories for a singular bicycle brand. Due to the brand's revised assembly strategy, which now encompasses multiple factories, the principal orders from the brand have been distributed between clients A and B. Despite this restructuring, there is no discernible variance in sales revenue for clients A and B in FY 2023 when compared to client A's sales revenue in FY 2022.

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 2022			FY 2023		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Sports and Leisure Products	Note 1	Note 1	8,912,376	Note 1	Note 1	7,566,285
Aerospace Medical Products	Note 1	Note 1	661,672	Note 1	Note 1	685,792
Raw Materials and Others	Note 1	Note 1	1,391,261	Note 1	Note 1	1,014,470
Total			10,965,309			9,266,547

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 2022				FY 2023			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sports and Leisure Products	Note 1	156,674	Note 1	8,755,702	Note 1	247,362	Note 1	7,318,923
Aerospace Medical Products	Note 1	14,595	Note 1	647,077	Note 1	18,214	Note 1	667,578
Raw Materials and Others	Note 1	-	Note 1	1,391,261	Note 1	-	Note 1	1,014,470
Total		171,269		10,794,040		265,576	Note 1	9,000,971

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, 2024

FY		FY 2022	FY 2023	Current fiscal year up to 31 March, 2024
Number of employees	Number of direct labors	4,934	3,294	3,563
	Number of indirect labors	2,025	2,089	2,118
	Total	6,959	5,383	5,681
Average age		36.67	38.64	38.28
Average years of service		5.59	7.30	6.97
Education distribution percentage (%)	Ph.D.	0.04%	0.06%	0.07%
	Master's degree	0.78%	1.10%	1.07%
	University and College	17.32%	21.90%	21.70%
	Senior high school	14.44%	14.92%	15.51%
	Below senior high school	67.42%	62.02%	61.65%

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 and lucky draw event, where every participating employee is guaranteed a prize, year-end bonuses, as well as recognition 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 Company has established an Employee Welfare Committee, with an average annual allocation of over NT\$5 million, to provide various welfare programs to our employees over the past three years. These benefits include organizing two-day employee trips, gatherings, family day events, promoting various club activities (such as Little Sunshine Volunteer Society, badminton clubs, leisure sports clubs, aerobic yoga clubs, basketball clubs, cycling clubs, etc.), providing gifts during festival seasons, monthly birthday bonuses, quarterly birthday celebration events, scholarships for employees and their children, subsidies for weddings and funerals, arranging special sales events with contracted vendors, offering discounts at designated stores, and coordinating Christmas gift distribution events during festive seasons.

(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.

In the FY 2023, a total of 285 employees participated in training courses, accumulating a total training time of 3,870.5 hours.

(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. In the latter half of the year 2023 (according to the ROC calendar), deficiencies in communication regarding scheduled leave resulted in employee resignations and subsequent complaints. Subsequent to this incident, internal evaluations were conducted, and measures were instituted to mitigate the recurrence of 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.

① The Company is deeply committed to providing employees with a dignified and safe working environment. We diligently uphold principles of fairness in employment practices, including diversity, compensation, and advancement opportunities, ensuring that no employee faces discrimination, harassment, or unequal treatment based on factors such as race, gender, religion, age, political affiliation, or any other protected status as specified in applicable laws. Embracing diversity, we exceed the legal requirement for employing individuals with disabilities by employing a total of 7 individuals, which is 2.3 times higher than the mandate set by the People with Disabilities Rights Protection Act (which requires employing 3 individuals, with each severely disabled person counted as two employees). Moreover, we honor the cultural traditions of our indigenous employees by granting leave for traditional ceremonies during their residential years. To date, we have upheld their employment and human rights without incident.

a. Employee Ethnicity Index

Category	Proportion of the total workforce (%)
Citizen of Taiwan R.O.C.	90.9
Indigenous people	1.4
Foreign nationality	7.7

b. Gender Diversity Index

Indicator	Percentage (%)
Proportion of female employees (%)	45.8
Proportion of female senior managers (%)	29.8

c. Other Diversity Index

Category		Proportion of total full-time employees (%)
Individuals with disabilities		1.75
Total workforce	Grouping by age: <30 years old	19.93
	Grouping by age: 30 to 50 years old	51.75
	Grouping by age: >50 years old	28.32
	Total	100

②The Company regularly holds labor-management meetings, 4 labor-management meeting was held in FY 2023, 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.

⑤The Company has established the "Measures on Prevention of Sexual Harassment in the Workplace" 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: In the latter half of the year 2023 (according to the ROC calendar), deficiencies in communication regarding scheduled leave resulted in employee resignations and subsequent complaints. Consequently, competent authorities imposed a fine of NT\$20,000. Subsequent to this incident, internal evaluations were conducted, and measures were instituted to mitigate the recurrence of labor disputes.

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 - 2025/04	Plant leasing	
Supply agreement	Company A	Since 2010	Brand contracts	Business confidential ity
Parts processing contract	Aerospace Industrial Development Corporation (AIDC)	2017/11-2026/6	Undertaking of the processing of composite parts	Business confidential ity
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				
		2019	2020	2021	2022	2023
Current assets		2,502,126	3,519,116	5,494,946	6,156,398	4,121,455
Investments accounted for using the equity method		5,719,932	5,152,833	4,866,209	5,207,584	5,193,592
Property, Plant and Equipment		572,825	543,637	546,674	1,386,723	2,486,501
Intangible assets		-	-	-	-	-
Other assets		54,217	58,087	84,689	144,370	137,056
Total assets		8,849,100	9,273,673	10,992,518	12,895,075	11,938,604
Current liabilities	Before distribution	2,988,237	3,331,844	4,257,654	4,369,672	2,806,942
	After distribution	3,533,157	3,785,944	4,802,574	5,368,692	3,578,912
Non-current liabilities		596,302	607,261	1,079,134	865,626	1,098,183
Total liabilities	Before distribution	3,584,539	3,939,105	5,336,788	5,235,298	3,905,125
	After distribution	4,129,459	4,393,205	5,881,708	6,234,318	4,677,095
Equity attributable to owners of the parent company		5,264,561	5,334,568	5,655,730	7,659,777	8,033,479
Share capital		908,200	908,200	908,200	908,200	908,200
Capital surplus		1,639,328	1,639,532	1,639,532	1,639,532	1,639,532
Retained earnings	Before distribution	3,215,541	3,349,644	3,727,191	5,442,336	5,858,693
	After distribution	2,670,621	2,895,544	3,182,271	4,443,316	5,086,723
Other equity		(498,508)	(562,808)	(619,193)	(330,291)	(372,946)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	5,264,561	5,334,568	5,655,730	7,659,777	8,033,479
	After distribution	4,719,641	4,880,468	5,110,810	6,660,757	7,261,509

Note 1: The annual earnings distribution was passed by the Board of Directors on February 29, 2024, 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				
	2019	2020	2021	2022	2023
Operating Revenue	3,999,267	4,536,256	5,862,658	8,245,125	7,327,891
Gross Profit	740,447	798,233	1,118,261	1,826,732	1,447,200
Operating Income	314,591	360,989	647,565	1,356,365	1,022,715
Non-operating income and expenses	792,926	504,381	605,543	1,386,614	754,191
Profit Before Income Tax	1,107,517	865,370	1,253,108	2,742,979	1,776,906
Net income for the period from continuing operations	865,782	679,023	831,647	2,260,065	1,415,377
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	865,782	679,023	831,647	2,260,065	1,415,377
Other comprehensive income (loss) for the period (Net of Income Tax)	(157,931)	(64,300)	(56,385)	288,902	(42,655)
Total comprehensive income for the period	707,851	614,723	775,262	2,548,967	1,372,722
Net income attributable to owners of parent	865,782	670,023	831,647	2,260,065	1,415,377
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	707,851	614,723	775,262	2,548,967	1,372,722
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NT\$)	9.53	7.48	9.16	24.89	15.58

3. Consolidated Condensed Balance Sheet (IFRS)

Unit: NT\$ 1,000

Unit: NT\$ 1,000

FY Item		Financial Information for the Most Recent 5 Fiscal Years				
		2019	2020	2021	2022	2023
Current assets		7,218,204	7,532,536	8,560,446	12,372,348	8,847,249
Financial assets measured at fair value through other comprehensive income-non-current		-	-	-	-	-
Property, Plant and Equipment		2,523,049	2,540,321	2,548,754	3,663,245	4,712,180
Intangible assets		12,880	11,393	-	-	-
Other assets		106,542	107,362	141,787	180,670	167,909
Total assets		9,860,675	10,191,612	11,250,987	16,216,263	13,727,338
Current liabilities	Before distribution	3,695,358	3,843,479	4,089,349	7,125,096	3,916,012
	After distribution	4,240,278	4,297,579	4,634,269	8,124,116	4,687,982
Non-current liabilities		735,494	758,049	1,171,809	968,427	1,366,719
Total liabilities	Before distribution	4,430,852	4,601,528	5,261,158	8,093,523	5,282,731
	After distribution	4,975,772	5,055,628	5,806,078	9,092,543	6,054,701
Equity attributable to owners of the parent company		5,264,561	5,334,568	5,655,730	7,659,777	8,033,479
Share capital		908,200	908,200	908,200	908,200	908,200
Capital surplus		1,639,328	1,639,532	1,639,532	1,639,532	1,639,532
Retained earnings	Before distribution	3,215,541	3,349,644	3,727,191	5,442,336	5,858,693
	After distribution	2,670,621	3,803,744	3,182,271	4,443,316	5,086,723
Other equity		(498,508)	(562,808)	(619,193)	(330,291)	(372,946)
Treasury shares		-	-	-	-	-
Non-controlling interests		165,262	255,516	334,099	462,963	411,128
Total equity	Before distribution	5,429,823	5,590,084	5,989,829	8,122,740	8,444,607
	After distribution	4,884,903	5,135,984	5,444,909	7,123,720	7,672,637

Note 1: The annual earnings distribution was passed by the Board of Directors on February 29, 2024, 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				
	2019	2020	2021	2022	2023
Operating Revenue	7,224,899	7,234,362	8,691,928	10,965,309	9,266,547
Gross Profit	2,393,762	2,498,872	2,654,682	3,881,806	3,030,788
Operating Income	1,207,772	1,413,740	1,438,525	2,541,472	1,703,141
Non-operating income and expenses	21,557	(211,012)	24,589	619,733	293,615
Profit Before Income Tax	1,229,329	1,202,728	1,463,114	3,161,205	1,996,756
Net income for the period from continuing operations	861,174	792,471	930,637	2,422,011	1,483,435
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	861,174	792,471	930,637	2,422,011	1,483,435
Other comprehensive income (loss) for the period (net of Income Tax)	(163,984)	(64,534)	(59,284)	295,916	(46,670)
Total comprehensive income for the period	697,190	727,937	871,353	2,717,927	1,436,765
Net income attributable to owners of parent	865,782	679,023	831,647	2,260,065	1,415,377
Net income (loss) attributable to non-controlling interests	(4,608)	113,448	98,990	161,946	68,058
Total comprehensive income attributable to owners of parent	707,851	614,723	775,262	2,548,967	1,372,722
Total comprehensive income, attributable to non-controlling interests	(10,661)	113,214	96,091	168,960	64,043
Earnings per share (NT\$)	9.53	7.48	9.16	24.89	15.58

Note 1: The annual earnings distribution was passed by the Board of Directors on February 29, 2024, 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
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
2023	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
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				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	40.51	42.48	48.55	40.6	32.71
	Ratio of long-term capital to property, plant, and equipment	1,023.15	1,092.98	1,231.97	614.79	367.25
Solvency (%)	Current ratio	83.73	105.62	129.06	140.89	146.83
	Quick ratio	78.50	95.67	110.59	118.12	129.13
	Times interest earned	47	54	87	105	113
Operating performance	Accounts receivable turnover (times)	4.52	4.55	4.84	4.99	4.45
	Average collection days	80.75	80.21	75.41	73.14	82.02
	Inventory turnover (times)	21.57	13.97	8.07	6.92	7.31
	Accounts payable turnover (times)	4.15	4.06	3.85	3.99	4.01
	Average days in sales	16.93	26.13	45.25	52.71	49.94
	Property, plant, and equipment turnover (times)	8.99	8.13	10.75	8.53	3.78
	Total asset turnover (times)	0.45	0.50	0.58	0.69	0.59
Profitability	Return on total assets (%)	10.01	7.64	8.32	19.10	11.50
	Return on equity (%)	16.77	12.81	15.13	33.95	18.04
	Ratio of income before tax to paid-in capital (%)	121.95	95.28	137.98	302.02	195.65
	Net profit margin (%)	21.65	14.97	14.19	27.41	19.31
	Earnings per share (NT\$)	9.53	7.48	9.16	24.89	15.58
Cash flow	Cash flow ratio (%)	18.09	3.20	5.67	22.78	52.28
	Cash flow adequacy ratio (%)	38.53	34.84	30.62	48.32	55.04
	Cash reinvestment ratio (%)	0.71	-7.42	-3.16	5.24	5.08
Leverage	Operating leverage	123.10	118.39	110.49	105.78	105.95
	Financial leverage	108.32	104.77	102.31	101.98	101.56

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 2023 was mainly due to the on-going construction of plant in CTSP, construction in progress increased, resulting in a significant increase in fixed assets.

2. Property, plant, and equipment turnover (times): The sharp declines in this ratio in 2023 was mainly due to the increase in construction in progress in 2023, resulting in an increase in the average net property, plant, and equipment.

3. Return on total assets: The sharp decline in this ratio in 2023 was mainly due to the downturn in the market economy, resulting in a decline in operational performance and a reduction in net profit after tax for the year.

4. Return on equity: The sharp decline in this ratio in 2023 was mainly due to the downturn in the market economy, resulting in a decline in operational performance and a reduction in net profit after tax for the year.

5. Ratio of income before tax to paid-in capital: The sharp decline in this ratio in 2023 was mainly due to the downturn in the market economy, resulting in a decline in operational performance and a reduction in net profit after tax for the year.

6. Net profit margin: The sharp decline in this ratio in 2023 was mainly due to the downturn in the market economy, resulting in a decline in operational performance and a reduction in net profit after tax for the year.

7. Earnings per share (NT\$): The sharp decline in this ratio in 2023 was mainly due to the downturn in the market economy, resulting in a decline in operational performance and a reduction in net profit after tax for the year.

8. Cash flow ratio (%): Mainly due to the concerted efforts to liquidate inventory and enhance accounts receivable management throughout the fiscal year, resulting in a substantial increase in operating cash inflow.

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

FY Item		Financial Analysis for the Most Recent 5 Fiscal Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	44.93	45.15	46.76	49.91	38.48
	Ratio of long-term capital to property, plant and equipment	244.36	249.89	280.99	248.17	208.21
Solvency (%)	Current ratio	195.33	195.98	209.34	173.64	225.92
	Quick ratio	162.18	157.44	161.85	135.68	187.41
	Times interest earned	23.75	29.45	56.56	31.32	22.14
Operating performance	Accounts receivable turnover (times)	4.74	4.77	5.13	5.35	4.81
	Average collection days	77.00	76.51	71.15	68.22	75.88
	Inventory turnover (times)	3.90	3.27	3.33	2.94	2.83
	Accounts payable turnover (times)	10.80	9.20	9.87	11.15	11.75
	Average days in sales	93.58	111.62	109.60	124.14	128.97
	Property, plant and equipment turnover (times)	3.06	2.86	3.42	3.53	2.21
	Total asset turnover (times)	0.73	0.72	0.81	0.80	0.62
Profitability	Return on total assets (%)	9.18	7.05	7.91	17.04	9.92
	Return on equity (%)	16.19	12.32	14.36	32.03	17.09
	Ratio of income before tax to paid-in capital (%)	135.36	132.43	161.10	348.07	219.86
	Net profit margin (%)	11.98	9.39	9.57	20.61	15.27
	Earnings per share (NT\$)	9.53	7.48	9.16	24.89	15.58
Cash flow	Cash flow ratio (%)	50.16	32.99	23.91	30.29	89.81
	Cash flow adequacy ratio (%)	128.38	124.44	105.11	106.36	112.14
	Cash reinvestment ratio (%)	18.91	9.65	6.44	15.85	23.39
Leverage	Operating leverage	140.39	131.54	130.28	116.08	123.41
	Financial leverage	104.68	103.08	101.86	104.28	105.87

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

1. Debt to assets ratio: The sharp decrease in this ratio in 2023 was mainly due to the repayment of bank loans amounting to NT\$300 million during the fiscal year, resulting in a sharp reduction in total liabilities, coupled with the liquidation of inventory amounting to NT\$119 million, which led to a substantial decrease in total assets.
2. Current ratio: The sharp increase in this ratio in 2023 was mainly due to the repayment of bank loans amounting to NT\$300 million during the fiscal year, resulting in a sharp reduction in total liabilities, coupled with the liquidation of inventory amounting to NT\$119 million, which led to a substantial decrease in total assets.
3. Quick ratio: The sharp increase in this ratio was mainly due to the repayment of bank loans amounting to NT\$300 million during the fiscal year, resulting in a sharp reduction in total liabilities.
4. Times interest earned: The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability and the increase in market interest rates during the fiscal year.
5. Property, plant, and equipment turnover (times): The sharp declines in this ratio in 2023 was mainly due to the increase in construction in progress in 2023, resulting in an increase in the average net property, plant, and equipment.
6. Total asset turnover (times) : The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
7. Return on total assets: The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
8. Return on equity: The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
9. Ratio of income before tax to paid-in capital (%): The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
10. Net profit margin (%): The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
11. Earnings per share (NT\$): The sharp decline of this ratio in 2023 was mainly due to the decrease in profitability during the fiscal year.
12. Cash flow ratio (%): Mainly due to the concerted efforts to liquidate inventory and enhance accounts receivable management throughout the fiscal year, resulting in a substantial increase in operating cash inflow.
13. Cash reinvestment ratio (%): Mainly due to a significant increase in net cash inflows from operating activities in 2023.

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 2023 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,
2024 AGM of Shareholders of the Company

Topkey Corporation
Audit Committee Convener: Shih-Chien Yang

February 29, 2024

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 2023: See pages 234 to 286.

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

See pages 176 to 233.

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	2022	2023	Difference	
			Amount	%
Current assets	12,372,348	8,847,249	(3,525,099)	-28.49%
Financial assets measured at fair value through other comprehensive income-non-current	-	-	-	-
Property, Plant and Equipment	3,663,245	4,712,180	1,048,935	28.63%
Intangible assets	-	-	-	-
Other assets	180,670	167,909	(12,761)	-7.06%
Total assets	16,216,263	13,727,338	(2,488,925)	-15.35%
Current liabilities	7,125,096	3,916,012	(3,209,084)	-45.04%
Non-current liabilities	968,427	1,366,719	398,292	41.13%
Total liabilities	8,093,523	5,282,731	(2,810,792)	-34.73%

Item \ FY	2022	2023	Difference	
			Amount	%
Share capital	908,200	908,200	-	0.00%
Capital surplus	1,639,532	1,639,532	-	0.00%
Retained earnings	5,442,336	5,858,693	416,357	7.65%
Other equity	(330,291)	(372,946)	(42,655)	12.91%
Treasury shares	-	-	-	-
Non-controlling interests	462,963	411,128	(51,835)	-11.20%
Total equity attributable to shareholders	8,122,740	8,444,607	321,867	3.96%
<p>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:</p> <ol style="list-style-type: none"> 1. Current assets: Mainly due to the concerted efforts to liquidate inventory and enhance accounts receivable management throughout the fiscal year. 2. Property, plant, and equipment: Mainly due to the construction of plant, resulting in an increase in construction in progress. 3. Total assets: Mainly due to the increase in deferred income tax assets. 4. Current liabilities: Mainly due to the repayment of short term bank loans. 5. Non-current liabilities: Mainly due to the utilization of long-term loans to meet the capital requirements for the construction of plant in CTSP. 6. Total liabilities: Mainly due to the decrease in current liabilities. 7. Other equity: Mainly due to the exchange rate differences generated by the translation of the financial statements of overseas operating entities. 8. Non-controlling interest: Mainly due to the distribution of cash dividends by the subsidiary of non-controlling interest in 2023, resulting in the decrease in the balance of the non-controlling interest. 				

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	2022	2023	Increase (Decrease)	Deviation (%)
			Amount	
Operating Revenue	10,965,309	9,266,547	(1,698,762)	-15.49%
Operating Costs	7,083,503	6,235,759	(847,744)	-11.97%
Gross Profit	3,881,806	3,030,788	(851,018)	-21.92%
Operating Expenses	1,340,334	1,327,647	(12,687)	-0.95%
Operating Income	2,541,472	1,703,141	(838,331)	-32.99%
Non-operating income and expenses	619,733	293,615	(326,118)	-52.62%
Profit or loss before tax	3,161,205	1,996,756	(1,164,449)	-36.84%
Income tax expense	739,194	513,321	(225,873)	-30.56%
Net income (loss) for the period	2,422,011	1,483,435	(938,576)	-38.75%
<p>The analysis for the deviation over 10%, and the absolute change amount of NT\$ 10 million is as follow:</p> <ol style="list-style-type: none"> 1. Operating revenue: The decrease in Operating revenue in 2023 was primarily due to the operational downturn. 				

2. Operating costs: Mainly due to the corresponding decrease in operating costs due to the decrease in operating revenue in 2023.
3. Gross profit: The decrease in gross profit in 2023 was primarily due to the operational downturn, resulting in a decrease in capacity utilization rates and subsequently lowering the gross profit margin, thereby reflecting a decline in operating gross profit was reflective of the aforementioned factors.
4. Operating income: Mainly due to the decrease in gross profit.
5. Non-operating income and expenses: Mainly due to the foreign exchange gain of NT\$519 million in 2022, whereas in 2023, there was a foreign exchange loss of NT\$14 million.
6. Profit or loss before tax: Having considered the above factors, the amount of profit in 2023 decreased significantly compared with 2022.
7. Income tax expense: The decrease in income tax expense was mainly due to the decrease in profit before tax in 2023.
8. Net income (loss) for the period: Mainly due to the decrease in profits and the increase in foreign exchange losses in 2023.

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
6,986,828	3,516,906	(1,322,283)	(3,663,949)	(30,795)	5,486,707	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 outflows from investing activities were mainly due to the repayment of bank loans and the distribution of cash dividends.
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 (2024):

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
5,486,707	1,617,000	(1,127,000)	(795,000)	-	5,181,707	NA	NA
<p>Explanations:</p> <p>1. Analysis of cash flow changes for the coming year:</p> <p>(1) Operating activities: Net cash inflow from operating activities is mainly due to the expected net cash inflow from operating activities in 2024.</p> <p>(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 CTSP in 2024, and the total capital expenditure for the purchase of equipment by companies in the consolidated financial statements.</p> <p>(3) Financing activities: Cash outflows from financing activities mainly refers to the balance of cash dividends paid and repayment of bank loans in 2024.</p> <p>2. Remedial measures for estimated cash shortfall and liquidity analysis:</p> <p>(1) Investment plan: Not applicable.</p> <p>(2) Financing plan: Not applicable.</p>							

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 the plant in CTSP, which is mainly funded by the Company's own capital and Loans for Returning Overseas Taiwanese Businesses.

2. Expected potential benefits:

The construction of premises and electromechanical equipment at the plant in CTSP is expected to be completed in the latter half of this year, followed by the commencement of equipment installation. Therefore, no significant benefits are expected to be generated within this fiscal year.

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	2,502,290	717,828	All the Group's investee enterprises are operating profitably, allowing the Company to recognize investment income	Not applicable
Topkey Vietnam Corporation Company Limited	461,025	(53,234)	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 2023 due to decline in demand in the bicycle market, leading to insufficient mass production volume to achieve economic scale and resulting in losses. It is expected to get rid of the loss when the demand in the bicycle market rebounds and mass production reaches economic scale in subsequent years.

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 2023 was NT\$ 94,435 thousand, accounting for 1.02% 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 2022 and 2023 was approximately 4.74% and -0.16%, 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 2022 and 2023 were NT\$ 402,684 thousand and NT\$ 447,713 thousand, accounting for about 3.67% and 4.83% of revenue, respectively. An estimated R&D expenditure of NT\$ 430,000 thousand will continue to be invested in 2024 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.

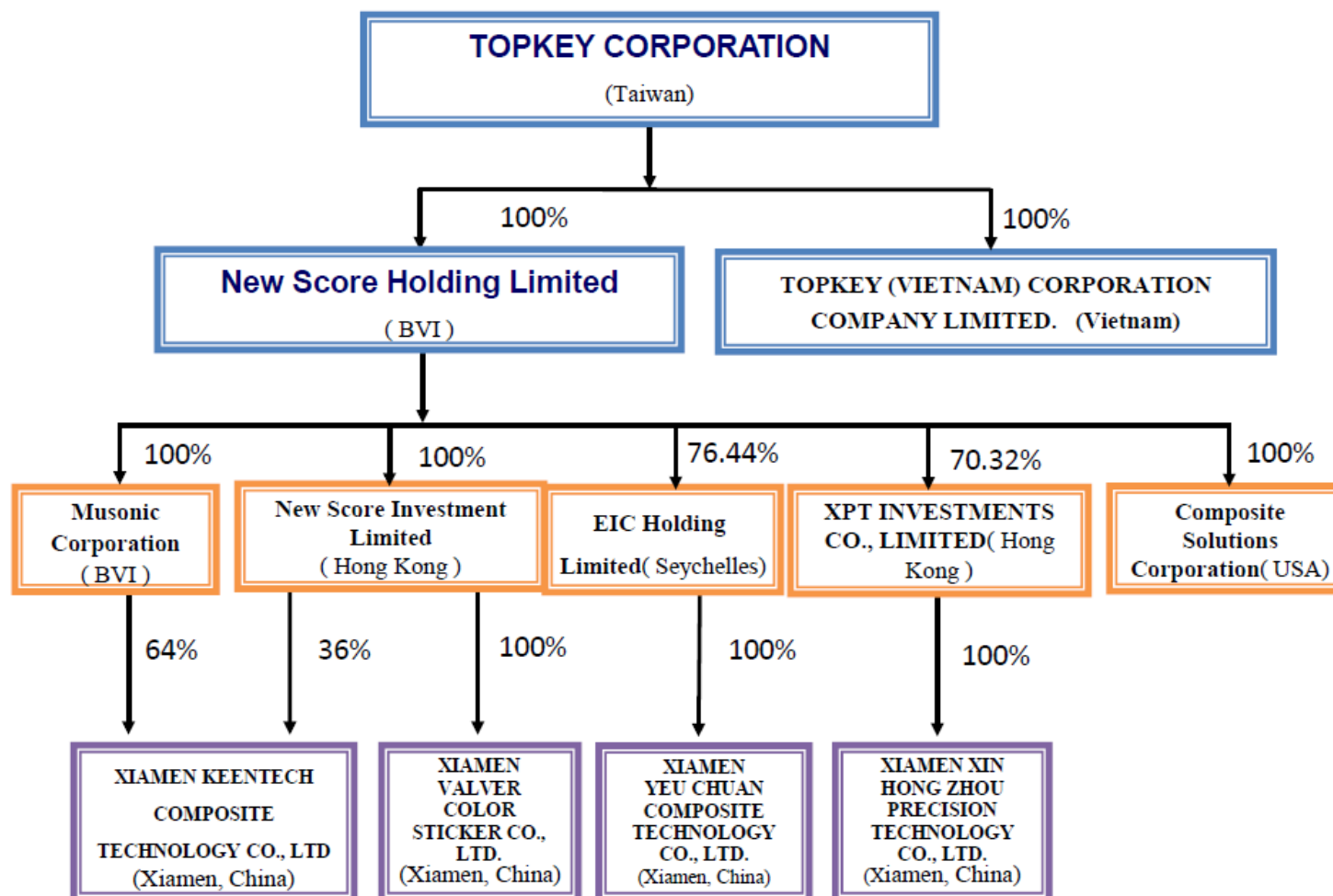
6.5.7 Other Important Matters

For cybersecurity related issues such as information security policy and cybersecurity risk prevention, please refer to pages 102-104.

VII. Special Disclosure

7.1 Information on Affiliates

1. Organizational Chart of Affiliates



Note : Composite Solutions Corporation completed its liquidation in January, 2024.

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	2,463,008	International investment
Topkey Vietnam Corporation Company Limited	2019/8/23	Vietnam	461,025	Carbon fiber, fiberglass products and composites manufacturing and international trade
Composite Solutions Corporation	1995/06/09	Seattle, USA	-	Completed its liquidation in January, 2024.
Musonic Corporation	1992/10/20	British Virgin Islands	683,178	International investment
New Score Investment Limited	1991/3/12	Hong Kong	384,128	International investment and trade
Keentech Composite Tech. Co., Ltd.	1991/12/17	Xiamen, Mainland China	1,413,810	Carbon fiber, fiberglass products and composites manufacturing and international trade
Xiamen Valver Color Sticker Co., Ltd.	2004/10/12	Xiamen, Mainland China	38,419	Plain decal and HRNT production and processing
EIC Holding Limited	2018/6/7	Seychelles	153,675	International investment
Xiamen Yeu Chuan Composite Technology Co., Ltd.	1999/1/15	Xiamen, Mainland China	153,675	Processing of various types of safety helmets, lenses, and automotive and motorcycle spare parts
XPT Investments Co., Limited	2013/11/6	Hong Kong	497,723	International investment and trade
Xiamen Xin Hong Zhou Precision Technology Co., Ltd.	2000/2/17	Xiamen, Mainland China	472,551	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 2023.

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	Kwei-Lin Chang	-	-
		Director	Wen-Chen Shen	-	-
		Director cum President	Ren-Di Chang	-	-
		Director	Pei-Ni Shen	-	-
		Director	Dennis Lin	-	-
		Director	Hui-Xiong Shen	-	-
		Director	Zhong-Xing Shen	-	-
		Supervisor	Tong-Chen Chu	-	-
Musonic Corporation	Musonic	Director	Wen-Chen Shen	-	-
New Score Investment Limited	NSI	Director	NSH (Representative: Wen-Chen Shen)	12,498	100%
		Director	Kwei-Lin Chang	-	-
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	Pei-Ni Shen	-	-
		Director	Tong-Chen Chu	-	-
		Director cum President	Qing-Zheng Wu	-	-
		Director	Ren-Di Chang	-	-
		Director	Jerry Lin	-	-
		Supervisor	Benny Chou	-	-
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	-	-
		Director cum President	Gui-Lin Chang	-	-
		Director	Zhao-Rong Cheng	1,145	7.07%
		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, 2023; 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	159,976	-	159,976	-	-	22,340	0.28
Topkey (VN) Corp	USD	15,000	32,415	23,138	9,277	8,426	(360)	(1,709)	(0.11)
Musonic	USD	22,228	61,657	-	61,657	-	-	8,815	0.40
NSI	USD	12,498	67,643	5,394	62,249	41,499	2,660	7,867	0.63
Keentech	RMB	321,234	1,060,488	380,671	679,817	1,116,456	78,381	105,600	-
Valver	RMB	9,328	14,826	2,008	12,818	12,483	(3,914)	(3,933)	-
EIC	USD	5,000	19,745	1	19,744	-	(32)	2,155	0.43
Yeu Chuan	RMB	38,288	165,311	26,431	138,880	182,973	15,401	20,120	-
XPT Investment	USD	16,194	32,570	3,170	29,400	15,317	205	5,650	0.35
Xin Hong Zhou	RMB	106,766	204,796	24,076	180,720	169,440	42,521	45,656	-

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, 2023 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

- 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 2023 Consolidated Financial Reports of Topkey Corporation and Subsidiaries

Topkey Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022

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, 2023 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

February 29, 2024

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, 2023, December 31, 2022 and January 1, 2022, 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 material accounting policy information (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, 2023, December 31, 2022 and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 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, 2023 and 2022 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, 2023, 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
February 29, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022 (Adjusted)		January 1, 2022 (Adjusted)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 5,486,707	40	\$ 6,986,828	43	\$ 4,307,176	38
Financial assets at fair value through profit or loss - current	-	-	-	-	2,887	-
Financial assets at amortized cost - current (Notes 7 and 25)	20,228	-	189,208	1	225,828	2
Trade receivables (Note 8)	1,580,481	12	2,252,128	14	1,832,688	16
Other receivables (Note 8)	49,662	-	66,641	-	59,044	1
Other receivables from related parties	-	-	-	-	49,842	1
Current tax assets	684	-	-	-	-	-
Inventories (Note 9)	1,508,169	11	2,704,909	17	1,941,829	17
Other current assets	<u>201,318</u>	<u>1</u>	<u>172,634</u>	<u>1</u>	<u>141,152</u>	<u>1</u>
Total current assets	<u>8,847,249</u>	<u>64</u>	<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 10)	-	-	-	-	-	-
Property, plant and equipment (Note 12)	4,178,032	31	3,072,060	19	1,949,079	17
Right-of-use assets (Note 13)	534,148	4	591,185	4	599,675	5
Deferred tax assets (Note 20)	101,701	1	101,964	1	37,266	1
Refundable deposits	12,199	-	14,890	-	17,985	-
Other non-current assets	<u>54,009</u>	<u>-</u>	<u>63,816</u>	<u>-</u>	<u>86,536</u>	<u>1</u>
Total non-current assets	<u>4,880,089</u>	<u>36</u>	<u>3,843,915</u>	<u>24</u>	<u>2,690,541</u>	<u>24</u>
TOTAL	<u>\$ 13,727,338</u>	<u>100</u>	<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 14 and 25)	\$ 1,828,728	13	\$ 4,850,898	30	\$ 2,132,450	19
Notes payable and trade payables	399,963	3	661,690	4	609,381	5
Other payables (Note 15)	581,516	4	747,829	5	657,641	6
Current tax liabilities (Note 20)	348,645	3	368,493	2	156,127	1
Lease liabilities - current (Note 13)	44,727	-	43,859	-	70,830	1
Current portion of long-term borrowings (Note 14)	47,462	-	22,353	-	-	-
Endorsement and guarantee liabilities	-	-	-	-	138,450	1
Other current liabilities	<u>664,971</u>	<u>5</u>	<u>429,974</u>	<u>3</u>	<u>324,470</u>	<u>3</u>
Total current liabilities	<u>3,916,012</u>	<u>28</u>	<u>7,125,096</u>	<u>44</u>	<u>4,089,349</u>	<u>36</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 14)	587,450	4	55,883	-	40,606	-
Deferred tax liabilities (Note 20)	525,644	4	518,691	3	486,246	4
Lease liabilities - non-current (Note 13)	231,644	2	276,686	2	288,570	3
Guarantee deposits	217	-	62,390	1	276,140	3
Other non-current liabilities	<u>21,764</u>	<u>-</u>	<u>54,777</u>	<u>-</u>	<u>80,247</u>	<u>1</u>
Total non-current liabilities	<u>1,366,719</u>	<u>10</u>	<u>968,427</u>	<u>6</u>	<u>1,171,809</u>	<u>11</u>
Total liabilities	<u>5,282,731</u>	<u>38</u>	<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	7	908,200	6	908,200	8
Capital surplus	1,639,532	12	1,639,532	10	1,639,532	15
Retained earnings						
Legal reserve	1,029,440	8	803,434	5	720,269	6
Special reserve	330,291	2	619,193	4	562,808	5
Unappropriated earnings	4,498,962	33	4,019,709	24	2,444,114	22
Other equity						
Exchange differences on translation of the financial statement of foreign operations	(362,946)	(3)	(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>	<u>(10,000)</u>	<u>-</u>
Total equity attributable to owners of the Company	8,033,479	59	7,659,777	47	5,655,730	50
NON-CONTROLLING INTERESTS	<u>411,128</u>	<u>3</u>	<u>462,963</u>	<u>3</u>	<u>334,099</u>	<u>3</u>
Total equity	<u>8,444,607</u>	<u>62</u>	<u>8,122,740</u>	<u>50</u>	<u>5,989,829</u>	<u>53</u>
TOTAL	<u>\$ 13,727,338</u>	<u>100</u>	<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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Note 18)	\$ 9,266,547	100	\$ 10,965,309	100
COST OF GOODS SOLD (Notes 9 and 19)	<u>6,235,759</u>	<u>67</u>	<u>7,083,503</u>	<u>65</u>
GROSS PROFIT	<u>3,030,788</u>	<u>33</u>	<u>3,881,806</u>	<u>35</u>
OPERATING EXPENSES				
Selling and marketing expenses (Note 19)	204,751	2	234,743	2
General and administrative expenses (Note 19)	669,591	7	698,243	6
Research and development expenses (Note 19)	447,713	5	402,684	4
Expected credit loss (Note 8)	<u>5,592</u>	<u>-</u>	<u>4,664</u>	<u>-</u>
Total operating expenses	<u>1,327,647</u>	<u>14</u>	<u>1,340,334</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>1,703,141</u>	<u>19</u>	<u>2,541,472</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	230,669	2	106,753	1
Government grants income	88,964	1	64,341	-
Other gains	73,110	1	86,837	1
Gain (loss) on disposal of property, plant and equipment	7,669	-	(1,422)	-
Net foreign exchange gain (loss)	(14,493)	-	519,323	5
Reversal of impairment (loss) on property, plant and equipment (Note 12)	8,664	-	(45,272)	-
Finance costs (Note 19)	(94,435)	(1)	(104,257)	(1)
Other losses	(6,533)	-	(3,626)	-
Net loss on financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(2,944)</u>	<u>-</u>
Total non-operating income and expenses	<u>293,615</u>	<u>3</u>	<u>619,733</u>	<u>6</u>
INCOME BEFORE INCOME TAX	1,996,756	22	3,161,205	29
INCOME TAX EXPENSE (Note 20)	<u>513,321</u>	<u>6</u>	<u>739,194</u>	<u>7</u>
NET INCOME	<u>1,483,435</u>	<u>16</u>	<u>2,422,011</u>	<u>22</u>

(Continued)

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (57,334)	-	\$ 235,106	2
Income tax relating to items that will be reclassified subsequently to profit or loss (Note 20)	<u>10,664</u>	<u>-</u>	<u>60,810</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(46,670)</u>	<u>-</u>	<u>295,916</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,436,765</u>	<u>16</u>	<u>\$ 2,717,927</u>	<u>25</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,415,377	15	\$ 2,260,065	21
Non-controlling interests	<u>68,058</u>	<u>1</u>	<u>161,946</u>	<u>1</u>
	<u>\$ 1,483,435</u>	<u>16</u>	<u>\$ 2,422,011</u>	<u>22</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,372,722	15	\$ 2,548,967	23
Non-controlling interests	<u>64,043</u>	<u>1</u>	<u>168,960</u>	<u>2</u>
	<u>\$ 1,436,765</u>	<u>16</u>	<u>\$ 2,717,927</u>	<u>25</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 15.58</u>		<u>\$ 24.89</u>	
Diluted	<u>\$ 15.49</u>		<u>\$ 24.71</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owner of the Company									
			Retained Earnings (Note 17)			Other Equity				
	Common Shares (Note 17)	Capital Surplus (Note 17)	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 11)	Total Equity
BALANCE AT JANUARY 1, 2022	\$ 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
Appropriation of 2022 earnings										
Legal reserve	-	-	226,006	-	(226,006)	-	-	-	-	-
Special reserve	-	-	-	(288,902)	288,902	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(999,020)	-	-	(999,020)	-	(999,020)
Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	(115,878)	(115,878)
	-	-	226,006	(288,902)	(936,124)	-	-	(999,020)	(115,878)	(1,114,898)
Net profit for the year ended December 31, 2023	-	-	-	-	1,415,377	-	-	1,415,377	68,058	1,483,435
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(42,655)	-	(42,655)	(4,015)	(46,670)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	1,415,377	(42,655)	-	1,372,722	64,043	1,436,765
BALANCE AT DECEMBER 31, 2023	\$ 908,200	\$ 1,639,532	\$ 1,029,440	\$ 330,291	\$ 4,498,962	\$ (362,946)	\$ (10,000)	\$ 8,033,479	\$ 411,128	\$ 8,444,607

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,996,756	\$ 3,161,205
Adjustments for:		
Depreciation expenses	398,667	408,746
Expected credit loss	5,592	4,664
Net loss on financial assets at fair value through profit or loss	-	2,948
Finance costs	94,435	104,257
Interest income	(230,669)	(106,753)
Loss (gain) on disposal of property, plant and equipment	(7,669)	1,422
(Reversal of) impairment loss on property, plant and equipment impairment loss	(8,664)	45,272
Write-downs (reversal) of inventories	42,077	(9,126)
Net loss on unrealized foreign currency exchange	15,414	45,931
Amortization of prepayments	42,286	47,982
Gain on lease modification	(266)	(20,391)
Changes in operating assets and liabilities:		
Trade receivables	593,000	(467,983)
Other receivables	2,234	(14,317)
Inventories	1,138,915	(729,324)
Other current assets	(62,575)	(70,645)
Notes payable	200	-
Trade payables	(220,403)	83,106
Other payables	(119,349)	83,194
Other current liabilities	235,305	103,666
Other non-current liabilities	(33,013)	(25,470)
Cash generated from operations	3,882,273	2,648,384
Interest received	245,500	112,462
Interest paid	(95,129)	(103,919)
Income tax paid	(515,738)	(498,404)
Net cash generated from operating activities	<u>3,516,906</u>	<u>2,158,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	-	(209,849)
Proceeds from disposal of financial assets at amortized cost	168,563	250,321
Acquisition of property, plant and equipment	(1,495,480)	(1,411,071)
Proceeds from disposal of property, plant and equipment	18,304	1,178
Decrease in refundable deposits	2,682	3,519
Decrease in other receivables from related parties	-	49,842
Increase in other non-current assets	(5,608)	(6,642)
Increase in prepayments for equipment	(10,744)	(21,092)
Net cash used in investing activities	<u>(1,322,283)</u>	<u>(1,343,794)</u>

(Continued)

TOPKEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Adjusted)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 2,818,611	\$ 5,713,455
Repayments of short-term borrowings	(5,822,761)	(3,005,240)
Proceeds from long-term borrowings	585,207	40,187
Repayments of long-term borrowings	(24,151)	(5,200)
Decrease in guarantee deposits	(62,170)	(216,498)
Repayments of the principal portion of lease liabilities	(43,787)	(48,595)
Cash dividends distributed to owners of the Company	(999,020)	(544,920)
Cash dividends distributed to non-controlling interests	(115,878)	(40,096)
Repayments of endorsement and guarantee liabilities	<u>-</u>	<u>(138,450)</u>
Net cash generated from (used in) financing activities	<u>(3,663,949)</u>	<u>1,754,643</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(30,795)</u>	<u>110,280</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,500,121)	2,679,652
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,986,828</u>	<u>4,307,176</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,486,707</u>	<u>\$ 6,986,828</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, 2023 AND 2022

(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 February 29, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group 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 IFRS Accounting Standards 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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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.

- d. Presentation reclassification

The management of the Group considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the consolidated balance sheets and consolidated statements of cash flows in 2023. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of \$94,187 thousand, \$780,419 thousand and \$1,607,281 thousand on December 31, 2023, December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Net cash used in investing activities	<u>\$ (826,862)</u>
Net decrease in cash and cash equivalents	<u>\$ (826,862)</u>

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 IFRS Accounting Standards 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 of the Group.

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 11 and Table 7 and 8 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. 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, 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.

i. 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 amortized cost, and investments in equity instruments at FVTOCL.

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 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 365 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.

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 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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. 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.

n. 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.

o. 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.

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 1,261	\$ 1,205
Checking accounts and demand deposits	1,847,041	1,688,244
Cash equivalents		
Time deposits	3,356,354	5,297,379
Bonds under repurchase agreement	<u>282,051</u>	<u>-</u>
	<u>\$ 5,486,707</u>	<u>\$ 6,986,828</u>
<u>Annual interest rate (%)</u>		
Demand deposits	0.0001-5.45	0.001-1.05
Time deposits	0.15-5.77	0.02-5.030
Bonds under repurchase agreement	4.17-4.24	-

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2023	2022
Restricted deposits	\$ 20,228	\$ 189,208
<u>Annual interest rate (%)</u>		
Restricted deposits	1.58	1.33-4.32
Refer to Note 25 for the pledged of restricted deposits.		

8. TRADE RECEIVABLES

	December 31	
	2023	2022
At amortized cost		
Gross carrying amount	\$ 1,593,479	\$ 2,259,538
Less: Allowance for impairment loss	<u>(12,998)</u>	<u>(7,410)</u>
	<u>\$ 1,580,481</u>	<u>\$ 2,252,128</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, 2023</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 1,576,709	\$ 960	\$ 3,813	\$ -	\$ 11,997	\$ 1,593,479
Loss allowance	-	(48)	(953)	-	(11,997)	(12,998)
Amortized cost	<u>\$ 1,576,709</u>	<u>\$ 912</u>	<u>\$ 2,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,580,481</u>
<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	-	-	(382)	(3,202)	(3,826)	(7,410)
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>

The movements of the loss allowance were as follows:

For the Year Ended December 31, 2023		
	Trade Receivables	Other Receivables
Balance at January 1	\$ 7,410	\$ -
Net remeasurement of loss allowance	5,592	-
Foreign exchange gains and losses	(4)	-
Balance at December 31	<u>\$ 12,998</u>	<u>\$ -</u>
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	-	(1,467)
Balance at December 31	<u>\$ 7,410</u>	<u>\$ -</u>

9. INVENTORIES

December 31		
	2023	2022
Raw materials	\$ 625,750	\$ 1,080,298
Work in progress	290,856	462,762
Finished goods	462,487	986,282
Merchandise	<u>129,076</u>	<u>175,567</u>
	<u>\$ 1,508,169</u>	<u>\$ 2,704,909</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$6,235,759 thousand and \$7,083,503 thousand, respectively.

Operating costs include:

	For the Year Ended December 31	
	2023	2022
Write-downs (reversal) of inventories	\$ 42,077	\$ (9,126)

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

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

	December 31	
	2023	2022
<u>Unlisted ordinary shares</u>		
Yue Pong International Technology Corp. (Yue Pong)	\$ _____	\$ _____

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.

11. SUBSIDIARIES

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

Investor	Investee	Proportion of Ownership (%)	
		December 31, 2023	December 31, 2022
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

Refer to Table 7 and 8 following the Notes to Consolidated Financial statements for information on the place of incorporation and principal places of business for each subsidiary.

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 a receiver for liquidation and completed in January 2024.

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	
	2023	2022
EIC	24	24
XPT Investment	30	30

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2023	2022	2023	2022
EIC	\$ 15,818	\$ 56,220	\$ 142,970	\$ 176,019
XPT Investment	<u>52,240</u>	<u>105,726</u>	<u>268,158</u>	<u>286,944</u>
	<u>\$ 68,058</u>	<u>\$ 161,946</u>	<u>\$ 411,128</u>	<u>\$ 462,963</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	
	2023	2022
Current assets	\$ 622,963	\$ 887,143
Non-current assets	98,610	137,222
Current liabilities	(114,738)	(268,100)
Non-current liabilities	<u>-</u>	<u>9,156</u>
Equity	<u>\$ 606,835</u>	<u>\$ 747,109</u>
Equity attributable to:		
Owners of EIC	\$ 463,865	\$ 571,090
Non-controlling interests of EIC	<u>142,970</u>	<u>176,019</u>
	<u>\$ 606,835</u>	<u>\$ 747,109</u>

	For the Year Ended December 31	
	2023	2022
Revenue	\$ 805,174	\$ 1,390,628
Profit for the year	\$ 67,137	\$ 238,626
Other comprehensive income for the year	<u>(7,837)</u>	<u>8,278</u>
Total comprehensive income for the year	<u>\$ 59,300</u>	<u>\$ 246,904</u>
Profit attributable to:		
Owners of EIC	\$ 51,319	\$ 182,406
Non-controlling interests of EIC	<u>15,818</u>	<u>56,220</u>
	<u>\$ 67,137</u>	<u>\$ 238,626</u>
Total comprehensive income attributable to:		
Owners of EIC	\$ 45,329	\$ 188,734
Non-controlling interests of EIC	<u>13,971</u>	<u>58,170</u>
	<u>\$ 59,300</u>	<u>\$ 246,904</u>
Cash inflow/(outflow) from:		
Operating activities	\$ 200,521	\$ 245,348
Investing activities	(9,861)	58,807
Financing activities	<u>(210,530)</u>	<u>(76,113)</u>
Net cash inflow (outflow)	<u>\$ (19,870)</u>	<u>\$ 228,042</u>
Dividends paid to non-controlling interest of EIC	<u>\$ 47,020</u>	<u>\$ 14,946</u>

2) XPT Investment and XPT Investment's subsidiaries:

	December 31	
	2023	2022
Current assets	\$ 834,379	\$ 977,360
Non-current assets	185,563	199,312
Current liabilities	(116,323)	(208,783)
Non-current liabilities	<u>-</u>	<u>(966)</u>
Equity	<u>\$ 903,619</u>	<u>\$ 966,923</u>
Equity attributable to:		
Owners of XPT Investment	\$ 635,461	\$ 679,979
Non-controlling interests of XPT Investment	<u>268,158</u>	<u>286,944</u>
	<u>\$ 903,619</u>	<u>\$ 966,923</u>

	For the Year Ended December 31	
	2023	2022
Revenue	\$ 803,667	\$ 1,096,390
Profit for the year	\$ 176,036	\$ 356,268
Other comprehensive income for the year	(7,305)	17,063
Total comprehensive income for the year	\$ 168,731	\$ 373,331
Profit attributable to:		
Owners of XPT Investment	\$ 123,796	\$ 250,542
Non-controlling interests of XPT Investment	52,240	105,726
	\$ 176,036	\$ 356,268
Total comprehensive income attributable to:		
Owners of XPT Investment	\$ 118,659	\$ 262,541
Non-controlling interests of XPT Investment	50,072	110,790
	\$ 168,731	\$ 373,331
Cash inflow/(outflow) from:		
Operating activities	\$ 289,496	\$ 407,014
Investing activities	(27,764)	(43,506)
Financing activities	(313,124)	(10,607)
Net cash inflow (outflow)	\$ (51,392)	\$ 352,901
Dividends paid to non-controlling interest of XPT Investment	\$ 68,858	\$ 25,150

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2023					
	Beginning Balance	Additions	Disposals	Reclassifications	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>						
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ -	\$ 52,939
Buildings	1,558,429	-	(18,195)	-	(14,539)	1,525,695
Machinery equipment	1,581,520	42,566	(349,765)	88,647	(15,953)	1,347,015
Transportation equipment	17,372	2,973	(420)	204	(212)	19,917
Other equipment	553,338	65,124	(153,900)	18,279	(6,634)	476,207
Construction in progress	1,107,405	1,356,453	-	(103,069)	(4,144)	2,356,645
	<u>4,871,003</u>	<u>\$ 1,467,116</u>	<u>\$ (522,280)</u>	<u>\$ 4,061</u>	<u>\$ (41,482)</u>	<u>5,778,418</u>
<u>Accumulated depreciation</u>						
Buildings	633,906	\$ 71,555	\$ (18,195)	\$ -	\$ (9,021)	678,245
Machinery equipment	682,000	133,860	(232,430)	(3)	(7,048)	576,379
Transportation equipment	5,069	3,561	(420)	-	(79)	8,131
Other equipment	290,949	133,415	(151,104)	3	(3,770)	269,493
	<u>1,611,924</u>	<u>\$ 342,391</u>	<u>\$ (402,149)</u>	<u>\$ -</u>	<u>\$ (19,918)</u>	<u>1,532,248</u>
<u>Accumulated impairment</u>						
Machinery equipment	185,607	\$ -	\$ (118,160)	\$ -	\$ (699)	66,748
Other equipment	1,412	-	-	-	(22)	1,390
	<u>187,019</u>	<u>\$ -</u>	<u>\$ (118,160)</u>	<u>\$ -</u>	<u>\$ (721)</u>	<u>68,138</u>
	<u>\$ 3,072,060</u>					<u>\$ 4,178,032</u>

For the Year Ended December 31, 2022

	Beginning Balance	Additions	Disposals	Reclassifications	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	521,854	1,130,958	-	(575,225)	29,818	1,107,405
	<u>3,574,922</u>	<u>\$ 1,429,513</u>	<u>\$ (247,375)</u>	<u>\$ 26,828</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	287,701	144,344	(145,257)	-	4,161	290,949
	<u>1,484,725</u>	<u>\$ 351,105</u>	<u>\$ (243,251)</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	1,501	-	(112)	-	23	1,412
	<u>141,118</u>	<u>\$ 45,272</u>	<u>\$ (1,524)</u>	<u>\$ -</u>	<u>\$ 2,153</u>	<u>187,019</u>
	<u>\$ 1,949,079</u>					<u>\$ 3,072,060</u>

The Group assessed that some of the machinery equipment could be used for other purpose. Therefore, the reversal of impairment loss of \$8,664 thousand is recognized for the year ended December 31, 2023 (the reversal of impairment loss has been included in operating revenue and expense in the parent company only statements of comprehensive income), and the rest decrease in accumulated impairment was mainly due to the disposal of equipment that been impaired.

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, which was recognized in other gains and losses on the consolidated statement of comprehensive income for the year ended December 31, 2022. The rest decrease in accumulated impairment was mainly due to disposal of equipment that been impaired.

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	20-55 years
Ancillary work	5-25 years
Machinery equipment	3-30 years
Transportation equipment	5-10 years
Other equipment	3-15 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 498,114	\$ 522,846
Buildings	35,838	67,806
Transportation equipment	<u>196</u>	<u>533</u>
	<u>\$ 534,148</u>	<u>\$ 591,185</u>
	For the Year Ended December 31,	
	2023	2022
Additions to right-of-use assets	<u>\$ 177</u>	<u>\$ 54,532</u>
Depreciation of right-of-use assets		
Land	\$ 23,674	\$ 21,371
Buildings	31,825	35,491
Transportation equipment	<u>336</u>	<u>336</u>
	<u>\$ 55,835</u>	<u>\$ 57,198</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 44,727</u>	<u>\$ 43,859</u>
Non-current	<u>\$ 231,644</u>	<u>\$ 276,686</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.35%-4%	1.35%-4%
Buildings	1.1%-4.9%	0.85%-4.9%
Transportation equipment	0.85%	0.85%

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,	
	2023	2022
Expenses relating to short-term lease	\$ 4,330	\$ 1,345
Expenses relating to low value asset leases	\$ 52	\$ 52
Total cash outflow for leases	\$ (54,088)	\$ (56,545)

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.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,828,728	\$ 4,705,396
<u>Secured borrowings (Note 25)</u>		
Mortgage borrowings	-	145,502
	<u>\$ 1,828,728</u>	<u>\$ 4,850,898</u>
<u>Annual interest rate range (%)</u>		
Line of credit borrowings	1.50-5.98	0.85-4.99
Mortgage borrowings	-	3

b. Long-term borrowings

	December 31	
	2023	2022
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 634,912	\$ 78,236
Less: Current portion	<u>(47,462)</u>	<u>(22,353)</u>
	<u>\$ 587,450</u>	<u>\$ 55,883</u>
<u>Annual interest rate range (%)</u>	1.10-5.00	9.68

As of December 31, 2023, the last due date is between June 2026 and May 2030.

15. OTHER PAYABLES

	December 31	
	2023	2022
Salaries and bonuses	\$ 371,261	\$ 449,096
Compensation of employees	92,429	104,269
Remuneration of directors and supervisors	32,150	39,324
Acquisition of equipment	26,629	72,083
Others	<u>59,047</u>	<u>83,057</u>
	<u>\$ 581,516</u>	<u>\$ 747,829</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.

NSH, Musonic, NSI, EIC and XPT Investment are an investment holding trade company; therefore, there is no retirement policy. 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.

17. EQUITY

a. Capital stock

	December 31	
	2023	2022
Authorized shares (in thousands of shares)	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued and paid shares (in thousands of shares)	<u>90,820</u>	<u>90,820</u>
Issued capital	<u>\$ 908,200</u>	<u>\$ 908,200</u>

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	
	2023	2022
<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 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.

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 2022 and 2021 earnings which have been approved by the shareholders in the shareholders' meetings in May 2023 and May 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Legal reserve	\$ 226,006	\$ 83,165		
(Reversal of) special reserve	(288,902)	56,385		
Cash dividends	999,020	544,920	\$ 11	\$ 6

The appropriation of 2023 earnings which has been proposed by the Company's board of directors on February, 2024 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 141,538	
Special reserve	42,655	
Cash dividends	771,970	\$ 8.5

The appropriation of 2023 earnings is subject to the resolution of the shareholders in the shareholders' meeting to be held in May 2024.

d. Special reserve

On the initial adoption of IFRS Accounting Standards, 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 2022 and 2021, the Company appropriated (reversed) a special reserve at (\$288,902) thousand and \$56,385 thousand because of the deduction of other equity in the end of reporting period.

18. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 9,266,547</u>	<u>\$ 10,965,309</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 8)	<u>\$ 1,580,481</u>	<u>\$ 2,252,128</u>	<u>\$ 1,832,688</u>

b. Disaggregation of revenue

Refer to Note 29 for the information about the disaggregation of revenue.

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 91,221	\$ 97,704
Interest on lease liabilities	5,919	6,553
Less: capitalized interest	<u>(2,705)</u>	<u>-</u>
	<u>\$ 94,435</u>	<u>\$ 104,257</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	\$ 2,705	\$ -
Capitalization rate (%)	1.1-2.0	-

b. Employee benefits expense and depreciation

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2023</u>			
Employee benefit expense			
Salary expenses	\$ 1,465,416	\$ 764,910	\$ 2,230,326
Retirement pension	128,635	53,154	181,789
Other employee benefits	138,983	97,818	236,801
Depreciation expenses	294,192	104,475	398,667
<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

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, 2023 and 2022, which have been approved by the Company's board of directors on February, 2024 and March, 2023, respectively, are as follows:

	For the Year Ended December 31			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	4.52%	\$ 85,546	3.61%	\$ 104,269
Remuneration of directors and supervisors	1.70%	32,150	1.36%	39,324

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, 2022 and 2021.

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	
	2023	2022
Current tax		
In respect of the current year	\$ 424,622	\$ 707,274
Income tax on unappropriated earnings	66,197	7,359
Adjustment for prior years	<u>4,622</u>	<u>(3,996)</u>
	<u>495,441</u>	<u>710,637</u>
Deferred tax		
In respect of the current year	17,880	10,430
Adjustment for prior years	<u>-</u>	<u>18,127</u>
	<u>17,880</u>	<u>28,557</u>
Income tax expense recognized in profit or loss	<u>\$ 513,321</u>	<u>\$ 739,194</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 547,916	\$ 849,423
Permanent differences	(105,414)	(131,719)
Income tax on unappropriated earnings	66,197	7,359
Adjustments for prior years' tax	<u>4,622</u>	<u>14,131</u>
Income tax expense recognized in profit or loss	<u>\$ 513,321</u>	<u>\$ 739,194</u>

b. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	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	\$ -	\$ 10,664	\$ 62,364
Deferred revenue	21,490	(14,769)	-	6,721
Property, plant and equipment impairment loss	8,868	(3,648)	-	5,220
Unrealized loss on inventories	13,298	5,041	-	18,339
Unrealized exchange loss	4,365	3,454	-	7,819
Others	<u>2,243</u>	<u>(1,005)</u>	<u>-</u>	<u>1,238</u>
	<u>\$ 101,964</u>	<u>\$ (10,927)</u>	<u>\$ 10,664</u>	<u>\$ 101,701</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 509,984	\$ 6,953	\$ -	\$ 516,937
Reserve for land value increment tax	<u>8,707</u>	<u>-</u>	<u>-</u>	<u>8,707</u>
	<u>\$ 518,691</u>	<u>\$ 6,953</u>	<u>\$ -</u>	<u>\$ 525,644</u>

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	<u>1,534</u>	<u>709</u>	<u>-</u>	<u>2,243</u>
	<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	<u>9,110</u>	<u>-</u>	<u>(9,110)</u>	<u>-</u>
	<u>\$ 486,246</u>	<u>\$ 41,555</u>	<u>\$ (9,110)</u>	<u>\$ 518,691</u>

c. Income tax assessments

The tax returns through 2021 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, 2023</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 1,415,377	90,820	<u>\$15.58</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>556</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,415,377</u>	<u>91,376</u>	<u>\$15.49</u>

For the Year Ended December 31, 2022

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>

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. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 7,149,277	\$ 9,509,695
<u>Financial liabilities</u>		
Amortized cost	3,445,336	6,401,043

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, notes payable and trade payables, other payables, long-term borrowings (including those due within one year), and guarantee deposits.

c. 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.

	For the Year Ended December 31	
	2023	2022
Profit or loss	\$ 43,971	\$ 66,235

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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 3,658,633	\$ 5,486,587
Financial liabilities	2,390,320	4,193,679
Cash flow interest rate risk		
Financial assets	1,846,841	1,688,244
Financial liabilities	349,691	1,056,000

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, 2023 and 2022 would decrease/increase by \$14,971 thousand and \$6,322 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 51% and 46% of total trade receivables as of December 31, 2023 and 2022, 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	
	2023	2022
Unutilized bank loan limits	<u>\$ 9,738,178</u>	<u>\$ 6,013,212</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, 2023</u>		
Non-interest bearing liabilities	\$ 981,479	\$ 217
Lease liabilities	49,534	273,681
Floating interest rate liabilities	-	349,691
Fix interest rate liabilities	<u>1,876,190</u>	<u>237,759</u>
	<u>\$ 2,907,203</u>	<u>\$ 861,348</u>

<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>

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, 2023</u>						
Non-interest bearing liabilities	\$ 981,479	\$ 217	\$ -	\$ -	\$ -	\$ -
Lease liabilities	49,534	76,675	91,125	74,570	8,350	22,961
Floating interest rate liabilities	-	225,842	123,849	-	-	-
Fix interest rate liabilities	<u>1,876,190</u>	<u>237,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,907,203</u>	<u>\$ 540,493</u>	<u>\$ 214,974</u>	<u>\$ 74,570</u>	<u>\$ 8,350</u>	<u>\$ 22,961</u>
<u>December 31, 2022</u>						
Non-interest bearing liabilities	\$ 1,409,519	\$ 62,390	\$ -	\$ -	\$ -	\$ -
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>\$ 6,332,537</u>	<u>\$ 226,571</u>	<u>\$ 91,137</u>	<u>\$ 91,137</u>	<u>\$ 8,342</u>	<u>\$ 24,609</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.

Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 73,774	\$ 87,193
Post-employment benefits	<u>816</u>	<u>885</u>
	<u>\$ 74,590</u>	<u>\$ 88,078</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	
	2023	2022
Financial assets at amortized cost	<u>\$ 20,228</u>	<u>\$ 189,208</u>

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, 2023 to December 1, 2024. 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, 2023 to April 1, 2024. 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, 2023 to August 1, 2024. 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	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 581,997</u>	<u>\$ 1,108,408</u>

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, 2023</u>			
Financial assets			
Monetary items	\$ 181,030	30.74	\$ 5,563,936
Financial liabilities			
Monetary items	37,963	30.74	1,166,808
<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

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	<u>For the Year Ended December 31, 2023</u>		<u>For the Year Ended December 31, 2022</u>	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (USD:NTD)	\$ (43,176)	1 (USD:NTD)	\$ 193,830
USD	31.16 (USD:NTD)	(19,201)	29.81 (USD:NTD)	(19,431)
RMB	4.4 (RMB:NTD)	47,884	4.43 (RMB:NTD)	344,924

28. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (Table 1).
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2).
- 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 3).

- 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 4).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5).
 - 9) Trading in derivative instruments (None).
 - 10) Intercompany relationships and significant intercompany transactions (Table 6).
 - 11) Information on investees (Table 7).
- 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 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 8):
 - 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 9)

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	
	2023	2022	2023	2022
Sporting products	\$ 7,566,285	\$ 8,912,376	\$ 1,324,835	\$ 2,143,948
Aviation and medical products	685,792	661,672	236,539	217,042
Others	<u>1,014,470</u>	<u>1,391,261</u>	<u>141,767</u>	<u>180,482</u>
Generated from Continuing Operating Segment	<u>\$ 9,266,547</u>	<u>\$ 10,965,309</u>	1,703,141	2,541,472
Interest income			230,669	106,753
Government grants income			88,964	64,341
Other gains			73,110	86,837
Gain (loss) on disposal of property, plant and equipment			7,669	(1,422)
Foreign exchange gain (loss)			(14,493)	519,323
Reversal of impairment (loss) on property, plant and equipment			8,664	(45,272)
Finance costs			(94,435)	(104,257)
Other losses			(6,533)	(3,626)
Net loss on financial assets at FVTPL			<u>-</u>	<u>(2,944)</u>
Income before income tax			<u>\$ 1,996,756</u>	<u>\$ 3,161,205</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2023 and 2022.

Segment profit represents the gains and losses earned by each segment excluding interest income, government grants income, other gains, gain (loss) on disposal of property, foreign exchange gain (loss), reversal of impairment (loss) on property, plant and equipment, finance costs, other losses, net loss on financial assets at FVTPL, 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	
	2023	2022	2023	2022
Asia	\$ 5,757,898	\$ 6,587,160	\$ 4,778,388	\$ 3,741,951
Europe	2,077,099	2,458,375	-	-
America	1,210,296	1,728,681	-	-
Others	<u>221,254</u>	<u>191,093</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,266,547</u>	<u>\$ 10,965,309</u>	<u>\$ 4,778,388</u>	<u>\$ 3,741,951</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			
	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 1,386,584	15	\$ 2,416,427	22
Customer B	1,152,018	12	-	-

TABLE 1

TOPKEY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 4,016,740 (Note 1)	\$ 129,676	\$ 122,940	\$ -	\$ -	2	\$ 4,016,740 (Note 1)	Y	-	-
		Topkey (VN) Corp	Directly owned subsidiary	4,016,740 (Note 1)	1,383,075	1,383,075	487,421	-	17	4,016,740 (Note 1)	Y	-	-
		XPT Investment	Indirectly owned subsidiary	2,410,044 (Note 1)	64,838	61,470	-	-	1	2,410,044 (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.

TOPKEY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(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, 2023				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 3

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, 2023
(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	\$ 1,594,806	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	2022.6.1	670,000	401,833	Chang Jia M&E Engineering Corp.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-
Keentech	Engaging others to build on rented land	2022.8.4	CNY 55,600	CNY 43,358	The Eighth Engineering Bureau Of China City Investment Group Co., Ltd.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-

Note 1: The date of occurrence means the date of transaction signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 2: Contract amount.

TABLE 4

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, 2023
(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	\$	-	\$ 16,534	1	
	Keentech	Indirectly owned subsidiary	Sale	(129,370)	(2)	T/T 90 days		-	53,027	4	
	Yeu Chuan	Indirectly owned subsidiary	Purchase	4,093,479	78	T/T 90 days		-	(930,603)	(84)	
			Purchase	467,210	9	T/T 90 days		-	(82,952)	(7)	
NSI	Keentech	Investment accounted for using the equity method	Sale	(451,664)	(35)	T/T 30 days	-	-	75,252	29	
			Purchase	649,540	59	T/T 60 days	-	-	(142,202)	(96)	
XPT Investment	Xin Hong Zhou	XPT Investment’s subsidiary	Purchase	421,158	100	T/T 75-90 days	-	-	(85,563)	(100)	
Keentech	Topkey (VN) Corp	The same parent company	Sale	(104,614)	(2)	T/T 90-180 days	-	-	27,952	3	

Note: Transactions have been eliminated.

TOPKEY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(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		
Keentech	The Company	The ultimate parent of Keentech	\$ 930,603	1.72	\$ -	-	\$ 251,317	\$ -
Keentech	NSI	The parent for using the equity method of Keentech	142,202	2.21	-	-	27,987	-

Note: Transactions have been eliminated.

TABLE 6

TOPKEY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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
		Keentech	1	Sales	129,370	T/T 90 days	1
			1	Purchases	4,093,479	T/T 90 days	44
			1	Trade payables	930,603	T/T 90 days	7
1	NSI	Yeu Chuan	1	Purchases	467,210	T/T 90 days	5
		Keentech	2	Sales	451,664	T/T 30 days	5
			2	Purchases	649,540	T/T 60 days	7
			2	Trade payables	142,202	T/T 60 days	1
2	XPT Investment	Xin Hong Zhou	2	Purchases	421,158	T/T 75-90 days	5
3	Keentech	Topkey (VN) Corp	2	Sales	104,614	T/T 90-180 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 2,439 thousand, which have been eliminated.

TOPKEY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	NSH Topkey (VN) Corp	British Virgin Islands Vietnam	International investment	\$ 2,502,290	\$ 2,500,092	80,137	100	\$ 4,908,473	\$ 696,089	\$ 717,828	Subsidiary
			Manufacture and sale of carbon fiber products, glass fiber products and composite components	461,025	460,620	-	100	285,119	(53,234)	(53,234)	Subsidiary
NSH	CSC	Seattle, USA	Development, manufacture and sale of aviation composite components	658,098	657,520	22	100	-	-	(Note 1)	Indirectly owned subsidiary
	EIC	Seychelles	International investment	177,802	177,646	3,822	76	463,865	67,137	(Note 1)	Indirectly owned subsidiary
	NSI	Hong Kong	International investment and trade	385,355	385,017	12,498	100	1,913,229	245,109	(Note 1)	Indirectly owned subsidiary
	Musonic	British Virgin Islands	International investment	1,159,724	1,158,705	22,228	100	1,895,028	274,672	(Note 1)	Indirectly owned subsidiary
	XPT Investment	Hong Kong	International investment and trade	379,500	379,167	11,388	70	635,461	176,036	(Note 1)	Indirectly owned subsidiary

Note 1: Exempted according to regulations.

Note 2: Transactions have been eliminated.

Note 3: Refer to Table 8 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 8

TOPKEY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Keentech	Manufacture and sale of carbon fiber products, glass fiber products and composite components	\$ 1,413,810	(Note 1)	\$ 1,067,549	\$ -	\$ -	\$ 1,067,549	\$ 464,695	100	\$ 464,695	\$ 2,950,027	\$ 4,037,234
Yeu Chuan	Manufacture of various helmets, glasses, and components of vehicles	153,675	(Note 1)	84,521	-	-	84,521	88,539	76	67,679	460,673	430,625
Xin Hong Zhou	Development, design and manufacture of various precision molds, processing of various plastic and rubber products	472,551	(Note 1)	258,942	-	-	258,942	200,910	70	141,280	551,466	184,452
Valver	Manufacture of water gage and HRNT	38,419	(Note 1)	46,502	-	-	46,502	(17,306)	100	(17,306)	55,623	54,739

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,457,514 (USD 47,422)	\$ 2,042,833 (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 9**TOPKEY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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 2023 Parent Company Only Financial Reports of Topkey Corporation

Topkey Corporation

**Parent Company Only Financial Statements for the
Years Ended December 31, 2023 and 2022 and Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Topkey Corporation

Opinion

We have audited the accompanying parent company only financial statements of Topkey Corporation (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023, December 31, 2022 and January 1, 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023, December 31, 2022 and January 1, 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2023 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 Parent Company Only Financial Statements

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our 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

February 29, 2024

Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

TOPKEY CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022 (Adjusted)		January 1, 2022 (Adjusted)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,166,616	18	\$ 3,014,193	23	\$ 3,263,026	30
Financial assets at amortized cost - current (Notes 7 and 25)	17,000	-	17,000	-	-	-
Trade receivables (Note 8)	1,187,965	10	1,821,754	14	1,082,314	10
Trade receivables from related parties (Note 24)	81,259	1	179,816	2	210,264	2
Other receivables (Note 8)	27,464	1	29,672	-	21,747	-
Other receivables from related parties (Note 24)	1,961	-	2,062	-	51,894	-
Inventories (Note 9)	496,956	4	995,132	8	786,251	7
Other current assets	<u>142,234</u>	<u>1</u>	<u>96,769</u>	<u>1</u>	<u>79,450</u>	<u>1</u>
Total current assets	<u>4,121,455</u>	<u>35</u>	<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)	5,193,592	43	5,207,584	40	4,866,209	44
Property, plant and equipment (Note 12)	2,263,908	19	1,134,724	9	283,115	3
Right-of-use assets (Note 13)	222,593	2	251,999	2	263,559	3
Deferred tax assets (Note 20)	101,701	1	101,964	1	37,266	-
Refundable deposits	8,526	-	9,425	-	8,700	-
Other non-current assets	<u>26,829</u>	<u>-</u>	<u>32,981</u>	<u>-</u>	<u>38,723</u>	<u>-</u>
Total non-current assets	<u>7,817,149</u>	<u>65</u>	<u>6,738,677</u>	<u>52</u>	<u>5,497,572</u>	<u>50</u>
TOTAL	<u>\$ 11,938,604</u>	<u>100</u>	<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)	\$ 520,000	4	\$ 1,556,000	12	\$ 1,994,000	18
Notes payable and trade payables	100,113	1	175,514	1	182,844	2
Trade payables to related parties (Note 24)	1,013,555	9	1,646,105	13	1,214,781	11
Other payables (Note 15)	198,041	2	240,260	2	234,230	2
Other payables to related parties (Note 24)	1,003	-	7,926	-	18,988	-
Current tax liabilities (Note 20)	334,899	3	342,274	3	143,674	2
Lease liabilities - current (Note 13)	28,854	-	28,216	-	31,858	-
Endorsement and guarantee liabilities	-	-	-	-	138,450	1
Other current liabilities	<u>610,477</u>	<u>5</u>	<u>373,377</u>	<u>3</u>	<u>298,829</u>	<u>3</u>
Total current liabilities	<u>2,806,942</u>	<u>24</u>	<u>4,369,672</u>	<u>34</u>	<u>4,257,654</u>	<u>39</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 14)	349,691	3	-	-	-	-
Deferred tax liabilities (Note 20)	525,644	4	518,691	4	486,246	4
Lease liabilities - non-current (Note 13)	201,084	2	229,988	2	236,501	2
Guarantee deposits	-	-	62,170	1	276,140	3
Other non-current liabilities	<u>21,764</u>	<u>-</u>	<u>54,777</u>	<u>-</u>	<u>80,247</u>	<u>1</u>
Total non-current liabilities	<u>1,098,183</u>	<u>9</u>	<u>865,626</u>	<u>7</u>	<u>1,079,134</u>	<u>10</u>
Total liabilities	<u>3,905,125</u>	<u>33</u>	<u>5,235,298</u>	<u>41</u>	<u>5,336,788</u>	<u>49</u>
EQUITY						
Capital stock	908,200	7	908,200	7	908,200	8
Capital surplus	1,639,532	14	1,639,532	13	1,639,532	15
Retained earnings						
Legal reserve	1,029,440	8	803,434	6	720,269	7
Special reserve	330,291	3	619,193	5	562,808	5
Unappropriated earnings	4,498,962	38	4,019,709	31	2,444,114	22
Other equity						
Exchange differences on translation of the financial statement of foreign operations	(362,946)	(3)	(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>	<u>(10,000)</u>	<u>-</u>
Total equity	<u>8,033,479</u>	<u>67</u>	<u>7,659,777</u>	<u>59</u>	<u>5,655,730</u>	<u>51</u>
TOTAL	<u>\$ 11,938,604</u>	<u>100</u>	<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.

TOPKEY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 18 and 24)	\$ 7,327,891	100	\$ 8,245,125	100
COST OF GOODS SOLD (Notes 9, 19 and 24)	<u>5,880,691</u>	<u>80</u>	<u>6,418,393</u>	<u>78</u>
GROSS PROFIT	1,447,200	20	1,826,732	22
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>4,558</u>	<u>-</u>	<u>(3,857)</u>	<u>-</u>
GROSS PROFIT	<u>1,451,758</u>	<u>20</u>	<u>1,822,875</u>	<u>22</u>
OPERATING EXPENSES				
Selling and marketing expenses (Note 19)	74,151	1	93,296	1
General and administrative expenses (Note 19)	304,740	4	328,077	4
Research and development expenses (Note 19)	44,866	1	40,473	1
Expected credit loss (Note 8)	<u>5,286</u>	<u>-</u>	<u>4,664</u>	<u>-</u>
Total operating expenses	<u>429,043</u>	<u>6</u>	<u>466,510</u>	<u>6</u>
INCOME FROM OPERATIONS	<u>1,022,715</u>	<u>14</u>	<u>1,356,365</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries (Note 11)	664,594	9	1,158,697	14
Interest income	93,360	1	55,024	1
Other gains	46,487	1	51,564	1
Reversal of impairment loss on property, plant and equipment (Note 12)	8,664	-	(45,272)	(1)
Finance costs (Note 19)	(15,715)	-	(26,349)	-
Net foreign exchange gain (loss)	(43,176)	(1)	193,830	2
Other losses	<u>(23)</u>	<u>-</u>	<u>(880)</u>	<u>-</u>
Total non-operating income and expenses	<u>754,191</u>	<u>10</u>	<u>1,386,614</u>	<u>17</u>
INCOME BEFORE INCOME TAX	1,776,906	24	2,742,979	33
INCOME TAX EXPENSE (Note 20)	<u>361,529</u>	<u>5</u>	<u>482,914</u>	<u>6</u>
NET INCOME	<u>1,415,377</u>	<u>19</u>	<u>2,260,065</u>	<u>27</u>

(Continued)

TOPKEY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (53,319)	-	\$ 228,092	3
Income tax relating to items that will be reclassified subsequently to profit or loss (Note 20)	<u>10,664</u>	<u>-</u>	<u>60,810</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(42,655)</u>	<u>-</u>	<u>288,902</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,372,722</u>	<u>19</u>	<u>\$ 2,548,967</u>	<u>31</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 15.58</u>		<u>\$ 24.89</u>	
Diluted	<u>\$ 15.49</u>		<u>\$ 24.71</u>	

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

(Concluded)

TOPKEY CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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, 2022	\$ 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
Appropriation of 2022 earnings								
Legal reserve	-	-	226,006	-	(226,006)	-	-	-
Special reserve	-	-	-	(288,902)	288,902	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(999,020)	-	-	(999,020)
	-	-	226,006	(288,902)	(936,124)	-	-	(999,020)
Net profit for the year ended December 31, 2023	-	-	-	-	1,415,377	-	-	1,415,377
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(42,655)	-	(42,655)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	1,415,377	(42,655)	-	1,372,722
BALANCE AT DECEMBER 31, 2023	\$ 908,200	\$ 1,639,532	\$ 1,029,440	\$ 330,291	\$ 4,498,962	\$ (362,946)	\$ (10,000)	\$ 8,033,479

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

TOPKEY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,776,906	\$ 2,742,979
Adjustments for:		
Depreciation expenses	65,392	74,601
Expected credit loss	5,286	4,664
Finance costs	15,715	26,349
Interest income	(93,360)	(55,024)
Share of profit of subsidiaries	(664,594)	(1,158,697)
Loss (gain) on disposal of property, plant and equipment	(335)	245
(Reversal of) impairment loss on property, plant and equipment	(8,664)	45,272
Write-downs of inventories	33,841	10,705
Unrealized (realized) gain on the transactions with subsidiaries	(4,558)	3,857
Net loss (gain) on unrealized foreign currency exchange	6,400	(1,365)
Amortization of prepayments	2,684	2,824
Gain on lease modification	-	(287)
Changes in operating assets and liabilities:		
Trade receivables	689,554	(734,403)
Other receivables	6,410	(4,443)
Inventories	464,335	(219,586)
Other current assets	(48,031)	(19,445)
Notes payable	200	-
Trade payables	(677,037)	450,445
Other payables	(28,578)	9,336
Other current liabilities	237,100	74,548
Other non-current liabilities	(33,013)	(25,470)
Cash generated from operations	1,745,653	1,227,105
Interest received	89,213	50,049
Interest paid	(16,305)	(26,114)
Income tax paid	(351,024)	(255,757)
Net cash generated from operating activities	<u>1,467,537</u>	<u>995,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	-	(17,000)
Acquisition of property, plant and equipment	(1,165,989)	(933,470)
Proceeds from disposal of property, plant and equipment	1,825	338
Decrease (increase) in refundable deposits	899	(725)
Decrease in other receivables from related parties	-	49,842
Increase in other non-current assets	(7)	(223)
Increase in prepayments for equipment	(5,956)	(17,423)
Dividends received	<u>629,825</u>	<u>1,041,557</u>
Net cash generated from (used in) investing activities	<u>(539,403)</u>	<u>122,896</u>

(Continued)

TOPKEY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Adjusted)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,149,000	\$ 2,337,000
Repayments of short-term borrowings	(2,185,000)	(2,775,000)
Proceeds from long-term borrowings	349,691	-
Decrease in guarantee deposits	(62,170)	(216,720)
Repayments of the principal portion of lease liabilities	(28,212)	(28,922)
Cash dividends distributed to owners of the Company	(999,020)	(544,920)
Repayments of endorsement and guarantee liabilities	<u>-</u>	<u>(138,450)</u>
Net cash used in financing activities	<u>(1,775,711)</u>	<u>(1,367,012)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(847,577)	(248,833)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,014,193</u>	<u>3,263,026</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,166,616</u>	<u>\$ 3,014,193</u>

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

(Concluded)

TOPKEY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(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 February 29, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

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

As of the date the 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. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	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
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 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

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

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.

- d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the balance sheets and statements of cash flows in 2023. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of \$94,187 thousand, \$780,419 thousand and \$1,607,281 thousand on December 31, 2023, December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Net cash used in investing activities	\$ <u>(826,862)</u>
Net decrease in cash and cash equivalents	\$ <u>(826,862)</u>

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION

- 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. 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 365 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

1. 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.

When developing material accounting estimates, the Company considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Company's management, the accounting policies, estimates, and assumptions adopted by the Company have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 903	\$ 989
Checking accounts and demand deposits	181,138	274,212
Cash equivalents		
Time deposits	<u>1,984,575</u>	<u>2,738,992</u>
	<u>\$ 2,166,616</u>	<u>\$ 3,014,193</u>
<u>Annual interest rate (%)</u>		
Demand deposits	0.001-1.45	0.001-1.05
Time deposits	0.15-5.70	0.02-5.030

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2023	2022
Restricted deposits	<u>\$ 17,000</u>	<u>\$ 17,000</u>
<u>Annual interest rate (%)</u>		
Restricted deposits	1.58	1.33

Refer to Note 25 for the pledged of restricted deposits.

8. TRADE RECEIVABLES

	December 31	
	2023	2022
At amortized cost		
Gross carrying amount	\$ 1,200,661	\$ 1,829,164
Less: Allowance for impairment loss	<u>(12,696)</u>	<u>(7,410)</u>
	<u>\$ 1,187,965</u>	<u>\$ 1,821,754</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 181-364 Days	Past Due More than 365 Days	Total
<u>December 31, 2023</u>						
Expected credit loss rate (%)	-	5	25	50	100	
Gross carrying amount	\$ 1,184,215	\$ 937	\$ 3,813	\$ -	\$ 11,696	\$ 1,200,661
Loss allowance	<u>-</u>	<u>(47)</u>	<u>(953)</u>	<u>-</u>	<u>(11,696)</u>	<u>(12,696)</u>
Amortized cost	<u>\$ 1,184,215</u>	<u>\$ 890</u>	<u>\$ 2,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,965</u>

	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
December 31, 2022						
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	<u>-</u>	<u>-</u>	<u>(382)</u>	<u>(3,202)</u>	<u>(3,826)</u>	<u>(7,410)</u>
Amortized cost	<u>\$ 1,817,407</u>	<u>\$ -</u>	<u>\$ 1,146</u>	<u>\$ 3,201</u>	<u>\$ -</u>	<u>\$ 1,821,754</u>

The movements of the loss allowance was as follows:

	For the Year Ended December 31, 2023	
	Trade Receivables	Other Receivables
Balance at January 1	\$ 7,410	\$ -
Net remeasurement of loss allowance	<u>5,286</u>	<u>-</u>
Balance at December 31	<u>\$ 12,696</u>	<u>\$ -</u>
	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	<u>-</u>	<u>(1,467)</u>
Balance at December 31	<u>\$ 7,410</u>	<u>\$ -</u>

9. INVENTORIES

	December 31	
	2023	2022
Raw materials	\$ 188,628	\$ 335,419
Work in progress	81,722	90,852
Finished goods	97,530	393,294
Merchandise	<u>129,076</u>	<u>175,567</u>
	<u>\$ 496,956</u>	<u>\$ 995,132</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$5,880,691 thousand and \$6,418,393 thousand, respectively.

Operating costs include:

	For the Year Ended December 31,	
	2023	2022
Write downs of inventories	\$ 33,841	\$ 10,705

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

	December 31	
	2023	2022
<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 Company's strategy of holding these investments for long-term purposes.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Subsidiary	December 31	
	2023	2022
New Score Holding Limited (NSH)	\$ 4,908,473	\$ 4,870,250
Topkey (Vietnam) Corporation Company Limited (Topkey (VN) Corp)	285,119	337,334
	<u>\$ 5,193,592</u>	<u>\$ 5,207,584</u>
Name of Subsidiary	Proportion of Ownership (%)	
	December 31	
	2023	2022
NSH	100	100
Topkey (VN) Corp	100	100

Share of income (loss) and other comprehensive income (loss) of subsidiaries is recognized by the financial reports that have been audited by auditors in 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2023					
	Beginning Balance	Additions	Disposals	Reclassifications	Ending Balance
<u>Cost</u>					
Land	\$ 52,939	\$ -	\$ -	\$ -	\$ 52,939
Buildings	131,567	-	(18,195)	-	113,372
Machinery equipment	272,019	1,772	(22,054)	716	252,453
Other equipment	74,567	2,343	(2,906)	-	74,004
Construction in progress	932,973	1,153,219	-	-	2,086,192
	<u>1,464,065</u>	<u>\$ 1,157,334</u>	<u>\$ (43,155)</u>	<u>\$ 716</u>	<u>2,578,960</u>
<u>Accumulated depreciation</u>					
Buildings	102,826	\$ 6,680	\$ (18,195)	\$ -	91,311
Machinery equipment	151,387	16,277	(20,564)	-	147,100
Other equipment	29,856	13,083	(2,906)	-	40,033
	<u>284,069</u>	<u>\$ 36,040</u>	<u>\$ (41,665)</u>	<u>\$ -</u>	<u>278,444</u>
<u>Accumulated impairment</u>					
Machinery equipment	45,272	\$ -	\$ (8,664)	\$ -	36,608
	<u>\$ 1,134,724</u>				<u>\$ 2,263,908</u>
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	27,149	905,824	-	-	932,973
	<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	19,824	12,542	(2,510)	-	29,856
	<u>244,252</u>	<u>\$ 43,987</u>	<u>\$ (4,170)</u>	<u>\$ -</u>	<u>284,069</u>
<u>Accumulated impairment</u>					
Machinery equipment	-	\$ 45,272	\$ -	\$ -	45,272
	<u>\$ 283,115</u>				<u>\$ 1,134,724</u>

The Company assessed that some of the machinery equipment could be used for other purpose. Therefore, the reversal of impairment loss of \$8,664 thousand is recognized for the year ended December 31, 2023. The reversal of impairment loss has been included in operating revenue and expense in the parent company only statements of comprehensive income.

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 and which was recognized in other gains and losses on the parent company only 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	5-25 years
Machinery and equipment	5-30 years
Other equipment	3-10 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 204,375	\$ 219,027
Buildings	18,022	32,439
Transportation equipment	<u>196</u>	<u>533</u>
	<u>\$ 222,593</u>	<u>\$ 251,999</u>
	For the Year Ended December 31,	
	2023	2022
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 43,252</u>
Depreciation of right-of-use assets		
Land	\$ 14,598	\$ 14,602
Buildings	14,417	15,676
Transportation equipment	<u>337</u>	<u>336</u>
	<u>\$ 29,352</u>	<u>\$ 30,614</u>

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	\$ 28,854	\$ 28,216
Non-current	\$ 201,084	\$ 229,988

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.35%	1.35%
Buildings	1.10%	1.10%
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,	
	2023	2022
Expenses relating to short-term lease	\$ 4,311	\$ 772
Expenses relating to low value asset leases	\$ 52	\$ 52
Total cash outflow for leases	\$ (35,814)	\$ (33,265)

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. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Line of credit borrowings	\$ 520,000	\$ 1,556,000
Annual interest rate range (%)	1.50-1.60	1.35-1.745

b. Long-term borrowings

	December 31	
	2023	2022
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 349,691	\$ -
Less: Current portion	<u>-</u>	<u>-</u>
	<u>\$ 349,691</u>	<u>\$ -</u>
Annual interest rate range (%)	1.10	-

As of December 31, 2023, the last due date is May 2030.

15. OTHER PAYABLES

	December 31	
	2023	2022
Compensation of employees	\$ 92,429	\$ 104,269
Salaries and bonuses	52,512	57,254
Remuneration of directors and supervisors	32,150	39,324
Acquisition of equipment	5,000	24,936
Others	<u>15,950</u>	<u>14,477</u>
	<u>\$ 198,041</u>	<u>\$ 240,260</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	
	2023	2022
Authorized shares (in thousands of shares)	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued and paid shares (in thousands of shares)	<u>90,820</u>	<u>90,820</u>
Issued capital	<u>\$ 908,200</u>	<u>\$ 908,200</u>

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	
	2023	2022
<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 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.

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 2022 and 2021 earnings which have been approved by the shareholders in the shareholders' meetings in May 2023 and May 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Legal reserve	\$ 226,006	\$ 83,165		
(Reversal of) special reserve	(288,902)	56,385		
Cash dividends	999,020	544,920	\$ 11	\$ 6

The appropriation of 2023 earnings which has been proposed by the Company's board of directors on February, 2024 was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 141,538	
Special reserve	42,655	
Cash dividends	771,970	\$ 8.5

The appropriation of 2023 earnings is subject to the resolution of the shareholders in the shareholders' meeting to be held in May 2024.

d. Special reserve

On the initial adoption of IFRS Accounting Standards, 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 2022 and 2021, the Company appropriated (reversed) a special reserve at (\$288,902) thousand and \$56,385 thousand because of the deduction of other equity in the end of reporting period.

18. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 7,327,891</u>	<u>\$ 8,245,125</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 8)	<u>\$ 1,269,224</u>	<u>\$ 2,001,570</u>	<u>\$ 1,292,578</u>

b. Disaggregation of revenue

	For the Year Ended December 31	
	2023	2022
Sporting products	\$ 6,298,153	\$ 7,126,155
Aviation and medical products	685,792	661,672
Others	<u>343,946</u>	<u>457,298</u>
	<u>\$ 7,327,891</u>	<u>\$ 8,245,125</u>

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 13,562	\$ 22,830
Interest on lease liabilities	3,239	3,519
Less: capitalized interest	<u>(1,086)</u>	<u>-</u>
	<u>\$ 15,715</u>	<u>\$ 26,349</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	\$ 1,086	\$ -
Capitalization rate	1.10%	-

b. Employee benefits expense and depreciation

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2023</u>			
Employee benefit expense			
Salary expenses	\$ 65,975	\$ 204,722	\$ 270,697
Labor and health insurance costs	7,973	15,610	23,583
Retirement pension	2,943	6,011	8,954
Remuneration of directors	-	51,540	51,540
Other employee benefits	8,182	11,589	19,771
Depreciation expenses	33,976	31,416	65,392

	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

As of 2023 and 2022, the Company had 288 and 328 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 2023 and 2022, the average of employee benefits expense was \$1,141 thousand and \$1,078 thousand, respectively; as of 2023 and 2022, the average of employee salaries was \$957 thousand and \$922 thousand, respectively, and the change in the average employee salaries was 3.8%.

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, 2023 and 2022, which have been approved by the Company's board of directors on February, 2024 and March, 2023, respectively, are as follows:

	For the Year Ended December 31			
	2023		2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	4.52%	\$ 85,546	3.61%	\$ 104,269
Remuneration of directors and supervisors	1.70%	32,150	1.36%	39,324

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, 2022 and 2021.

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	
	2023	2022
Current tax		
In respect of the current year	\$ 276,699	\$ 452,788
Income tax on unappropriated earnings	66,197	7,359
Adjustment for prior years	<u>753</u>	<u>(5,790)</u>
	<u>343,649</u>	<u>454,357</u>
Deferred tax		
In respect of the current year	17,880	10,430
Adjustment for prior years	<u>-</u>	<u>18,127</u>
	<u>17,880</u>	<u>28,557</u>
Income tax expense recognized in profit or loss	<u>\$ 361,529</u>	<u>\$ 482,914</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	\$ 355,381	\$ 548,595
Permanent differences	(60,802)	(85,377)
Income tax on unappropriated earnings	66,197	7,359
Adjustments for prior years' tax	<u>753</u>	<u>12,337</u>
Income tax expense recognized in profit or loss	<u>\$ 361,529</u>	<u>\$ 482,914</u>

b. Deferred tax assets and liabilities

For the Year Ended December 31, 2023				
	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	\$ -	\$ 10,664	\$ 62,364
Deferred revenue	21,490	(14,769)	-	6,721
Property, plant and equipment impairment loss	8,868	(3,648)	-	5,220
Unrealized loss on inventories	13,298	5,041	-	18,339
Unrealized exchange loss	4,365	3,454	-	7,819
Others	2,243	(1,005)	-	1,238
	<u>\$ 101,964</u>	<u>\$ (10,927)</u>	<u>\$ 10,664</u>	<u>\$ 101,701</u>
<u>Deferred Tax Liabilities</u>				
Temporary differences				
Investment gain on investment accounted for using equity method	\$ 509,984	\$ 6,953	\$ -	\$ 516,937
Reserve for land value increment tax	8,707	-	-	8,707
	<u>\$ 518,691</u>	<u>\$ 6,953</u>	<u>\$ -</u>	<u>\$ 525,644</u>
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>

(Continued)

For the Year Ended December 31, 2022				
	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	\$ 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	<u>9,110</u>	<u>-</u>	<u>(9,110)</u>	<u>-</u>
	<u>\$ 486,246</u>	<u>\$ 41,555</u>	<u>\$ (9,110)</u>	<u>\$ 518,691</u> (Concluded)

c. Income tax assessments

The tax returns through 2021 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, 2023</u>			
Basic earnings per share			
Net income for the year attributable to owners of the Company	\$ 1,415,377	90,820	<u>\$ 15.58</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>556</u>	
Diluted earnings per share			
Net income for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,415,377</u>	<u>91,376</u>	<u>\$ 15.49</u>
<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>

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.

22. 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.

23. 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	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 3,490,791	\$ 5,073,922
<u>Financial liabilities</u>		
Amortized cost	2,182,403	3,687,975

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, notes payable and trade payables, other payables, and endorsement and guarantee liabilities.

- 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 27.

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	
	2023	2022
Profit or loss	\$ 22,394	\$ 25,535
Equity	51,936	52,076

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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 2,001,575	\$ 2,755,992
Financial liabilities	749,938	758,204
Cash flow interest rate risk		
Financial assets	180,938	274,212
Financial liabilities	349,691	1,056,000

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, 2023 and 2022 would decrease/increase by \$1,688 thousand and \$7,818 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 50% and 46% of total trade receivables as of December 31, 2023 and 2022, 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	
	2023	2022
Unutilized bank loan limits	<u>\$ 5,337,659</u>	<u>\$ 3,304,620</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, 2023</u>		
Non-interest bearing liabilities	\$ 1,312,712	\$ -
Lease liabilities	31,746	218,992
Fix interest rate liabilities	520,000	-
Floating interest rate liabilities	<u>-</u>	<u>349,691</u>
	<u>\$ 1,864,458</u>	<u>\$ 568,683</u>
<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>

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
<u>December 31, 2023</u>				
Non-interest bearing liabilities	\$ 1,312,712	\$ -	\$ -	\$ -
Lease liabilities	31,746	69,996	82,776	66,220
Fix interest rate liabilities	520,000	-	-	-
Floating interest rate liabilities	<u>-</u>	<u>225,842</u>	<u>123,849</u>	<u>-</u>
	<u>\$ 1,864,458</u>	<u>\$ 295,838</u>	<u>\$ 206,625</u>	<u>\$ 66,220</u>

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
<u>December 31, 2022</u>				
Non-interest bearing liabilities	\$ 2,069,805	\$ 62,170	\$ -	\$ -
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>\$ 3,657,260</u>	<u>\$ 147,372</u>	<u>\$ 82,795</u>	<u>\$ 82,795</u>

24. 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

<u>Related Party Name</u>	<u>Related Party Categories</u>
Topkey (VN) Corp	Subsidiary
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
Xiamen Valver Color Sticker Co., Ltd. (Valver)	Sub-subsidiary
Xiamen Xin Hong Zhou Precision Technology Co., Ltd. (Xin Hong Zhou)	Sub-subsidiary

b. Sales of goods

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Keentech	\$ 129,370	\$ 191,674
NSI	102,000	102,000
Yeu Chuan	18,198	53,122
Topkey (VN) Corp	962	6,735
Xin Hong Zhou	143	1,023
Valver	<u>14</u>	<u>4,050</u>
	<u>\$ 250,687</u>	<u>\$ 358,604</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 2023 and 2022. 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 2023 and 2022.

c. Purchases of goods

Related Party Name	For the Year Ended December 31	
	2023	2022
Keentech	\$ 4,093,479	\$ 4,621,926
Yeu Chuan	<u>467,210</u>	<u>740,802</u>
	<u>\$ 4,560,689</u>	<u>\$ 5,362,728</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.

d. Trade receivables

Related Party Name	December 31	
	2023	2022
Keentech	\$ 53,027	\$ 126,026
NSI	16,534	16,806
Yeu Chuan	11,544	36,778
Topkey (VN) Corp	154	57
Xin Hong Zhou	<u>-</u>	<u>149</u>
	<u>\$ 81,259</u>	<u>\$ 179,816</u>

Receivables from related parties are not estimated for loss allowance.

e. Other receivables

Related Party Name	December 31	
	2023	2022
NSI	\$ 829	\$ 906
XPT Investment	755	835
Topkey (VN) Corp	336	150
EIC	<u>41</u>	<u>171</u>
	<u>\$ 1,961</u>	<u>\$ 2,062</u>

f. Trade payable

Related Party Name	December 31	
	2023	2022
Keentech	\$ 930,603	\$ 1,421,184
Yeu Chuan	<u>82,952</u>	<u>224,921</u>
	<u>\$ 1,013,555</u>	<u>\$ 1,646,105</u>

g. Other payables

Related Party Name	December 31	
	2023	2022
Keentech	\$ 124	\$ 7,281
Yeu Chuan	<u>879</u>	<u>645</u>
	<u>\$ 1,003</u>	<u>\$ 7,926</u>

h. Endorsements/ guarantees

Related Party Category	December 31	
	2023	2022
Sub-subsidiaries		
Amount endorse	\$ 1,567,485	\$ 1,136,196
Amount utilized	<u>487,421</u>	<u>483,574</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 70,064	\$ 83,468
Post-employment benefits	<u>816</u>	<u>885</u>
	<u>\$ 70,880</u>	<u>\$ 84,353</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OF FOR SECURITY

The following assets were provided as collateral for performance bond:

	December 31	
	2023	2022
Financial assets at amortized cost	<u>\$ 17,000</u>	<u>\$ 17,000</u>

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, 2023 to December 1, 2024. 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, 2023 to April 1, 2024. 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, 2023 to August 1, 2024. 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	
	2023	2022
Acquisition of property, plant and equipment	\$ <u>562,611</u>	\$ <u>1,094,464</u>

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 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, 2023</u>			
Financial assets			
Monetary items	\$ 106,180	30.735	\$ 3,263,454
Non-monetary items	168,980	30.735	5,193,592
Financial liabilities			
Monetary items	33,320	30.735	1,024,078
<u>December 31, 2022</u>			
Financial assets			
Monetary items	\$ 139,802	30.708	\$ 4,293,040
Non-monetary items	169,584	30.708	5,207,584
Financial liabilities			
Monetary items	56,649	30.708	1,739,577

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<u>For the Year Ended December 31, 2023</u>		<u>For the Year Ended December 31, 2022</u>	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (USD:NTD)	\$ (43,176)	1 (USD:NTD)	\$ 193,830

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None).
- 2) Endorsements/guarantees provided (Table 1).

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2).
 - 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 3).
 - 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 4).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5).
 - 9) Trading in derivative instruments (None).
 - 10) Information on investees (Table 6).
- 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 7)
 - 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 4):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (Table 4).
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (Table 4).
 - 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 8).

TABLE 1

TOPKEY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 4,016,740 (Note 1)	\$ 129,676	\$ 122,940	\$ -	\$ -	2	\$ 4,016,740 (Note 1)	Y	-	-
		Topkey (VN) Corp	Directly owned subsidiary	4,016,740 (Note 1)	1,383,075	1,383,075	487,421	-	17	4,016,740 (Note 1)	Y	-	-
		XPT Investment	Indirectly owned subsidiary	2,410,044 (Note 1)	64,838	61,470	-	-	1	2,410,044 (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.

TOPKEY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(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, 2023				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 6 and 7 for information on subsidiary investment.

TABLE 3

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, 2023
(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	\$ 1,594,806	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	2022.6.1	670,000	401,833	Chang Jia M&E Engineering Corp.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-
Keentech	Engaging others to build on rented land	2022.8.4	CNY 55,600	CNY 43,358	The Eighth Engineering Bureau Of China City Investment Group Co., Ltd.	-	-	-	-	-	The price is referred to market quotation and negotiated by both parties	To meet the needs of operations	-

Note 1: The date of occurrence means the date of transaction signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 2: Contract amount.

TABLE 4

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, 2023
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	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	\$	-	\$ 16,534	1	
	Keentech	Indirectly owned subsidiary	Sale	(129,370)	(2)	T/T 90 days		-	53,027	4	
	Yeu Chuan	Indirectly owned subsidiary	Purchase	4,093,479	78	T/T 90 days		-	(930,603)	(84)	
			Purchase	467,210	9	T/T 90 days		-	(82,952)	(7)	
NSI	Keentech	Investment accounted for using the equity method	Sale	(451,664)	(35)	T/T 30 days	-	-	75,252	29	
			Purchase	649,540	59	T/T 60 days	-	-	(142,202)	(96)	
XPT Investment	Xin Hong Zhou	XPT Investment’s subsidiary	Purchase	421,158	100	T/T 75-90 days	-	-	(85,563)	(100)	
Keentech	Topkey (VN) Corp	The same parent company	Sale	(104,614)	(2)	T/T 90-180 days	-	-	27,952	3	

TOPKEY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(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		
Keentech	The Company	The ultimate parent of Keentech	\$ 930,603	1.72	\$ -	-	\$ 251,317	\$ -
Keentech	NSI	The parent for using the equity method of Keentech	142,202	2.21	-	-	27,987	-

TABLE 6

TOPKEY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
The Company	NSH	British Virgin Islands	International investment	\$ 2,502,290	\$ 2,500,092	80,137	100	\$ 4,908,473	\$ 696,089	\$ 717,828	Subsidiary
	Topkey (VN) Corp	Vietnam	Manufacture and sale of carbon fiber products, glass fiber products and composite components	461,025	460,620	-	100	285,119	(53,234)	(53,234)	Subsidiary
NSH	CSC	Seattle, USA	Development, manufacture and sale of aviation composite components	658,098	657,520	22	100	-	-	(Note 1)	Indirectly owned subsidiary
	EIC	Seychelles	International investment	177,802	177,646	3,822	76	463,865	67,137	(Note 1)	Indirectly owned subsidiary
	NSI	Hong Kong	International investment and trade	385,355	385,017	12,498	100	1,913,229	245,109	(Note 1)	Indirectly owned subsidiary
	Musonic	British Virgin Islands	International investment	1,159,724	1,158,705	22,228	100	1,895,028	274,672	(Note 1)	Indirectly owned subsidiary
	XPT Investment	Hong Kong	International investment and trade	379,500	379,167	11,388	70	635,461	176,036	(Note 1)	Indirectly owned subsidiary

Note 1: Exempted according to regulations.

Note 2: Refer to Table 7 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 7

TOPKEY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Keentech	Manufacture and sale of carbon fiber products, glass fiber products and composite components	\$ 1,413,810	(Note 1)	\$ 1,067,549	\$ -	\$ -	\$ 1,067,549	\$ 464,695	100	\$ 464,695	\$ 2,950,027	\$ 4,037,234
Yeu Chuan	Manufacture of various helmets, glasses, and components of vehicles	153,675	(Note 1)	84,521	-	-	84,521	88,539	76	67,679	460,673	430,625
Xin Hong Zhou	Development, design and manufacture of various precision molds, processing of various plastic and rubber products	472,551	(Note 1)	258,942	-	-	258,942	200,910	70	141,280	551,466	184,452
Valver	Manufacture of water gage and HRNT	38,419	(Note 1)	46,502	-	-	46,502	(17,306)	100	(17,306)	55,623	54,739

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,457,514 (USD 47,422)	\$ 2,042,833 (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 8**TOPKEY CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

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 financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Topkey Corporation

Chairman: Wen-Chen Shen

May 1, 2024