

# Topower Co., Ltd.

## 2022 Annual Report

(Translation)



Market Observation Post System: <http://mops.twse.com.tw>

Company Website: [www.topower.com.tw](http://www.topower.com.tw)

Printed Date: **May 2, 2023**

**\*DISCLAIMER\***

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1. The Spokesperson and Acting spokesperson of the Company

Spokesperson: Chen Zhiwei  
Title :Chairman's Special Assistant

Tel: : 06-510-5388

E-mail : invest@topower.com.tw

Acting spokesperson: Lin Qizhong  
Title: Assistant Manager, Administration  
Department

Tel: : 06-510-5388

E-mail : invest @topower.com.tw

2. Location of the company and the factory

Address of Headquarter : No. 75, Huangong Rd., Yongkang Dist., Tainan City , Taiwan (R.O.C.)

Tel: : (06) 510-5388

3. Stock Transfer Agent :

Name: Capital Securities Corporation (Stock)

Address: B2, No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City , Taiwan (R.O.C.)

Website: <https://www.capital.com.tw/agency/tc/default.asp>

Tel: (02) 2703-5000

4. Name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year.

Name: Zhang Geng-xi, Chen Qiang-shi

Name of Firm: Deloitte & Touche

Address: No. 100-20, Songren Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.)

Website: <http://www2.deloitte.com/tw/tc.html>

Tel: (02) 2725-9988

5. Name of overseas stock exchange and method for accessing information on overseas negotiable securities:  
None

6. Company Website: <http://www.topower.com.tw>

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## I. Letter to Shareholders

**Dear Shareholders,**

First, we would like to thank every shareholder's full support of the Company in the past year. On behalf of TOPOWER CO., LTD., I express our deepest respect and gratitude to every shareholder. The stand-alone operating results and prospect of the Company in 2022 is as follows :

The operating revenues of 2022 are 2,243,952 thousand dollars, 674,221 thousand dollars less than in 2021. The operating income of 2022 is 279,842 thousand dollars, earning before tax is 397,728 thousand dollars, and total comprehensive income is 321,074 thousand dollars, and earnings per share is NT\$4.95, increasing NT\$1.37 compared with 2021.

In 2022, the Company continued focusing on LED automotive lamps and other automotive electrical components in addition to reaching out to new customers, creating satisfying revenue and operating income results.

After evaluating the internal and external resources and changes in the economic environment, the Company plans its business strategy development as follows:

- I. Expanding business in Europe, the U.S., and emerging markets, enhancing exposure and marketing the value of our brand, providing the customer with more versatile and high-quality service by channel marketing and participating in international business commercial expos.
- II. Enlarging the production capacity of the automotive lamps, increasing the application of the types of automotive lamps and developing automotive-related products, integrating the advantage of the neighboring automotive and industrial clusters, providing the customer with versatile products, the high-quality and flexible production ability satisfying the customer and pushing the business of the Company to grow.
- III. Elevating the research and development ability, planning, and gradually establishing Industrialization 4.0 as the foundation of the Company's future growth.

Our Company holds the spirit and attitude of dedication, responsibility, pragmatism, and integrity, providing high-quality products and services and giving our best effort for a win-win situation for the Company and our customers. It's our mission to continuously develop new products and improve under a competitive industrial environment, and drive performance and profit growth in return of our shareholders' support. We sincerely thank all the shareholders for the support and love for the Company.

Best Wishes for good health and all the best,

TOPOWER CO., LTD.

Chairman of Board of Directors : Shih-Chi Lin

vThe operating principle, implementation overview, business plans result, budget control, profitability, and research and development status are as follows:

1. Operating Principle:

1.1. Continuously investing in competitive and market differentiation product lines such as LED automotive lamp modules and automotive electronic-related products..

1.2. Using the technical ability of electronics and optics of the Company as a foundation, elevating the integration ability of optoelectronics and mechanics to elevate high-end products

2. Implementation Overview:

The main sales product of the Company in 2022 is automotive LED modules, selling 691 thousand sets, and automotive lamps, selling 1,365 thousand sets. The automotive LED modules and automotive lamps products have turned to conservative in sales due to the overall consumer market slowdown.

3. Implementation Results of Business Plan:

The operating revenues of 2022 are 2,243,952 thousand dollars, 674,221 thousand dollars less than in 2021. The operating income of 2022 is 279,842 thousand dollars, earnings before tax is 397,728 thousand dollars, and total comprehensive income is 321,074 thousand dollars, and earnings per share is NT\$4.95; the stand-alone operating revenues of 2021 and 2022 are listed as follows:

Unit : NT\$ thousand

Item \ Year	2022	2021	Increase/ decrease Amount	Increase and Decrease Proportion
Operating Revenues	2,243,952	2,918,173	(674,221)	(23.10%)
Operating Costs	1,733,310	2,227,137	(493,827)	(22.17%)
Operating Margin	510,642	691,036	(180,394)	(26.10%)
Operating Expenses	230,800	179,838	50,962	28.34%
Operating Net Profit	279,842	511,198	(231,356)	(45.26%)
Non-operating income and expens	117,886	(183,446)	301,332	(164.26%)
Net profit before tax	397,728	327,752	69,976	21.35%
Income tax expenses	78,971	97,251	(18,280)	(18.80%)
Net Income	318,757	230,501	88,256	38.29%
Other comprehensive income	2,317	(161)	2,478	(1539.13%)
Total comprehensive income	321,074	230,340	90,734	39.39%

4. Budget Control: The company has not published the financial predictions for 2022, thus not applicable.

5. Profitability:

Item	2022	2021
Return on assets (%)	14.51	10.55
Return on equity of shareholders' (%)	22.93	17.62
The Ratio of operating net income to paid-in capital (%)	43.43	79.34
The Ratio of Earnings before tax to paid-in capital (%)	61.73	50.87
Net Income ratio (%)	14.21	7.90
Earnings per share (dollars)	4.95	3.58

6. Research and development status:

6.1. Research and Development Expense :

The ratio of stand-alone research and development expense to the operating expenses and operating revenues of the past two years are as follows:

Unit : NT\$ thousand

Item	2022	2021
Research and development expenses	57,440	57,902
Ratio to Operating expenses (%)	24.89	32.20
Ratio to Operating revenues (%)	2.53	1.97

6.2. Research and Development Outcome :

The company launches high-quality automotive lamps that integrate aesthetic, energy-saving, environment-friendly, and safety standards, also developing new application techniques and automotive electronic products, integrating the market trends and providing high growth momentum for the Company's revenues.

7. Future Developing Strategy of the Company:

Expanding business in Europe, the U.S., and emerging markets, enhancing exposure and marketing the value of our brand by channel marketing and participating in international business commercial expos. Enlarging the production capacity of the automotive lamps, increasing the application of the types of automotive lamps and developing automotive-related products, integrating the advantage of the neighboring automotive and industrial clusters, providing the customer with versatile products, the high-quality and flexible production ability satisfying the customer and pushing the business of the Company to grow. Elevating the research and development ability, planning, and gradually establishing Industrialization 4.0 as the foundation of the Company's future growth.

8. The impact of external competition, legislative environment, and overall operating environment:

Due to the impact of the epidemic, the global economy is still suffering these past two years; chaos in the global supply chain, coupled with the Ukrainian-Russian War, resulted in the rising of raw materials and global inflation, adding immense pressure to the recovery of the global economy.

In this new year, the managing team still commits to developing new products conforming to the market trends and continuously improving the internal operating efficiency. The Company will continue to reorganize and optimize production lines, at the same time launching products with competitiveness, investing in the development of new products in line with the developing trend of New Energy Vehicles, elevating our competitiveness as a whole, and giving back to the expectations of our shareholders and society with operating growth and profit. In the future, we plan to actively grasp the changes in the environment and stabilize the market through good interactions with our clients and supply chain manufacturers, maintaining a steady and stable attitude, optimizing our operational capability, and continue moving forward to repay the love and support of our shareholder over the years.

Chairman : Shih-Chi Lin

President: Shih-Chi Lin

Chief Accountant: Chih-He Kang

## II. Company Profile

1 Date of Establishment.: : 09,13,1986

### 2. Company History :

Year	Milestones
1986	Established Topower Computer Industrial, Ltd., with a capital of NT \$5,000,000.
1989	Changed the organization of the company into a limited company, changed the company name to Topower Computer Industrial Co., Ltd.
1995	Applied for patent of hot extraction backup power supply and start mass production.
1996	Obtained the ISO 9002 certification.
1999	Purchased its own plant and office in Xindian District.
2000	Recommended by Intel as a high-quality power supply manufacturer and recognized as the world's first manufacturer with a high wattage of over 400W.
2001	Received AMD recommendation as a high-quality power supply manufacturer. Paid-in capital increased to NT\$110,000,000.
2002	Obtained the ISO 9001 2000 version of the certification. Introduced a new investment legal person venture capital company and handled capital increase cases, with a paid-in capital of NT\$160,000,000. Approved by the Securities and Futures Commission for public issuance of stocks, and began to receive guidance from securities firms on delivery.
2003	Convened a board meeting to approve the application for OTC listing and the 2002 surplus distribution plan. In accordance with the growth of the company's performance, the investment application in mainland China was approved by the Investment Council, and the wholly-owned factory was set up in mainland China through a joint venture with the upstream manufacturer alliance in the way of third-place transfer investment. The company's stock was listed for trading on the Emerging Market (code: 3226). Handled the capital increase case, the paid in capital increased to NT\$210,000,000.
2004	Approved by the Securities and Futures Commission for OTC listing, it is officially listed on the Taiwan Stock Exchange. Handled the surplus to capital increase case, the paid in capital increased to NT\$262,300,000.
2005	Handled the case of transferring surplus to capital increase, the paid-in capital increased to NT\$ 308,645,000.
2006	Handled the case of transferring surplus to capital increase, the paid-in capital increased to NT\$ 333,077,250. The first high wattage power supply supporting nVIDIA quad-graphics Quad SLi technology has been selected as exhibiting partners by NVIDIA and Foxconn.
2007	Re-elect the eighth directors and supervisors, add three independent directors to strengthen corporate governance. Handled the case of transferring surplus to capital increase, the paid in capital increased to NT\$361,731,100.
2008	Handled the case of transferring surplus to capital increase, the paid-in capital increased to NT\$ 372,225,730.
2010	Handled capital reduction to cover losses and private equity cash capital increase, with a paid-in capital of NT\$ 281,305,730. Handled private equity cash capital increase, with a paid-in capital increase of NT\$ 301,305,730.
2011	Handle private equity cash capital increase, with a paid-in capital increase of NT\$

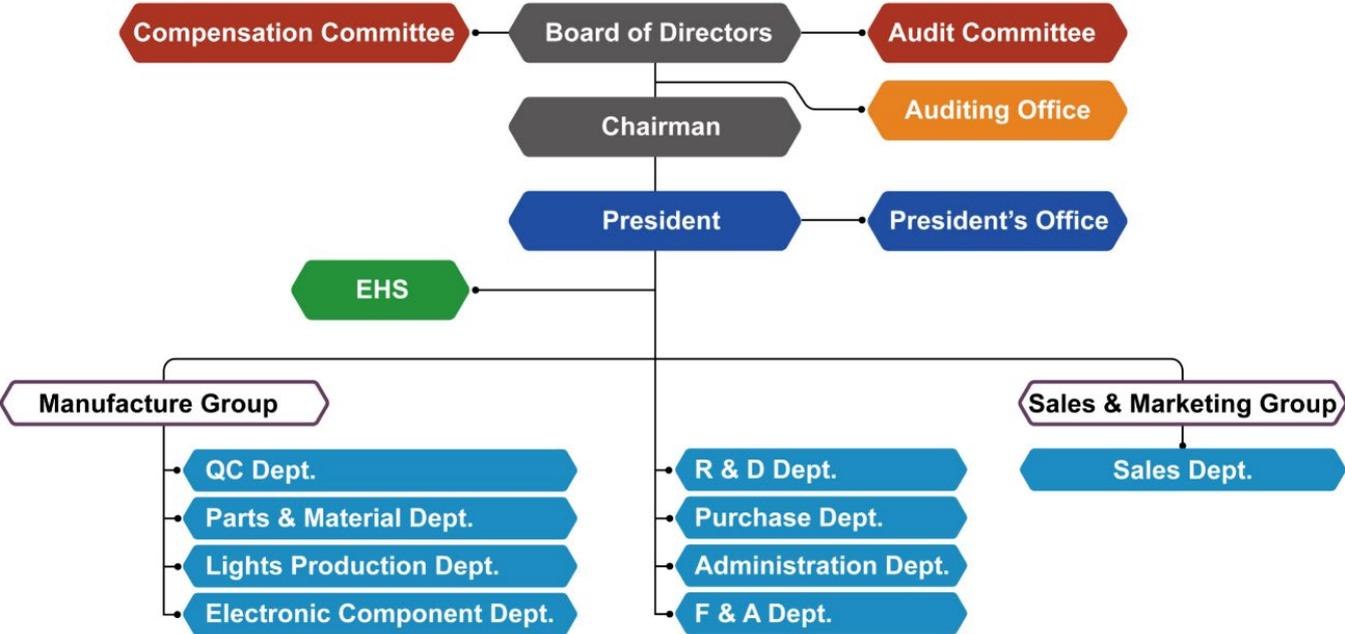
644,305,730.

- 2012 Increased the sales of automotive electronic components and lighting products.
- 2015 The company changed its name to Topower Co. Ltd.  
39,208,000 shares of private placement were reissued for public offering, and the approval letter from the FSC and the OTC market was obtained.
- 2016 Obtained ISO9001:2015 certification.  
Establishment of Yongkang Factory
- 2017 Yongkang Factory has obtained ISO9001:2015 certification.
- 2018 The product won the 27th Taiwan Excellence Award
- 2019 The product won the 28th Taiwan Excellence Award
- 2021 The product won the 30th Taiwan Excellence Award
- 2022 The product won the 31st Taiwan Excellence Award

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.12 Corporate Functions of Major Departments:

Department	Functions
Chairman's Office	<ol style="list-style-type: none"> <li>1. Define business development and target strategy.</li> <li>2. Hold board meetings and declare relevant matters.</li> <li>3. Planned and maintained relevant matters of shareholders' meeting.</li> <li>4. Major project planning and suggestions.</li> </ol>
President's Office	<ol style="list-style-type: none"> <li>1. Implement resolutions of the Board of Directors.</li> <li>2. Integrated and coordinated various operations within the company.</li> <li>3. Assisted in annual budget planning and supervised all departments to achieve annual targets.</li> <li>4. Perform business analysis and drive improvement measures.</li> <li>5. Project planning, supervision and implementation progress control.</li> <li>6. Long-term investment evaluation and analysis.</li> </ol>
Auditing Office	<ol style="list-style-type: none"> <li>1. Perform internal audit activities according to the annual audit plan.</li> <li>2. Supervise the implementation, revision and improvement suggestions of the internal control system of the company and its subsidiaries.</li> <li>3. Conduct special investigation, tracking and improvement for abnormal matters.</li> <li>4. Review contracts and provide legal advice.</li> </ol>
EHS	<ol style="list-style-type: none"> <li>1. Implementation of labor safety and health work and related work report.</li> <li>2. Factory safety improvement.</li> <li>3. Conduct Labour safety and health education and training courses.</li> </ol>
Sales Dept.	<ol style="list-style-type: none"> <li>1. Preparation and implementation of sales plans.</li> <li>2. Continuous market development and product promotion.</li> <li>3. Customer service.</li> <li>4. Planning and implementing product pricing strategies.</li> <li>5. Collect feedback and suggestions from the market.</li> </ol>
Product Planning department	<ol style="list-style-type: none"> <li>1. Product creativity, positioning and conception to achieve commercialization objectives.</li> <li>2. Responsible for product packaging, image and advertising production.</li> <li>3. Collect, analyze and integrate market information feedback business.</li> <li>4. Patent application for new technology or product development.</li> <li>5. Product maintenance operations.</li> </ol>
F&A dept.	<ol style="list-style-type: none"> <li>1. Fund management and financial scheduling.</li> <li>2. Accounting processing and preparation and analysis of financial statements.</li> <li>3. Supervise and manage the accounts of subsidiaries and reinvested businesses.</li> <li>4. Budgeting, data integration and analysis, and suggestions.</li> <li>5. Report operations to competent authorities.</li> </ol>
Administration Dept.	<ol style="list-style-type: none"> <li>1. Organizational structure planning.</li> <li>2. Managed and maintained the company's assets.</li> <li>3. Managed and maintained operations related to stock affairs.</li> <li>4. Management, supervision and control of subsidiaries and reinvested businesses.</li> <li>5. Personnel and administrative management.</li> <li>6. Patent and contract review management and maintenance.</li> <li>7. Environmental and general management operations.</li> <li>8. Maintenance and management of information systems and information security.</li> </ol>

Department	Functions
QC Dept.	<ol style="list-style-type: none"> <li>1. Promote quality policies and objectives.</li> <li>2. Planning and establishment of quality control system.</li> <li>3. Product quality and customer complaint processing and analysis.</li> <li>4. Supplier management, supervision and audit.</li> <li>5. Continuously improve customer quality satisfaction.</li> </ol>
Parts &Material Dept.	<ol style="list-style-type: none"> <li>1. Warehouse management operations for raw materials, semi-finished products, and finished products.</li> <li>2. Outsourcing processing management operations.</li> </ol>
Lights Production Dept. and Electronic Component Dept.	<ol style="list-style-type: none"> <li>1. Responsible for the establishment and maintenance of production systems.</li> <li>2. Responsible for implementing production plan and process improvement.</li> <li>3. Responsible for promoting and maintaining laws and regulations related to work safety and labor safety.</li> <li>4. Ensure the improvement of production quality and yield and shorten the delivery time.</li> </ol>
R&D Dept.	<ol style="list-style-type: none"> <li>1. Develop new concepts and plans for forward-looking technologies and products.</li> <li>2. Implementation of project R&amp;D cooperation.</li> <li>3. Customer service technical support.</li> <li>4. Assist in process improvement and solve product engineering problems.</li> </ol>
Purchase Dept.	<ol style="list-style-type: none"> <li>1. Supplier establishment and management.</li> <li>2. Procurement and delivery follow-up management of raw materials, semi-finished products and finished products.</li> <li>3. Collected market raw material price and cost analysis, control and management.</li> </ol>

### 3.2 Information of Directors, Supervisors, General Managers, Deputy General Managers, Departments and Branches Officers :

#### 3.2.1. Directors information:

##### 1. Directors

2023/4/18

Job title	Nation	Name	Gender	Date Elected	Terms (Years)	Date (First Elected)	Shareholding when elected		Current shareholding		Shares currently held by spouse and minor children <input type="checkbox"/>		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Chairman	R.O.C.	Zhicheng Investment Co., Ltd	Not applicable	2022.06.14	three years	2016.06.28	34,000,000	52.77%	34,000,000	52.77%	None	None	None	None	Not applicable	Not applicable	None			(Note 1)
	R.O.C.	Representative: Shih-Chi Lin	Male 40-49	2022.06.14	three years	2016.06.28	None	None	511,000	0.79%	None	None	None	None	National Cheng Kung University EMBA Director of Eagle Eyes Traffic Ind. Co., Ltd.	Acting General Manager of Topower Co., Ltd	Director	Lin Chong-yi	brother	(Note 2)
Director	R.O.C.	Chung-I Lin	Male 40-49	2022.06.14	three years	2012.06.13	430,000	0.67%	430,000	0.67%	None	None	None	None	La Sierra University MBA Director of Eagle Eyes Traffic Ind. Co., Ltd.	Director of Zhicheng Investment Co., Ltd Director of Eagle Eyes Traffic Ind. Co. Ltd Director of Litek Enterprise Co., Ltd.	Deputy Manager of Administration Dept.	Lin Qiz-hong	spouse	None
Director	R.O.C.	Zhicheng Investment Co., Ltd	Not applicable	2022.06.14	three years	2019.06.10	34,000,000	52.77%	34,000,000	52.77%	None	Nine	None	None	Not applicable	Not applicable	None			(Note 1)
	R.O.C.	Representative: Chih-Lung Lin	Male 50-59	2022.06.14	three years	2019.06.10	None	None	None	None	None	None	None	None	National Cheng Kung University Master of Accounting Partner Accountant of TrustNet CPA Firm Adjunct Lecturer, Department of Accounting, National Cheng Kung University	Director of Nang Kuang Pharmaceutical Co., Ltd. Independent Director of Litek Enterprise Co., Ltd. Independent Director of Chia Her Ind. Co., Ltd. Independent Director of Airmate (Cayman) International Co. Limited	None			None
Independent Director <input type="checkbox"/>	R.O.C.	Hui-Ling Fang	Female 60-69	2022.06.14	three years	2013.05.22	None	None	None	None	None	None	None	Accounting Department of National Cheng Kung University Chief Accountant and Certified Public Accountant of the Southern District Business Department of KPMG Taiwan	Independent Director of Jung Shing Wire Co., Ltd. Independent Director of Sen Tien Printing Factory Co., Ltd. Independent Director of Sheh Fung Screws Co., Ltd.	None			None	
Independent Director	R.O.C.	Cheng-Che Chiang	Male 50-59	2022.06.14	three years	2016.06.28	None	None	None	None	None	None	None	PhD in Enterprise Management at Ning'en University Deloitte & Touch Management Consulting Co. Johnson & Johnson Medical Taiwan	Associate Professor, Far East University of Science and Technology	None			None	

Job title	Nation	Name	Gender	Date Elected	Terms (Years)	Date (First Elected)	Shareholding when elected		Current shareholding		Shares currently held by spouse and minor children <input type="checkbox"/>		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Notes
							shares	%	shares	%	shares	%	shares	%			Title	Name	Relation	
Independent Director <input type="checkbox"/>	R.O.C.	Yen-Hsun Chen	Male 50-59	2022.06.14	three years	2018.06.26	None	None	None	None	None	None	None	None	PhD in Mechanical Engineering, National Central University PhD in Business Administration from National Cheng Kung University. Director of the Department of Information Management, Department, College of Further Education, Far East University of Science and Technology Head of Academic Affairs, College of Further Education and Junior College, Far East University of Science and Technology	Director of the Advanced Study Department of Far East University of Science and Technology	None	None	None	None
Independent Director <input type="checkbox"/>	R.O.C.	Yueh-Feng Chuang	Male 50-59	2022.06.14	three years	2022.06.14	None	None	None	None	None	None	None	None	Master of Public Relations Group, Journalism Research Institute, Ball State University IN, USA Dean of International College, Kun Shan University of Science and Technology International Director of International and Cross Strait Exchange Department, Kun Shan University of Science and Technology	Dean of International College, Kun Shan University of Science and Technology International Director of International and Cross Strait Exchange Department, Kun Shan University of Science and Technology	None	None	None	None
Supervisor	R.O.C.	Tian-bao Xie	Male 60-69	2019.06.10	three years	2013.05.22	1,505,000	2.34%	1,505,000	2.34%	None	None	None	None	Machinery Drawing Department of Tseng-Wen Agricultural & Industrial High School Chairman of Shing Hsin Aluminium Co., Ltd Chairman of Deyicheng Investment Co., Ltd	Chairman of Shing Hsin Aluminium Co., Ltd Chairman of Deyicheng Investment Co., Ltd	None	None	None	(Note 3)
Supervisor	R.O.C.	Me-bon Cha	Male 60-69	2019.06.10	three years	2012.06.13	None	None	None	None	100,000	0.16%	None	None	Graduated from the Department of Law at Soochow University Mingbang International law firm director lawyer Independent Director of Quintain Steel Co., Ltd	Mingbang International law firm director lawyer Independent Director of Quintain Steel Co., Ltd.	None	None	None	(Note 3)
Supervisor	R.O.C.	Guo-rong Wu	Male 70-79	2019.06.10	three years	2005.12.16	None	None	None	None	None	None	None	None	NCUU Enterprise Research Institute (Enterprise Class) Tulane University MBA General Manager of Zhifu Co., Ltd. Executive Director of Taipei Computer Association	Chairman of Modernism Information Co., Ltd	None	None	None	(Note 3)

Note 1 : Please refer to the table below for the information of juristic person shareholder - Zhicheng Investment Co., Ltd.

2 : Major shareholders of the juristic-person shareholders:

Mar. 31, 2023

Name of juristic-person shareholders ( Note 1 )	Major shareholders ( Note 2 ) □
Zhicheng Investment Co., Ltd.	Lin Yu-zhu (51%) 、 Lin Liu Mei-zhen(49%)

3 : If the major shareholder is a legal person, its major shareholder: Not applicable.

Note 2 : Relevant information of the reason, rationality, necessity, and countermeasures shall be explained if the Director or the General Manager or person of an equivalent post (top management) are the same person, spouses or relations within the first degree of kinship (e.g., the number of independent directors will be added, and there shall be a majority of directors who do not serve concurrently as an employee or officer.

The Chairman of the Company concurrently serves as the Acting President, in order to improve the operation efficiency and decision-making execution power, but to strengthen the independence of the board of directors, the company actively seeks suitable candidates: In addition, the Chairman of the board of directors also fully communicates with each director about the company's operation status and plan guidelines to implement corporate governance. In the future, the Company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function. At present, the company has the following specific measures

1. The current four independent directors have expertise in accounting and enterprise management, and are able to efficiently perform their supervisory functions.
2. Arrange for each director to participate in professional director and supervisor training courses conducted by external institutions every year to enhance the operational efficiency of the board of directors.
3. More than half of the board members do not concurrently serve as employees or managers to strengthen the independence of corporate governance and information transparency.

Note 3: The Company abolished the Supervisor following the general election of directors at 2022 shareholders' meeting.

4. Information on Directors (2) :

Name	Criteria	Professional qualifications and experience	Independence analysis (Note)												No. of other public companies at which the person concurrently serves as an independent director	
			1	2	3	4	5	6	7	8	9	10	11	12		
Zhicheng Investment Co., Ltd Representative: Shih-Chi Lin		National Cheng Kung University EMBA in-service education program, currently serving as the Chairman of the Company, with rich experience and ability in business management, leadership decision-making, international market view, industry knowledge, and operational judgment, leading the company to sustainable operation		✓	✓		✓	✓				✓		✓	✓	0
Chung-I Lin		La Sierra University MBA, Currently serving as a director of Zhicheng Investment Co., Ltd, he has rich experience and ability in international market outlook, industry knowledge, and operational judgment.	✓		✓	✓				✓		✓		✓	✓	0
Zhicheng Investment Co., Ltd Representative: Chih-Lung Lin		Master of Accounting, Department of National Cheng Kung University, with professional Certificate of CPA Qualification of R.O.C., currently working as a partner accountant of TrustNet CPA Firm and an adjunct lecturer of National Cheng Kung University, serving as a director of Nang Kuang Pharmaceutical Co., Ltd, an independent director of Litek Enterprise Co., Ltd., an independent director of Chia Her Ind. Co., LTD., and Airmate (Cayman) International Co., LTD. Rich experience and ability in corporate governance and financial accounting.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Hui-Ling Fang		Department of Accounting, National Cheng Kung University, has a qualified professional certificate of accountant of R.O.C., once served as chief accountant and certified accountant of the Southern District Business Department of KPMG Taiwan, , served as an independent director of Jung Shing Wire Industry Co., Ltd., the independent director of Sen Tien Printing Factory Co., Ltd., and the independent director of Sheh Fung Screw Co., Ltd. ,has rich experience and ability in corporate governance and financial accounting.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Cheng-Che Chiang		Ph.D. in Enterprise Management at Ning'en University, previously held positions at Deloitte&Touch Management Consulting Co. and Johnson&Johnson Medical Taiwan, and is currently an associate professor at Far Eastern University of Science and Technology, with extensive experience and abilities in operational judgment, international market outlook, and management skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Yen-Hsun Chen	Ph.D. in Mechanical Engineering from National Central University/Ph.D. in Business Administration from National Cheng Kung University. Previously served as the Director of the Information Management Department , College of Further Education at Far East University of Science and Technology, and currently serves as the Director of the Advanced Study Department at Far East University of Science and Technology. He has rich experience and abilities in operational judgment, international market outlook, and management abilities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yueh-Feng Chuang	Master of Public Relations at the Institute of Journalism, Ball State University IN, USA, currently serving as the Dean of the International College of Kun Shan University of Science and Technology and the International Director of the International and Cross-Strait Exchange Office of Kun Shan University of Science and Technology, with rich experience and abilities in operational judgment, international market view, and management capabilities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If each director or supervisor meets the following conditions within the two years prior to their election and during their term of office, they will be marked with "✓" in the space below each condition code.

- (1) Not being an employee of the company or its affiliated enterprises.
- (2) Not being a directors or supervisor of the company's affiliated enterprises (except for independent directors of the company or its parent company, or subsidiaries holding more than 50% of the voting shares directly or indirectly).
- (3) Natural person shareholders who are not themselves, their spouse, minor children, or hold more than 1% of the total issued shares of the company or the top ten shareholders in the name of others.
- (4) Not being spouses, relatives within the second degree of kinship or direct blood relatives within the third degree of kinship of the managers listed in (1) or persons listed in (2) and (3).
- (5) Not being a director, supervisor, or employee of a juristic-person shareholder who directly holds 5% or more of the total number of issued shares of the company, holds the top five shares, or appoints a representative to serve as a director or supervisor in accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Act (except for independent directors established by the company and its parent company, subsidiaries, or several subsidiaries of the same parent company in accordance with this Law or local laws and regulations).
- (6) Not being a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.(except for independent directors established by the company or its parent company, subsidiary, or subsidiary of the same parent company in accordance with this Law or local laws and regulations, this restriction shall not apply).
- (7) Not being a director (director), supervisor (director), or employee of another company or institution or spouse as the chairman, general manager, or equivalent position of the company (except for independent directors established by the company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this Law or local laws and regulations).
- (8) Not being a director, supervisor, manager, or shareholder holding 5% or more of a specific company or institution that does not have financial or business dealings with the company. (However, if a specific company or institution holds more than 20% but not more than 50% of the total issued shares of the company, and is an independent director established by the company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this Law or local laws and regulations, this restriction shall not apply.).
- (9) Not being professionals, sole proprietors, partnerships, business owners, partners, directors, supervisors, managers, and spouses of companies or institutions that do not provide audit services for companies or affiliated enterprises, or whose cumulative amount of remuneration in the past two years does not exceed NT \$500,000 for business, legal,

financial, accounting, and other related services. However, this restriction does not apply to members of the Compensation Committee, the Public Acquisition Review Committee, or the Merger and Acquisition Special Committee who exercise their powers in accordance with the Securities and Exchange Act or the Enterprise Merger and Acquisition Act.

(10) Not being a spouse or relative within the second degree of kinship of other directors

(11) None of the items in Article 30 of the Company Act occurs.

(12) There is no provision in Article 27 of the Company Act that the government, legal person or their representatives are elected.

4. Director Information (III): Director Diversity and Independence:

(1) Director Diversity : Please refer to page 31 of the annual report, item 3, "Explanation of the composition of the board of directors" in the " III" Corporate Governance Operations and the Differences and Reasons between the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

(2) Director Independence : According to the Securities and Exchange Act, there shall be no less than two independent directors and no less than one-fifth of the total number of directors, and the audit committee shall be composed of all independent directors; the Company has 7 directors, of which 4 are independent directors, accounting for 57.1% of the total number of directors. This meets the requirements for the establishment of independent director seats and their proportion in the total number of directors. The Board of Directors of the Company emphasizes the functions of independent operation and transparency. Both directors and independent directors are independent individuals who exercise their powers independently. For information on the independence of directors, please refer to the explanations on pages 12-13.

(II) General manager, deputy general manager, associates, department and branches officer information: :

Apr. 18, 2023

Title	Nation	Name	Gender	Date Effective	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree□			Note
					shares	%	shares	%	shares	%			Title	Name	Relation	
Acting President	R.O.C	Shih-Chi Lin	Male	2017.09.01	511,000	0.79%	None	None	None	None	National Cheng Kung University EMBA in-service education program	None	Director	Chung-I Lin	brother	Note
Associate Manager of Sales Dept.	R.O.C.	Li-Qiu You	Female	2011.04.01	17,595	0.03%	4,000	0.00%	None	None	Department of German, Tamkang University V-Tech Computer- Deputy Sales Manager	None	None			

Title	Nation	Name	Gender	Date Effective	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree <input type="checkbox"/>			Note
					shares	%	shares	%	shares	%			Title	Name	Relation	
Manager of F&A Dept.	R.O.C.	Chih-He Kang	Male	2022.07.26	None	None	None	None	None	None	Accounting Department of Providence University Nan Pao Resin Chemical Factory Co., Ltd. - Accounting Department Accounting Team Leader Nan Pao Materials (Vietnam) Co., Ltd. - Accounting Department Accounting Assistant Prince Housing & Development Corp. - Deputy Accounting Manager of the Finance and Accounting Department	None	None			

Note : Relevant information of the reason, rationality, necessity, and countermeasures shall be explained if the Director or the General Manager or person of an equivalent post (top management) are the same person, spouses or relations within the first degree of kinship (e.g., the number of independent directors will be added, and there shall be a majority of directors who do not serve concurrently as an employee or officer.

The Chairman of the Company concurrently serves as the Acting President, in order to improve the operation efficiency and decision-making execution power, but to strengthen the independence of the board of directors, the company actively seeks suitable candidates: In addition, the Chairman of the board of directors also fully communicates with each director about the company's operation status and plan guidelines to implement corporate governance. In the future, the Company also plans to increase the number of independent directors to enhance the functions of the board of directors and strengthen the supervision function. At present, the company has the following specific measures

1. The current four independent directors have expertise in accounting and enterprise management, and are able to efficiently perform their supervisory functions.
2. Arrange for each director to participate in professional director and supervisor training courses conducted by external institutions every year to enhance the operational efficiency of the board of directors.
3. More than half of the board members do not concurrently serve as employees or managers to strengthen the independence of corporate governance and information transparency.

III. Remunerations of Directors, General Manager and Deputy General Manager in the most recent year:

(I) . Remunerations of Directors

Mar. 10, 2023

Unit : NTD Thousand/ Thousand shares

Title	Name	Remuneration of Directors								Ratio of total remuneration (A+B+C+D) to Net profit after tax (%) (Note 10)		Relevant remuneration received by Directors who are also Employee						The total amount of A, B, C, D, E, F and G and ratio of total compensation (A+B+C+D+E+F+G) to Net profit after tax (Note 10)		Compensation paid to Directors from an invested company other than the Company's subsidiary or the Parent (Note 11)				
		Base compensation (A) (Note 2) □		Retirement pension (B)		Directors compensation (C) (Note 3)		Professional practice fee (D)(Note 4)				Salary, bonus and allowance (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)								
		The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company		All companies in Financial Statements (Note 7)		The Company	All companies in Financial Statements (Note 7)					
Chairman	Zhicheng Investment Co., Ltd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Representative: Shih-Chi Lin	3,405	3,405	0	0	310	310	64	64	3,779	3,779	0	0	0	0	333	0	333	0	4,112	4,112	1.290%	1.290%	None
Director	Zhicheng Investment Co., Ltd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None		
	Representative: Chih-Lung Lin	0	0	0	0	200	200	64	64	264	264	0	0	0	0	0	0	0	0	264	264	0.083%	0.083%	None
Director	Chung-I Lin	0	0	0	0	200	200	56	56	256	256	0	0	0	0	0	0	0	0	256	256	0.080%	0.080%	None
Independent Director	Hui-Ling Fang	0	0	0	0	310	310	68	68	378	378	0	0	0	0	0	0	0	0	378	378	0.119%	0.119%	None
Independent Director	Cheng-Che Chiang	0	0	0	0	310	310	76	76	386	386	0	0	0	0	0	0	0	0	386	386	0.121%	0.121%	None
Independent Director	Yen-Hsun Chen	0	0	0	0	310	310	68	68	378	378	0	0	0	0	0	0	0	0	378	378	0.119%	0.119%	None
Independent Director	Yueh-Feng Chuang	0	0	0	0	160	160	46	46	206	206	0	0	0	0	0	0	0	0	206	206	0.065%	0.065%	None

1. Please state the remuneration policy, system, standard and structure of paying Independent Directors, and information of the individual who carries responsibilities, risks, input time and other factors, that is correlated to the remuneration:

The remuneration of independent directors of the Company is based on their actual attendance at the board of directors, the salary and compensation committee, and the audit committee, taking into account the results of the director's performance evaluation, the degree of participation and contribution to our company, and the payment of director remuneration.

2. Except the sheet disclosed above, the directors of the Company have provided services to all companies in the financial statements (such as a consultant not an employee) in the most recent fiscal year: None  
Remuneration numerical range

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 9)	All companies in the Financial Statements (Note 10) H	The Company (Note 9)	All companies in the Financial Statements (Note 10) I
Under NT\$ 1,000,000	Chung-I Lin , Chih-Lung Lin, Hui-Ling Fang, Cheng-Che Chiang, Yen-Hsun Chen, Yueh-Feng Chuang	Chung-I Lin , Chih-Lung Lin, Hui-Ling Fang, Cheng-Che Chiang, Yen-Hsun Chen, Yueh-Feng Chuang	Chung-I Lin , Chih-Lung Lin, Hui-Ling Fang, Cheng-Che Chiang, Yen-Hsun Chen, Yueh-Feng Chuang	Chung-I Lin , Chih-Lung Lin, Hui-Ling Fang, Cheng-Che Chiang, Yen-Hsun Chen, Yueh-Feng Chuang
NT\$1,000,000 ( included ) ~NT\$ 2,000,000 (excluded)	None	None	None	None
NT\$2,000,000 ( included ) ~NT\$3,500,000 (excluded)	None	None	None	None
NT\$3,500,000 ( included ) ~NT\$5,000,000 (excluded)	Shih-Chi Lin	Shih-Chi Lin	Shih-Chi Lin	Shih-Chi Lin
NT\$5,000,000 ( included ) ~NT\$10,000,000 (excluded)	None	None	None	None
NT\$10,000,000 ( included ) ~NT\$15,000,000 (excluded)	None	None	None	None
NT\$15,000,000 ( included ) ~NT\$30,000,000 (excluded)	None	None	None	None
NT\$30,000,000 ( included ) ~NT\$50,000,000 (excluded)	None	None	None	None
NT\$50,000,000 ( included ) ~ NT\$100,000,000(excluded)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	7	7	7	7

Note 1: Directors' names shall be listed separately (name and representative of a juristic person shareholder shall be listed separately), and a regular director and independent director shall be listed separately, and each amount paid shall be disclosed as an aggregate. If a Director is concurrent as the General Manager or Deputy General Manager, this Table and the following Table (3-1) or (3-2-1) and (3-2-2) shall be filled in.

Note 2: Indicates directors' remuneration in the most recent year (including Director's salary, allowance, severance payment, each kind of bonus, incentive, etc.)

Note 3: To fill in the amount of directors' remuneration allocated by the approval of the Board of Directors in the most recent year

Note 4: Refers to the relevant business execution expenses of the directors in the most recent year (including transportation and transportation fees, special expenses, various allowances, dormitories, vehicle allocation, and other physical provisions)

Note 5: The term refers to the compensation, job bonus, severance pay, various bonuses, incentive payments, car expenses, special expenses, various allowances, dormitory, car allocation and other in-kind provision received by the director and employees (including general manager, deputy general manager, other managers and employees) in the latest year. If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration

Note 6: Indicates a Director is concurrent as an employee in the most recent year (including concurrent as the General Manager, Deputy General Manager, other managerial officer and employee) who receives employee compensation (including stock and cash) shall disclose the employee compensation appropriated by the approval of the Board of Directors in the most recent year

Note 7: Total amount of each remuneration paid to the Company's Directors by all companies (including the Company) mentioned in the consolidated statements shall be disclosed.

Note 8: Total amount of each remuneration paid to each Director by the Company, whose name is disclosed in the numerical range belonged to.

Note 9: Total amount of each remuneration paid to the Directors by all companies (including the Company) mentioned in the consolidated statements and whose names shall be disclosed in the numerical range belonged to.

Note 10: Net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year: If IFRS has been adopted, net profit after tax means net profit after tax on the most recent year of individual or individual financial reporting.

Note 11:

a. The column shall be filled in the related remuneration amount of the Company Director received from the reinvestment companies or the parent company other than subsidiaries.

b. If the Company Director receives remuneration from the reinvestment companies or the parent company other than subsidiaries, the amount shall be combined to the column I in the numerical range, and the column will be altered to "All reinvestment companies."

c. Remuneration means remuneration, compensation (including compensation of employee, directors, and supervisor), and professional practice fee paid to the Company Directors who serve as a Director, Supervisor or managerial officer at the reinvestment companies or parent company other than subsidiaries

## (II) Remuneration for Supervisors

March 10, 2023

Unit : NTD Thousand/ Thousand shares

Title	Name	Supervisor Remuneration						The total amount of A, B, C, and D and ratio of total compensation (A+B+C+D) to Net profit after tax (Note 8)		Compensation received from a reinvestment company other than the Company's subsidiary or the Parent (Note 9)
		Compensation (A) (Note 2)		Remuneration (B) (Note 3)		Professional practice fee (C) (Note 4)		The Company	All companies in the Financial Statements (Note 5)	
		The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)			
Supervisor	Tian-bao Xie	0	0	100	100	32	32	132 0.041%	132 0.041%	None
Supervisor	Me-bon Cha	0	0	100	100	24	24	124 0.039%	124 0.039%	None
Supervisor	Guo-rong Wu	0	0	100	100	16	16	116 0.036%	116 0.036%	None

### Remuneration numerical range

Range of remuneration to each supervisor of the Company	Names of Supervisors	
	Total of (A+B+C+)	
	The Company(Note 6)	All companies in the Financial Statements (Note 7) D
Under NT\$1,000,000	Tian-bao Xie Me-bon Cha Guo-rong Wu	Tian-bao Xie Me-bon Cha Guo-rong Wu
NT\$1,000,000 ( included ) ~NT\$ 2,000,000 (excluded)	None	None
NT\$2,000,000 ( included ) ~NT\$3,500,000 (excluded)	None	None
NT\$3,500,000 ( included ) ~NT\$5,000,000 (excluded)	None	None
NT\$5,000,000( included ) ~NT\$10,000,000 (excluded)	None	None
NT\$10,000,000 ( included ) ~NT\$15,000,000 (excluded)	None	None
NT\$15,000,000 ( included ) ~NT\$30,000,000 (excluded)	None	None
NT\$30,000,000 ( included ) ~NT\$50,000,000 (excluded)	None	None
NT\$50,000,000 ( included ) ~NT\$100,000,000(excluded)	None	None
Over NT\$100,000,000	None	None
Total	3	3

Note 1: The names of supervisors shall be listed separately (the names and representatives of the juridical person shareholders shall be listed separately), and the payment amounts shall be disclosed in a summary manner.

Note 2: Refers to the remuneration of supervisors for the most recent year (including supervisors' salaries, job bonuses, severance pay, various bonuses, rewards, etc.).

Note 3: It refers to the amount of remuneration for supervisors approved by the board of directors for the most recent year.

Note 4: Refers to the relevant business execution expenses paid to the supervisor in the most recent year (including transportation fees, special expenses, various allowances, dormitories, vehicle allocation, and other physical provision, etc.).

Note 5: Reveal the total amount of various remuneration paid to our supervisors by all companies (including the Company) in the consolidated report.

Note 6: Total amount of each remuneration paid to each supervisor, whose name is disclosed in the numerical range belonged to.

Note 7: Total amount of each remuneration paid to each supervisor by all companies (including the Company) mentioned in the consolidated statements shall be disclosed.

Note 8: Net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year: If IFRS has been adopted, net profit after tax means net profit after tax on the most recent year of individual or individual financial reporting.

Note 9:

a. The column shall be filled in the related remuneration amount of the Company Supervisor received from the reinvestment companies or the parent company other than subsidiaries.

b. If the Company Supervisor receives remuneration from the reinvestment companies or the parent company other than subsidiaries, the amount shall be combined to the column D in the numerical range, and the column will be altered to "All reinvestment companies."

c. Remuneration means remuneration, compensation (including compensation of employee, directors, and supervisor), and professional practice fee paid to the Company Supervisor who serve as a Director, Supervisor or managerial officer at the reinvestment companies or parent company other than subsidiaries

## (III) Remuneration of President and Deputy President

March 10, 2023

Unit : NTD Thousand/ Thousand shares

Title	Name	Remuneration (A) (Note 2)		Retirement pension (B)		Bonus and special allowance, etc. (C) (Note 3)		Employee's compensation (D) (Note 4)				The total amount of A, B, C, and D and ratio of total compensation (A+B+C+D to Net profit after tax (Note 8)		Compensation from the investees other than subsidiaries or parent company (Note 9)
		The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)	The Company		All companies in the Financial Statements (Note 5)		The Company	All companies in the Financial Statements (Note 6)	
								Cash amount	Stock amount	Cash amount	Stock amount			
Deputy President	Shih-Chi Lin	0	0	0	0	0	0	333	None	333	None	333 0.10%	333 0.10%	None

## Remuneration numerical range

Range of remuneration paid to each President and Deputy President	Name of President and Deputy President	
	The Company (Note 6)	All companies in the Financial Statements (Note 7) (E)
Under NT\$1,000,000	Shih-Chi Lin	Shih-Chi Lin
NT\$1,000,000 (included) ~ NT\$ 2,000,000 (excluded)	None	None
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	None	None
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	None	None
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	None	None
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	None	None
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	None	None
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	None	None
NT\$50,000,000 (included) ~ NT\$100,000,000(excluded)	None	None
Over NT\$100,000,000	None	None
Total	1	1

Note 1: President and Deputy President's names shall be listed separately, and each amount paid shall be disclosed as an aggregate. If a Director is concurrent as the President and Deputy President, this Table and the above Table of Directors' Remuneration shall be filled in.

Note 2: To fill in President and Deputy President's remuneration, allowance, and severance payment in the most recent year

Note 3: To fill in President and Deputy President's each kind of bonus, incentive, transportation allowance, special allowance, each kind of allowance, and material object provided such as dormitory, car, and other remuneration amount in the most recent year. If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration. In addition, the salary expense recognized at share-based payment under IFRS 2, including acquisition of employee stock option certificate, new restricted employee shares, participation of cash capital increased for shares subscription, and etc., shall be accounted to the remuneration.

Note 4: To fill in the amount of employee's compensation (including stock and cash) for President and Deputy President appropriated by the approval of the Board of Directors in the most recent year. If the amount cannot be estimated, it can be calculated according to the actual appropriation last year for the proposed amount this year. And fill in a separate schedule for 'Name and distribution status of managers who distribute employee compensation'. After tax net profit refers to the net profit after tax for the most recent year; For those who have adopted International Financial Reporting Standards, the net profit after tax refers to the net profit after tax of individual or individual financial reports for the most recent year.

Note 5: Total amount of each remuneration paid to the President and Deputy President by all companies (including the Company) mentioned in the consolidated statements shall be disclosed.

Note 6: Total amount of each remuneration paid to each President and Deputy President by the Company, whose name is disclosed in the numerical range belonged to.

Note 7: Total amount of each remuneration paid to each President and Deputy President by all companies (including the Company) mentioned in the consolidated statements and whose names shall be disclosed in the numerical range belonged to.

Note 8: Net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year: If IFRS has been adopted, net profit after tax means net profit after tax on the most recent year of individual or individual financial

reporting.

Note 9: a. The column shall be filled in the related remuneration amount of the Company President and Deputy President received from the reinvestment companies or the parent company other than subsidiaries.

b. If the Company President and Deputy President receives remuneration from the reinvestment companies or the parent company other than subsidiaries, the amount shall be combined to the column E in the numerical range, and the column will be altered to "All reinvestment companies."

c. Remuneration means remuneration, compensation (including compensation of employee, directors, and supervisor), and professional practice fee paid to the Company President and Deputy President who serve as a Director, Supervisor or managerial officer at the reinvestment companies or parent company other than subsidiaries

Note 10: The amount allocated for the new retirement pension in 2022 is NT\$ 0.

(IV) Managerial officers' names and appropriation of employee's compensation: :

Mar. 10, 2023

Unit : NTD Thousand

Managerial Officer	Job title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net profit after tax (%)
	Acting President	Shih-Chi Lin	0 (Note)	606 (Note)	606 (Note)	0.19 (Note)
	Associate	Li-QiuYou				
	Associate	Chih-He Kang				

Note: It refers to the amount of compensation allocated to managers and employees approved by the Remuneration Committee and the Board of Directors on 2023.03.10.

(V) Compare and explain the proportion of the total amount of compensation paid to Directors, Supervisors, President, and Deputy President of the Company and all companies in the consolidated financial statements in the past two years to the net profit after tax of individual or individual financial reports, and explain the policies, standards, and combinations for payment of compensation, the procedures for setting compensation, and the correlation with business performance and future risks:

Item	Directors and Supervisors		President and Deputy President	
	Net profit after tax ratio of total remuneration		Net profit after tax ratio of total remuneration	
	2022	2021	2022	2021
	NT\$6,019,000/ 1.89%	NT\$5,300,000/ 2.30%	NT\$333,000/ 0.10%	NT\$251,000/ 0.11%
Remuneration Standard	Directors and Supervisors: Based on the participation level, contribution efficiency, attendance rate, and performance evaluation results of the Board of Directors, the allocation and evaluation criteria shall be used. Independent Directors: According to their actual attendance at the Board of Directors, the compensation committee, and the audit committee, they shall receive transportation fees, and shall also receive director compensation based on their level of participation and contribution.		According to salary management, employee assessment, and employee bonus measures	
Standards and Package	Allocation by the number of existing directors and supervisors		Principal salary, Job bonus, and other allowances	
Procedure for determining remuneration	The Compensation Committee and the Board of Directors shall prepare a surplus distribution proposal in accordance with the Company's articles of association and relevant regulations, and submit it to the Shareholders' meeting for resolution		The Compensation committee and the Board of Directors shall determine the salary structure based on the usual standards of the industry. The salary is mainly determined in accordance with the salary rules based on the position, performance, and responsibilities they hold	
Link to operating performance and future risks :	Depending on the company's operational performance and profitability		Reasonable compensation will be given based on business performance, achievement rate, contribution level, and the evaluation of responsibilities in the company.	

IV. Corporate governance status

(I) The 12th and 13th Board of Directors held 3 and 5 meetings respectively in 2022, totaling 8 meetings. The attendance of Directors and Supervisors is as follows:

Title	Name	Attendance in person	By proxy	Attendance rate in person (%)	Remark
Chairman	Zhicheng Investment Co., Ltd Representative: Shih-Chi Lin	8	0	100	2022.06.14 Re-election of the shareholders' meeting, re-election of legal persons and representatives
Director	Chung-I Lin	7	0	88	2022.06.04 Re-election of the shareholders' meeting
Director	Zhicheng Investment Co., Ltd Representative: Chih-Lung Lin	8	0	100	2022.06.14 Re-election of the shareholders' meeting, re-election of legal persons and representatives
Independent Director	Hui-Ling Fang	7	0	88	2022.06.14 Re-election of the shareholders' meeting
Independent Director	Cheng-Che Chiang	8	0	100	2022.06.14 Re-election of the shareholders' meeting
Independent Director	Yen-Hsun Chen	7	0	88	2022.06.14 Re-election of the shareholders' meeting
Independent Director	Yueh-Feng Chiang	5	0	100	2022.06.14. Re-election of the shareholders' meeting, New Independent Director; 5 attendances required
Supervisor	Tian-bao Xie	3	0	100	2022.06.14 Not re-elected ; 3 attendances required
Supervisor	Guo-rong Wu	2	0	67	2022.06.14. Not re-elected ; 3 attendances required
Supervisor	Me-bon Cha	3	0	100	2022.06.14. Not re-elected ; 3 attendances required

Attendance of Independent Directors at Each Board Meetings in 2022

◎ : Attendance in person ; ☆ : By proxy ; \* : Absent

2022	1st	2nd	3rd	4th	5th	6th	7th	8th
Hui-Ling Fang	◎	◎	◎	☆	◎	◎	◎	◎
Cheng-Che Chiang	◎	◎	◎	◎	◎	◎	◎	◎
Yen-Hsun Chen	◎	◎	◎	*	◎	◎	◎	◎
Yueh-Feng Chiang	Not Applicable	Not Applicable	Not Applicable	◎	◎	◎	◎	◎

Other matters to be recorded:

I. If any of the following circumstances occurs in the operation of the Board of Directors meeting, please indicate the date of the Board meeting, session number, contents of the motion, the opinions of all Independent Directors and the Company's handling of the opinions of the Independent Director:

(I) Matters listed in Article 14-3 of the Securities Exchange Act.

(II) Other than the aforementioned matters, the Board resolutions which Independent Directors object to or have reservations about, and there are records or written statements for them

Board of Directors	Motion content and follow-up processing	Matters listed in Article 14-3 of the Securities Exchange Act.	Independent Director's objection or reservation
The 14th meeting of the 12th session 2022.03.08	1. 2021 Remuneration Plan for Directors, Supervisors, and Managers	V	None
	2. 2022 Manager Salary Adjustment Plan	V	None
	3. Amendment to some provisions of the "Rules on the Scope of Duties of Independent Directors"	V	None
	4. Amendments to some provisions of the "Code of Ethical Conduct"	V	None
	5. Amendment to some provisions of the "Code of Integrity Management"	V	None
	6. Amendment to some provisions of the "Rules of Procedure for Shareholders' Meetings"	V	None
	7. Amendment to some provisions of the "Procedure for Obtaining or Disposing of Assets"	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Except for the directors who recused themselves due to their interests, all the other present directors approved.			
The 15th meeting of the 12th session 2022.04.29	1. Amendment to some provisions of the "Articles of Association"	V	None
	2. List of nominees for Directors and Independent Directors at the 2022 regular shareholders' meeting	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			
The 16th meeting of the 12th session 2022.05.06	1. 2022 Manager Salary Adjustment Plan	V	None
	2. Amendment to Computerized Information System Cycle	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			
The 2nd meeting of the 13th session 2022.07.26	Proposal for Establishing an Audit Committee and Formulating the Organizational Regulations of the Audit Committee	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			

The 3rd meeting of the 13th session 2022.07.26	1. Appointment of members of the 5th Remuneration Committee	V	None
	2. Financial and accounting Supervisor Change Case	V	None
	3. Manager Change Registration Case	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			
The 4th meeting of the 13th session 2022.08.09	Amendment to the "Internal Major Information Processing Procedure"	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			
The 5th meeting of the 13th session 2022.11.08	1.2022 Manager's End of Year Bonus Case	V	None
	2. Amendment to some provisions of the "Code of Practice for Corporate Governance"	V	None
	3. Amendment to some provisions of the "Code of Practice for Corporate Social Responsibility"	V	None
	4. Amendment to some provisions of the "Internal Major Information Processing Operating Procedures"	V	None
	5. Amendment to some provisions of the "Rules of Procedure for Board of Directors"	V	None
Independent Director's opinion: None			
Handling of Independent Director's opinion: None			
Resolution: Approved by all presented directors.			

In the 2022 Board of Directors, except for the previous matters, all Independent Directors have no objections or reservations to the resolutions of the board meeting.

II. For the situation where a Director avoids motion related to his/her own interests, please specify the Director's name, contents of the motion, reasons for the avoidance of interests and the voting results:

Date of the board meeting: 2022.03.18

Motion Content: 2021 Remuneration distribution for directors, supervisors, managers and employees

Recusal Director: Director Shih-Chi Lin

Reasons for recusal and voting participation: Except for Director Shih-Chi Lin, who is an interested party in this case, he is not allowed to participate in the discussion and voting due to the avoidance of interests. After consulting with the Acting Chairman Chung-I Lin, all other attending directors unanimously passed the resolution without any objections.

Date of the board meeting: 2022.03.18

Motion Content: 2022 Manager Salary Adjustment Case

Recusal Director: Director Shih-Chi Lin

Reasons for recusal and voting participation: Except for Director Shih-Chi Lin, who is an interested party in this case, he is not allowed to participate in the discussion and voting due to the avoidance of interests. After consulting with the Acting Chairman Chung-I Lin, all other attending directors unanimously passed the resolution without any objections.

Date of the board meeting: 2022.07.26

Motion Content: Appointment of members of the 5th Remuneration Committee

Recusal Director: Independent Director Hui-Ling Fang, Cheng-Che Chiang and Yen-Hsun Chen

Reasons for recusal and voting participation:

Except for Independent Director Hui-Ling Fang, Cheng-Che Chiang and Yen-Hsun Chen, who are interested parties in this case, he or she is not allowed to participate in the discussion and voting due to the avoidance of interests. All other attending directors unanimously passed the resolution without any objections.

Date of the board meeting: 2022.07.26

Motion Content: Manager Change Registration Case

Recusal Director: Director Shih-Chi Lin

Reasons for recusal and voting participation:

Except for Director Shih-Chi Lin, who is an interested party in this case, he is not allowed to participate in the discussion and voting due to the avoidance of interests. After consulting with the Acting Chairman Chung-I Lin, all other attending directors unanimously passed the resolution without any objections.

Date of the board meeting: 2022.11.08

Motion Content: 2022 Manager's year-end bonus case

Recusal Director: Director Shih-Chi Lin

Reasons for recusal and voting participation:

Except for Director Shih-Chi Lin, who is an interested party in this case, he is not allowed to participate in the discussion and voting due to the avoidance of interests. After consulting with the Acting Chairman Chih-Lung Lin, all other attending directors unanimously passed the resolution without any objections

### III.: State of implementing Board of Directors evaluation

Cycle	Period	Scope	Method	Content
Once a year	From January 1, 2022 to December 31, 2022	Board of Directors	Internal self-evaluation	1. Degree of participation in company operations 2. Quality of decision-making by the Board of Directors 3. Composition and structure of the Board of Directors 4. Election and Continuing Education of Directors 5. Internal control
Once a year	From January 1, 2022 to December 31, 2022	individual Board members	Internal self-evaluation of the Board of Directors	1. Mastery of company goals and tasks 2. Understanding of Directors' Responsibilities 3. Degree of participation in company operations 4. Internal relationship management and communication 5. Professional and Continuing Education of Directors 6. Internal control

Once a year	From January 1, 2022 to December 31, 2022	Compensation Committee	self-evaluation of committee members	1. Degree of participation in company operations 2. Understanding of the Responsibilities of Functional Committees 3. Functional Committee Decision Quality 4. Composition and member selection of functional committees
Once a year	From July 26, 2022 to December 31, 2022 (set on July 26, 2022)	Audit Committee	self-evaluation of committee members	1. Degree of participation in company operations 2. Understanding of the Responsibilities of Functional Committees 3. Functional Committee Decision Quality 4. Composition and member selection of functional committees 5. Internal control

The evaluation method was conducted using questionnaires, including internal self-evaluation of the Board of Directors and self-evaluation of Board members. The results of the self-evaluation of the performance of the Board of Directors for the year 2022 were submitted to the Board of Directors on March 10, 2023. The evaluation results showed that all evaluation aspects were between agree and strongly agree. The Board of Directors will use the performance evaluation results as a reference for future selection or nomination of directors and individual directors' salaries and compensation.

IV. The goal of strengthening powers of the Board of Directors (e.g., establishment of the Audit Committee, promotion of information transparency, etc.) and evaluation of the implementation in the current year and the most recent year:

(I) The goal of strengthening powers of the Board of Directors :

The Company has established our " Regulations Governing Procedure for Board of Directors Meetings of Public Companies " in accordance with the regulations of the " Procedure for Board of Directors Meetings of Public Companies " to ensure compliance by the Board of Directors; And establish an audit committee and a compensation committee to assist the Board of Directors in fulfilling their supervisory responsibilities.

(II) Evaluation of the implementation :

1. Since the establishment of the Remuneration Committee in October 2011, the Company has been operating smoothly.  
One of the independent directors of the Company is an accountant, who discusses accounting policies, preparation of financial statements and reviews their rationality with the Finance and Accounting Department from time to time, and also makes relevant suggestions.
2. The number of hours of advanced studies for directors of this Company shall meet the requirements of the competent authority every year.
3. The Company appoints a special person to be responsible for company information disclosure and company website update, etc., so as to strengthen information disclosure of the board of directors.

4. On July 26th, 2022, the Company passed the resolution of the board of directors to establish the Audit Committee and formulate the "Organizational Rules of the Audit Committee".

(II) . State of the operation of the Audit Committee

(1) After a comprehensive election of the board of directors on June 14, 2022, the Company established four independent directors and an audit committee on July 26, 2022 to replace the supervisory authority.

Independent directors actively attend and participate in the operation of board meetings, which can effectively play the role of corporate governance.

The Audit Committee held three meetings in 2022, with independent directors attending as follows:

Title	Name	Attendance in person	Attendance rate in person	Note
Independent Director	Hui-Ling Fang	3	100	-
Independent Director	Cheng-Che Chiang	3	100	-
Independent Director	Yen-Hsun Chen	3	100	-
Independent Director	Yueh-Feng Chiang	3	100	-

Professional Qualifications and Experience of the Audit Committee :

Member	Professional Qualifications and Experience of the Audit Committee
Hui-Ling Fang	Department of Accounting, National Cheng Kung University, has a qualified professional certificate of accountant of R.O.C., once served as chief accountant and certified accountant of the Southern District Business Department of KPMG Taiwan, , served as an independent director of Jung Shing Wire Industry Co., Ltd., the independent director of Sen Tien Printing Factory Co., Ltd., and the independent director of Sheh Fung Screw Co., Ltd. ,has rich experience and ability in corporate governance and financial accounting.
Cheng-Che Chiang	Ph.D. in Enterprise Management at Ning'en University, previously held positions at Deloitte&Touch Management Consulting Co. and Johnson&Johnson Medical Taiwan, and is currently an associate professor at Far Eastern University of Science and Technology, with extensive experience and abilities in operational judgment, international market outlook, and management skills
Yen-Hsun Chen	Ph.D. in Mechanical Engineering from National Central University/Ph.D. in Business Administration from National Cheng Kung University. Previously served as the Director of the Information Management Department , College of Further Education at Far East University of Science and Technology, and currently serves as the Director of the Advanced Study Department at Far East University of Science and Technology. He has rich experience and abilities in operational judgment, international market outlook, and management abilities
Yueh-Feng Chiang	Master of Public Relations at the Institute of Journalism, Ball State University IN, USA, currently serving as the Dean of the International College of Kun Shan University of Science and Technology and the International Director of the International and Cross-Strait Exchange Office of Kun Shan University of Science and Technology, with rich experience and abilities in operational judgment, international market view, and management capabilities

Other matters to be recorded:

1. If the operation of the audit committee falls under any of the following circumstances: The audit committee meeting date, period, content of proposals, independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and the company's conduct of the audit committee's opinions should be stated.

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

Audit Committee session meeting date	Motion Content	Objections, reservations or major proposals of the Independent Directors	Resolution results of the Audit Committee	Company's handling of opinions of the Audit Committee
Session 1 The first meeting 2022. 07.26	1. Elected the Convener of the first session of the Audit Committee 2. In order to avoid the risk of interest and exchange rate fluctuations, the company applies to E.SUN Bank for a hedge limit of USD 500,000, authorized to buy/sell derivative financial commodities and undertake combination-type products 3. Financial and accounting director's change case	None	After consultation by the Chairman, all attending members have no objections and the proposal has been passed	Submitted to the resolution of the third Board of Directors of the 13th session and act in accordance with the resolution of the Board of Directors.
Session 1 The second meeting 2022.08.09	1. "Internal Critical Information Handling Procedures" case 2. Financing contract limit and hedge limit with DBS (Taiwan) Commercial Bank 3. Financial statement for the second quarter of 2022			Submitted to the resolution of the fourth Board of Directors of the 13th session and act in accordance with the resolution of the Board of Directors. °
Session 1 The third meeting 2022.11.08	1. Amendments to some provisions of the "Code of Practice on Corporate Governance" 2. Amendments to the partial provisions of the "Code of Practice			Submitted to the resolution of the fifth Board of Directors of the 13th session and

	on Corporate Social Responsibility” 3. Amendments to the section of "Internal Critical Information Handling Procedures" 4. Partial amendments to the “Rules of Procedure of the Board of Directors” 5. Financial statements for the third quarter of 2022			act in accordance with the resolution of the Board of Directors.
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(2) Other than the aforementioned matters, other matters for resolution are approved by two-thirds or more of the entire Board of Directors but the Audit Committee: None

2. For the situation where an Independent Director avoids motion related to his/her own interests: None

3. Communications between the Independent Directors and the internal auditing officers, and the CPAs (communications including significant matters, methods, results, and etc. regarding the Company financial and business status):

(1) The internal audit supervisor of the Company regularly communicates the audit report results with the audit committee members. If there are special circumstances, they will also report to the audit committee members immediately. There are no special circumstances this year, and the communication between our audit committee and the internal audit supervisor is good.

(2) The Company's certified accountants report the results of financial statement audit and other communication matters required by relevant laws and regulations at the first audit committee meeting in the year, and report the annual financial statement audit plan and important securities management laws and regulations update at the last audit committee meeting in the year. In case of special circumstances, they will also report to the members of the audit committee immediately. There are no special circumstances this year, and the communication between the audit committee and accountants of the Company is good.

(III) The supervisor's participation in the operation of the Board of Directors:

After the general reelection of directors in 2022, the Company established an audit committee and abolished the supervisor in accordance with the law. The Twelfth Board of Directors met three times in 2022 with the following attendance by the supervisors:

Title	Name	Attendance in person	Attendance rate in person (%)	Remark
Supervisor	Tian-bao Xie	3	100	2022.06.14 Resignation
Supervisor	Guo-rong Wu	2	67	2022.06.14 Resignation
Supervisor	Me-bon Cha	3	10	2022.06.14 Resignation

Other matters to be recorded:

1. Composition and responsibilities of supervisors:

- (1) Communication situation between supervisors and company employees and shareholders (such as communication channels, methods, etc.): The company's supervisors can communicate with employees, shareholders, or stakeholders through mechanisms such as spokespersons, board of directors, and shareholder meetings.
  - (2) Communication between supervisors, internal audit supervisors, and accountants (such as matters, methods, and results of communication regarding the company's financial and business conditions):  
There is a direct communication channel between the supervisor and the internal audit and endorsement accountant, and the communication situation is good. The audit supervisor submits an audit report to the supervisor on a monthly basis to enable them to grasp the implementation status of the company's internal control system. Each board meeting will invite supervisors, financial and accounting supervisors, audit supervisors, and other personnel to attend. Therefore, supervisors can use the opportunity of the board meeting to fully communicate with the company on financial statements, business conditions, internal audit operations, corporate governance practices, and compliance with laws and regulations.
2. If the supervisor attends the board of directors as a nonvoting representative and expresses his/her opinions, he/she shall specify the date, period, content of the proposal, resolution results of the board of directors, and the company's handling of the supervisor's stated opinions: The Company's supervisors are all present at the board of directors and can provide opinions or suggestions on relevant proposals. The chairman will consult with the attending directors on the spot for discussion and approval. There is no situation where the opinions of the supervisors differ from the results of the board of directors' resolutions.

( III )Corporate Governance Implementation Status, its Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
I.. Does the company establish and disclose the corporate governance best-practice principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	✓		The Company has established the corporate governance best-practice principles based on " Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and has disclosed it on our website <a href="http://www.topower.com.tw">http://www.topower.com.tw</a> provide download reference.	None
II. The Company’s Shareholding Structure and Shareholder Equity ( 1 ) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement it, based on the procedure?	✓		(1) Although the Company does not have an internal operating procedure for the review standards and procedures for accepting shareholder proposals at regular shareholders' meetings, it has already disclosed the "announcement, review standards, and procedures for accepting shareholder proposals" when processing the "announcement of convening a regular shareholders' meeting" at MOPS. And there are spokespersons and proxy spokespersons, and contact information is disclosed on our company's website and MOPS. Shareholders can express their opinions through phone or email, and our company will handle it according to relevant operating methods.	None
(2) Does the company have control of the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) This Company consigns the stock affairs agency to deal with the shareholders’ related affairs; we have control of the major shareholder in accordance with the shareholders roster in the stock affairs agency; we also declare on a regular basis the shareholding variation of the directors, supervisors managers and those major shareholders with more than 10% shareholding.	None
(3) Does the company establish and execute the risk management and firewall system among the affiliates?	✓		(3) The Company and affiliated enterprises operate independently, and each operates in accordance with relevant laws and regulations and internal control systems.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established a management procedure for preventing insider trading, which prohibits insiders from using unpublished information in the market to trade securities, and also prohibits them from using their knowledge of the leakage of unpublished information to engage in insider trading with outsiders.	None
III. Composition and Responsibilities of the Board of				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason
	Yes	No	Summary Description	
<p>Directors</p> <p>(1) Does the board of directors formulate diversity policies, specific management objectives and implement them?</p>	✓		<p>(1) 1. When setting the composition of the board of directors, the Company will consider multiple aspects and formulate a diversified policy of basic conditions and professional knowledge and skills based on its own operation, operational style, and development needs. All appointments will be in accordance with the principles of corporate governance and the "Director and Supervisor Selection Process" to ensure the diversity and independence of the board members.</p> <p>2. Based on the current operating scale and development needs, our company has set up 7 directors (including 4 independent directors) with professional backgrounds covering industries, academia, finance, accounting, business management, and other fields, to implement the policy of diversified composition of board members. The list of members of the 13th Board of Directors includes 4 independent directors, except for 1 who is female. Shih-Chi Lin and Chung-I Lin have expertise in business management, leadership decision-making, international market view, industry knowledge, and operational judgment, including directors ; Independent directors Cheng-Che Chiang, Yen-Hsun Chen, and Yueh-Feng Chuang have operational judgment, international market outlook, and management skills. Independent directors Hui-Ling Fang and Chih-Lung Lin have accounting and financial analysis abilities. Board members can provide professional opinions from different perspectives, which is helpful for the company's business development and corporate governance.</p> <p>3. Diversified management objectives: The term of office of independent directors shall not exceed three terms; In addition, in order to implement the diversification goal of directors in the field of industrial knowledge, the ratio of professionals in the field of industrial knowledge is targeted at more than 40%.</p> <p>4. Currently, there are four independent directors, accounting for 57.14% of the total number of independent directors in the company. Independent directors, except for Hui-Ling Fang, who has rich professional financial and accounting experience and is able to provide timely professional advice and judgment, and has made outstanding contributions to the improvement of corporate governance, still rely on her professional guidance. All other independent directors have not served more than three consecutive terms. Currently, there are 7 directors, including 2 professionals</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason
	Yes	No	Summary Description	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			in the field of industrial knowledge, with a ratio of 28.57%	
(3) Does the company establish the evaluation rules and method for the performance of the Board of Directors in order to conduct the performance evaluation on a regular basis each year and submit its results with the Board of Directors for reference to determine the individual director’s salary & remuneration and nomination for reelection?	✓		(2) The Company has a compensation committee and an audit committee, with 3 and 4 members respectively, all of whom are independent directors. In the future, we also plan to gradually improve various functional committees.  (3) The Company has formulated the "Performance Evaluation Measures for the Board of Directors", which stipulates that the board of directors shall conduct performance evaluation for internal directors at least once a year. During the internal evaluation period of the board of directors, the performance evaluation of the board of directors shall be conducted at the end of each year.	None
	✓		The measurement items for the performance evaluation of our company's board of directors include the following five aspects: 1、Degree of participation in company operations 2、Quality of board decision-making 3、Composition and structure of the board of directors 4、Selection and Continuing Education of Directors 5、Internal control	None
	✓		The measurement items for self-performance evaluation of board members include the following six aspects: 1、Mastering company goals and tasks 2、Recognition of Directors' Responsibilities 3、Degree of participation in company operations 4、Internal relationship management and communication 5、Professional and Continuing Education of Directors 6、Internal control  The performance evaluation project of the functional committee includes the following four aspects: 1、Degree of participation in company operations 2、Functional Committee Responsibility Awareness 3、Improve the decision-making quality of functional committees	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason																		
	Yes	No	Summary Description																			
(4) Does the company regularly evaluate CPAs' independence?			<p>4、Composition and member selection of functional committees</p> <p>The evaluation method was carried out by questionnaire, including the internal self-evaluation of the board of directors, the self-evaluation of the members of the directors and the internal self-evaluation of the functional committee. The results of the self-evaluation of the performance of the board of directors in the year 2022 and the self-evaluation results of the functional committee were submitted to the Board of Directors on March 10, 2023, and the evaluation results were all between agree and strongly agree</p> <p>(4) The Company conducts an annual self-assessment of the independence of the CPA, which has been reviewed and approved by the audit committee, and submitted to the board of directors on March 10th, 2023. After evaluation by the Company, CPA Geng-xi Zhang and Qiang-xun Chen from Deloitte &amp; Touche both meet the Company's independence evaluation standards (Note 1) and are qualified to serve as the Company's CPA. They have obtained a detached independence statement and AQI information from the accounting firm on 2023.03.07.</p> <table border="1" data-bbox="994 922 1771 1366"> <thead> <tr> <th>evaluation items</th> <th>evaluation result</th> <th>Meet the requirements of independence</th> </tr> </thead> <tbody> <tr> <td>Does the accountant have a significant financial interest in the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Does the accountant have any inappropriate relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Does the accountant engage in financing or guarantee activities with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Does the accountant have a close business relationship and potential employment relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>Have the accountants and their audit team members currently or in the past two years held any positions</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	evaluation items	evaluation result	Meet the requirements of independence	Does the accountant have a significant financial interest in the Company?	No	Yes	Does the accountant have any inappropriate relationship with the Company?	No	Yes	Does the accountant engage in financing or guarantee activities with the Company?	No	Yes	Does the accountant have a close business relationship and potential employment relationship with the Company?	No	Yes	Have the accountants and their audit team members currently or in the past two years held any positions	No	Yes	None
evaluation items	evaluation result	Meet the requirements of independence																				
Does the accountant have a significant financial interest in the Company?	No	Yes																				
Does the accountant have any inappropriate relationship with the Company?	No	Yes																				
Does the accountant engage in financing or guarantee activities with the Company?	No	Yes																				
Does the accountant have a close business relationship and potential employment relationship with the Company?	No	Yes																				
Have the accountants and their audit team members currently or in the past two years held any positions	No	Yes																				

Evaluation Item	Implementation Status				Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason	
	Yes	No	Summary Description			
			as directors, managers, or those that have a significant impact on the audit work in the Company?			
			Does the accountant have a family relationship with a director, manager, or person who has a significant impact on the audit case of the Company?	No	Yes	
			Has the CPA been subject to disciplinary action or any circumstance that undermines their independence?	No	Yes	
IV. Do TWSE/TPEX listed companies establish the eligible corporate governance personnel in proper number of persons and appoint the chief corporate governance officer, to take the responsibility for the related corporate governance affairs (including but not limited to providing the directors and supervisors with information required for the business execution, helping the directors and supervisors comply with the acts, handling the related matters of the meetings of the Board of Directors and the Board of Shareholders, preparing their proceedings, etc.)?	✓		<p>The Chairman of the Board of Directors of the Company has designated the Chairman's Office as the coordinating unit for matters related to the Board of Directors, and is supervised by a senior supervisor. He/she has over 3 years of relevant management experience and is responsible for assisting in handling company legal and regulatory compliance affairs, including providing directors with necessary information for business execution, handling matters related to meetings of the Board of Directors, committees, and shareholders' meetings, and making meeting minutes.</p> <p>The company registration and change registration of our company will be collected by the Chairman's Office and assisted by a CPA.</p> <p>The business execution status for the year 2022 is as follows:</p> <p>(1) It serves as the main liaison window between directors and the Company.</p> <p>(2) Assist independent directors and general directors in performing their duties, provide necessary information, and arrange for board and supervisor training.</p> <p>(3) Assist in complying with the procedures and resolutions of the board of directors and shareholders' meetings. If there is a need for interest avoidance in the agenda, a prior reminder will be given.</p> <p>(4) Handle matters related to meetings of the board of directors, committees, and shareholders' meetings, and complete the production of minutes within 20 days after the meeting.</p> <p>The Company plans to complete the establishment of a corporate governance supervisor in accordance with laws and regulations by June 30, 2023.</p>			None
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.) and properly respond to the important issues they are	✓		<p>1. The Company has spokespersons and acting spokespersons as communication channels between the company and stakeholders. Usually, dedicated personnel from relevant departments are responsible for communication with stakeholders (including banks, shareholders, employees, customers, and suppliers), and an E-Mail with a spokesperson system is set up</p>			None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason
	Yes	No	Summary Description	
concerned with in terms of corporate social responsibilities?			on the company's website to facilitate communication between stakeholders and respond appropriately to their concerns. The Company has completed the establishment of the stakeholder section on its website by the end of 2015 2. The Company has various meetings to encourage employees to exchange opinions and communicate with management, and sets up exclusive email and whistleblower channels for employees to reflect their opinions and provide suggestions through email, maintaining close interaction with employees.	
VI. Does the company appoint a professional shareholder service agency to deal with the shareholder affairs?	✓		The Company appoints a professional stock affairs agency - Stock Affairs Agency Department of Capital Securities Corp. to handle various stock affairs on behalf of us. In addition, the internal control system has formulated relevant procedures and regulations for stock affairs.	None
VII. Information Disclosure (1) Does the company set up the website to disclose the information regarding finance, sales and corporate governance?	✓		(1) The Company reports and announces various financial and corporate governance information at MOPS in accordance with regulations, and simultaneously exposes it in the shareholder column section of the company's website.	None
(2) Does the company adopt other information disclosure methods (e.g. building an English website, appointing the designated person to handle the information collection and disclosure, creating a spokesman system, webcasting the institutional investor conferences, etc.)?	✓		(2) The Company has a dedicated unit responsible for collecting and disclosing various information, and has established a spokesperson system to periodically promote the Company's external speaking system to all colleagues as a specific personnel to implement the spokesperson system. The spokesperson and acting spokesperson are responsible for external speaking, communication of financial and business information.	None
(3) Does the company publish and file the annual financial reports within two months at the end of the fiscal year and republish and report Q1, Q2 & Q3 financial reports and each month's operational status within the specified deadline?	✓		(3) Although the Company has not announced its financial report within two months of the end of the year, it still announces and reports its quarterly financial reports and monthly operating conditions in accordance with the deadline specified by the supervisor.	None
VIII. Is there any other important information to facilitate a better understanding of the corporate governance practices (including but not limited to employee rights, care for employees, investor relations, supplier relations, rights of stakeholders, conditions of the directors' & supervisors' further study, execution conditions of risk management policy as well as risk measurement standards, execution conditions of customer policy, conditions where the company purchases the liability	✓		1. Employee Rights and Employee Care: (1) The Company formulates work rules and employee manuals in accordance with laws and regulations, and explicitly includes human rights, employee rights, and obligations in the regulations. (2) Employees shall be protected from harassment and illegal discrimination. Any employee or candidate shall not be discriminated against by gender, race, religion, nationality, age and other factors. All employees shall be protected by	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason																									
	Yes	No	Summary Description																										
insurance for the directors and supervisors, etc.)?)			<p>the Act of Gender Equality.</p> <p>(3) We always attach great importance to the working environment and rights of employees. In addition to establishing an employee welfare committee to fully implement various welfare measures, we also actively organize education and training to enable employees and the company to grow together.</p> <p>2. Investor Relations, Supplier Relations, and Rights of Stakeholders: To maintain good interaction with stakeholders such as shareholders, banks, customers, suppliers and employees through communication channels, in order to create value-added products, improve the company's business results, operating efficiency and provide employees with a safe and comfortable working environment, the company will continue to strive for the realization of corporate social responsibility.</p>																										
			<p>3. Status of Directors and Supervisors' Further Education: According to the " Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies", the continuing education status for directors and supervisors in the year 2022 is as follows :</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Organizer</th> <th>Course Name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Chairman</td> <td rowspan="3">Shih-Chi Lin</td> <td>Taiwan Investor Relations Institute</td> <td>Corporate Governance Series Courses</td> <td>six hours</td> </tr> <tr> <td rowspan="2">Taiwan Corporate Governance Association</td> <td>How to conduct successful merger negotiation and negotiation</td> <td>three hours</td> </tr> <tr> <td>How business and individuals cope in a CFC storm</td> <td>three hours</td> </tr> <tr> <td rowspan="3">Director</td> <td rowspan="3">Chung-I Lin</td> <td>Taiwan Corporate Governance Association</td> <td>How to conduct successful merger negotiation and negotiation</td> <td>three hours</td> </tr> <tr> <td rowspan="2">Taiwan Investor Relations Institute</td> <td>ESG Trends and coping Strategies</td> <td>three hours</td> </tr> <tr> <td>Personal response to the Taxation of retained earnings of controlled</td> <td>three hours</td> </tr> </tbody> </table>	Title	Name	Organizer	Course Name	Training hours	Chairman	Shih-Chi Lin	Taiwan Investor Relations Institute	Corporate Governance Series Courses	six hours	Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours	How business and individuals cope in a CFC storm	three hours	Director	Chung-I Lin	Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours	Taiwan Investor Relations Institute	ESG Trends and coping Strategies	three hours	Personal response to the Taxation of retained earnings of controlled	three hours	
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Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description				
						foreign enterprises (CFCS)	
			Direct or Chih-Lu ng Lin	Taiwan Directors Association	ESG governance and circular New economy	three hours	
				Securities & Futures Institute	2022 Insider Trading Prevention Seminar	three hours	
				Taiwan Stock Exchange	Sustainable development path map industry theme promotion meeting	two hours	
				Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours	
				Taiwan Directors Association	ESG from Tax governance and risk management	three hours	
				Securities & Futures Institute	Insider Equity Transaction Law Compliance Seminar 2022	three hours	
				Taiwan Corporate Governance Association	How business and individuals cope in a CFC storm	three hours	
		Indep e-nde nt Direct or-r	Hui-Ling Fang	Taipei Exchange	Sustainable development path map industry theme promotion meeting	two hours	
				Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours	
				Taiwan Corporate Governance Association	Talk about three codes and practices of integrity, corporate governance and sustainable business	three hours	
		Indep e-nde nt	Cheng-C he Chiang	Taiwan Corporate Governance	How to conduct successful merger negotiation and negotiation	three hours	

Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason	
	Yes	No	Summary Description				
			Director	Association	How business and individuals cope in a CFC storm	three hours	
			Independent Director	Yen-Hsun Chen	Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours
			Director		Association	How business and individuals cope in a CFC storm	three hours
			Independent Director	Yueh-Feng Chuang	Taiwan Corporate Governance Association	How to conduct successful merger negotiation and negotiation	three hours
					Taipei Exchange	Internal equity promotion and explanation meeting of the listed Companies	three hours
					Taipei Exchange	Release of Reference Guidelines for Independent Directors and the Audit Committee on the Exercise of their functions and powers and the Directors' Supervision Meeting	three hours
					Taiwan Corporate Governance Association	How business and individuals cope in a CFC storm	three hours
			<p>4. Implementation of risk management policies and risk measurement standards:            In accordance with the company's risk management policies and measurement standards, the internal control system is formulated, and the audit office will draw up an annual audit plan based on the risk assessment results, implement the audit of internal control deficiencies and anomalies, and continue to track the improvement of deficiencies.</p> <p>5. Implementation of customer policies:            Under the customer-oriented policy, relevant procedures are formulated in accordance with the legal spirit of the Consumer Protection Law to provide customer product warranty and after-sales service.</p> <p>6. The situation where the company purchases liability insurance for directors and supervisors:</p>				

Evaluation Item	Implementation Status					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason	
	Yes	No	Summary Description				
			The Company has purchased 'Director, Supervisor, and Manager Liability Insurance' for all directors and reported it to the board of directors on November 8, 2021 and November 8, 2022, respectively.				
			Insurance company	Insurance amount (NTD)	Insurance period	Coverage Insurance	Insurance rate
			AIG Taiwan	96,000,000	2021.11.01~2022.11.1	1. Claims for securities compensation 2. Claims for compensation for improper employment behavior	99,000
			AIG Taiwan	96,000,000	2022.11.01~2023.11.1	1. Claims for securities compensation 2. Claims for compensation for improper employment behavior	98,000

IX. Please describe the improvement status, based on the corporate governance assessment results, published by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose the matters to be strengthened on a priority basis and measures. The company is actively consistent with the company’s current actual situations to further improve the evaluation results, for example, the evaluation of the CPA’s independence; besides the items to be enhanced on a priority basis is the matters related to the disclosure of the annual report, etc. The Company has not commissioned a professional organization to issue an evaluation report, but we have independently evaluated the compliance with corporate governance and plan to improve it step by step. Priority improvements will be given to the following scored items:

1. It is planned to develop a succession plan for board members and important management, and gradually implement a plan to enhance the effectiveness of the board of directors and strengthen the future management team.
2. Establish a company's chief security officer and disclose the information security organizational structure, information security policies, and specific plans.
3. Establish a corporate governance supervisor responsible for corporate governance related affairs.
4. Continuously evaluate the feasibility of future improvements for corporate governance evaluation projects that have not yet scored, and gradually carry out improvements.

(IV) Composition, Responsibilities, and Operation of the Remuneration Committee :

1. Information of Members of the Remuneration Committee

Type of Status (Note 1)	Name	Criteria	Qualifications and Experiences (Note 2)	Independent Status (Note 3)	Number of Other Public Listed Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Hui-Ling Fang		Department of Accounting, National Cheng Kung University, has a qualified professional certificate of accountant of R.O.C., once served as chief accountant and certified accountant of the Southern District Business Department of KPMG Taiwan, , served as an independent director of Jung Shing Wire Industry Co., Ltd., the independent director of Sen Tien Printing Factory Co., Ltd., and the independent director of Sheh Fung Screw Co., Ltd. ,has rich experience and ability in corporate governance and financial accounting.	In accordance with the provisions of the articles of association and the Code of Practice for Corporate Governance of the Company, directors are elected through the candidate nomination system. When nominating and selecting members of the board of directors, the Company has obtained a written statement, educational background, experience, and employment certificate from the directors, and has not met the requirements of Article 26-3,	3
Independent Director	Cheng-Che Chiang		Ph.D. in Enterprise Management at Ning'en University, previously held positions at Deloitte&Touch Management Consulting Co. and Johnson&Johnson Medical Taiwan, and is currently an associate professor at Far Eastern University of Science and Technology, with extensive experience and abilities in operational judgment, international market outlook, and management skills	paragraphs 3 and 4 of the Securities and Exchange Act; And it has been verified that the three independent directors listed below meet the qualification requirements set forth in Article 14-2 of the Securities and Exchange Act and the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”	0
Independent Director	Yen-Hsun Chen		Ph.D. in Mechanical Engineering from National Central University/Ph.D. in Business Administration from National Cheng Kung University. Previously served as the Director of the Information Management Department , College of Further Education at Far East University of Science and Technology, and currently serves as the Director of the Advanced Study Department at Far East University of Science and Technology. He has rich experience and abilities in operational judgment, international market outlook, and management abilities		0

## 2. Information of Implementation of the Remuneration Committee

(1) The company's and Remuneration Committee is composed of three committee members.

(2) Tenure of Office for this term's Committeemen: From July 26, 2022 to June 13, 2025; twice (A) meeting was held by the Remuneration Committee in the most recent year and the conditions of attendance for the committeemen were as follows:

Title	Name	Frequency of Attendance in Person (A)	Frequency of Attendance by Proxy	Rate of Attendance in Person(%) (B/A)	Remark
Convener	Hui-Ling Fang	2	0	100	Not Applicable
Committee member	Cheng-Che Chiang	2	0	100	Not Applicable
Committee member	Yen-Hsun Chen	2	0	100	Not Applicable

Other items to be specified:

1. If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, specify the date, period, content of the proposal, resolution results of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee (if the salary and compensation passed by the Board of Directors are better than the suggestions of the Remuneration Committee, specify the differences and reasons): There is no such situation.
2. If the member makes an objection or reserves opinions, accompanied with the records or written statement concerning the Remuneration Committee's items of resolution, the dates, sessions, contents of motions, all members' opinions and response to the members' opinions should be specified.

3.

Remuneration Committee	The content of motion and its follow-up treatment	Resolution result	The Company's Response to the Remuneration Committee's Opinions
The fourth session The seventh time 2022.05.06	Annual Salary Adjustment Plan for Managers for the year 2022	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present
The fifth session The first time 2022.11.08	Annual Manager Bonus Case Plan for the year 2022	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present
The fifth session The second time 2023.03.10	1. Total amount and distribution method of employee compensation and board and supervisor compensation for the year 2022 2. Remuneration Distribution Plan for Directors, Supervisors and Managers. For the year 2022 3. Manager Salary Adjustment Plan for the year 2023	Approved by all members of the committee	Submitted to the board of directors and approved by all directors present

(V) Implemented sustainable development promotion and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof:

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
I. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?	✓		The corporate governance structure for promoting and sustainable development of the Company is composed of the President as the general convener, the Business Department, the Management Department, the Procurement Department, the Production Department, etc. The Board of Directors supervises and guides in accordance with the environmental, social and corporate governance issues of sustainable development. Regularly carry out appropriate control and review the performance in accordance with the principle of materiality, assist the company to improve the management performance of enterprise sustainable development through education, training, coaching and other means, and arrange meetings irregularly (at least once a year) to report the implementation results to senior executives or the board of directors. Please refer to Note 1 for instructions on promoting the governance of members.	None
II. Does the company conduct the risk evaluation on such issues of environment, society and corporate governance, related to the company’s operation, pursuant to the materiality principle and establish the relevant risk management policy or strategy? (Note 2)	✓		The Company implements corporate governance, conducts risk assessments on environmental, social, and corporate governance issues related to our operations, develops a sustainable environment, and maintains social welfare in accordance with the established "Code of Practice for Sustainable Development". An evaluation has been conducted to develop a risk management procedure to enhance the ability to quickly respond to risks, reduce losses, and continuously safeguard the interests of stakeholders. Its scope includes: environmental changes in enterprise operations, product development, production quality assurance, occupational safety and environmental management, etc. Please refer to Note 2 for instructions on formulating relevant risk management strategies and measures for major issues.	None
III. Environment Issues (1) Has the Company established an appropriate environmental management system based on its industry characteristics?	✓		(1) The Company is not involved in the industry of environmental pollution. In addition to self-production, the products we currently sell will be outsourced and purchased from qualified suppliers who have obtained ISO14001 environmental management system certification. The Company abides by the national environmental protection laws	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
(2) Has the Company committed itself to improving energy efficiency and to using recycled materials with low impact on the environment?	✓		and regulations, continues to classify, reduce and recycle waste, and advocates energy conservation and turn off lights as soon as possible to pursue the sustainable development of the enterprise  (2) The Company is committed to developing and selling environmentally friendly products and packaging that meet environmental concepts such as "harmless", "reduced", "low-carbon", and "recyclable", in order to reduce the use of various resources and reduce the burden on the Earth and the environment. Utilize a document management system to fully digitize standardized documents, reduce paper usage, and promote paper reuse. Conduct battery recycling, garbage sorting, and reduction activities.	None
(3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues?	✓		(3) The Company will fully support the various energy-saving and carbon reduction environmental policies advocated by the government, and closely monitor the impact of climate change on operational activities. The following are the specific energy-saving and environmental protection measures of our company: • The set temperature of the air conditioner is 27 °C • Turn off the lights casually • Water conservation • Encourage self-provision of tableware and water cups • Resource recycling and garbage classification • Purchase energy-saving lighting fixtures and replace old power consuming equipment	None
(4) Does the Company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction, or other waste management?		✓	(4) Although the Company has not yet calculated the greenhouse gas emissions, water usage, and total weight of waste in the past two years. However, the Company still cooperates with various energy-saving, carbon reduction, and environmental protection policies advocated by the government, and continues to promote paperless operations to reduce annual paper usage. The Company has established a carbon neutrality Committee in 2022 to report on the schedule of greenhouse gas inventory and verification to the Board of Directors on a quarterly basis, and will complete the carbon inventory and verification as scheduled according to the schedule requirements of the corporate governance blueprint.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
IV. Social Issues				
(1) ) Does the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?	✓		(1) The Company follows labor laws and regulations, formulates work rules, employee manuals, and other relevant personnel regulations to protect the rights and interests of employees.	None
(2) Does the company establish and implement the reasonable employee welfare measures (including remuneration, vacation and other welfares, etc.) and properly reflect its operation performance or results on the employee’ remuneration?	✓		(2) The Company has set working rules and relevant personnel management rules, covering the basic wages, working hours, leave, pension benefits, labor health insurance benefits, occupational disaster compensation, etc. of the employees of the Company are in line with the relevant provisions of the labor Standard Law. The establishment of a staff Welfare Committee operated through a staff elected Welfare Committee to handle various welfare matters; The Company’s remuneration policy is based on individual ability, contribution to the company, performance and business performance.	None
(3) Does the company provide a safe and healthy working environment for employees, and organize training on health and safety for its employees on a regular basis?	✓		(3) To provide a safe and healthy working environment for employees, our company adopts the following methods: 1. The Company is equipped with emergency personnel and labor safety and health supervisors. 2. Conduct annual employee health checks, and the results will be communicated to colleagues by physicians. Health management tracking will be implemented for those with abnormal health conditions. 3. Provide on-site nursing services, assist colleagues in medical care and health consultation services. 4. Regularly inspect drinking water and maintain and disinfect water supply equipment every year, providing employees with clean, safe and safe drinking water. 5. Hold environmental safety and fire drills irregularly to enable employees to handle according to the emergency response plan and minimize the impact of disasters <b>Labor operation environment inspection</b> To protect workers from the hazards of harmful substances in the workplace and provide a healthy and comfortable working environment, work environment testing is conducted twice a year to gradually understand the exposure status of workers.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
(4) Does the company provided effective training in career planning for employees?	✓		<p><b>Number of occupational disasters in the current year and relevant improvement measures</b> In the year 2022, there were 0 occupational disasters among company personnel, and the frequency of disability injuries was 0.</p> <p>(4) The Company's management department has established a training plan for colleagues' career development, including new employee training, professional advanced training, supervisor training, etc. Through diversified learning methods, we provide complete education and training for colleagues to perform tasks in their work positions, and serve as a basis for performance evaluation for promotion. In 2022, there were a total of 726 hours of vocational training, with 257 participants participating in the training.</p>	
(5) Does the company comply with the related regulations and international standards pertinent to the customers' health and safety, customers' privacy, marketing and labeling, of the product & service, and establish the policy and appealing procedures related to the protection of the consumer or client's rights?	✓		<p>(5) The products sold by our company have been labeled with safety regulations or energy-saving labels in accordance with relevant regulations and international standards, and consumers can clearly identify and use them with peace of mind. In addition, in order to protect consumer rights and interests, we provide product warranty and after-sales services, standardize customer complaint handling processes, provide dedicated services, and establish processing standards and operational timelines. We regularly review the implementation effectiveness, and implement the goals of product improvement and service enhancement.</p> <p>The Company passes the ISO9001 quality management system certification every year and has established a quality policy to ensure the effective implementation of the quality management system, in order to improve product quality and meet customer needs.</p>	None
(6) Does the company establish the supplier management policy and request the suppliers to comply with the related regulations on such issues as environmental protection, occupational safety and health or labor human rights as well as the implementation status?	✓		<p>(6) The Company evaluates its suppliers according to the "Procurement and Supplier Management Procedure", and only those who pass the evaluation can become partners. The company attaches importance to the environment and society, and chooses honest and trustworthy suppliers to cooperate, so as to fulfill its corporate social responsibility. If the main supplier of the Company is involved in violating its corporate social responsibility policy and has a significant impact on the environment and society, it may terminate or terminate the contract at any time.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
			The company will evaluate important suppliers at least once a year, continuously improve the supply chain management system, discuss with suppliers irregularly, and jointly improve quality based on cooperation and implement the requirements of sustainability in the daily management of the supply chain.	None
V. Does the company refer to the international standards or guidelines for the preparation of reports to prepare such reports as the corporate sustainability report which disclose the information other than finance? Does the foregoing report obtain the assurance or guarantee opinions from the third party verification unit		✓	The Company has not yet prepared a sustainability report, which will be evaluated and prepared based on the situation in the future. However, we have disclosed information related to sustainable development on our company website and annual report.	The Company is not a mandatory company to prepare a perpetual report, and we will complete the perpetual report before the deadline specified in the operating procedures for preparing and filing perpetual reports for OTC companies.
VI. If the company has established its sustainable development best practice principles according to “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the operational status and differences: The Company has a code of practice for sustainable development. While pursuing sustainable operation and profitability, it also attaches importance to the balance of environmental protection, social responsibility and corporate governance. It will regularly review the implementation of the code for improvement. There has been no significant difference in the implementation so far.				
VII. Other important information to help understand the implementation of sustainable development: (I) Environmental protection: (1) The Company attaches importance to energy conservation and turns off the lights in public areas for one hour during the noon break; When holding internal meetings, it is necessary to carry a personal environmental cup and encourage the use of environmental chopsticks to save energy in a practical way. (2) The Company's products have passed product certifications for platinum, gold, silver, and copper medals issued by the international 80 PLUS organization. The webpage query link is: <a href="http://www.plugloadsolutions.com/80PlusPowerSuppliesDetail.aspx?id=73&amp;type=2">http://www.plugloadsolutions.com/80PlusPowerSuppliesDetail.aspx?id=73&amp;type=2</a> (3) Actively promote electronic homework and reduce paper usage. (4) When adding new lighting fixtures, purchase energy-saving and energy-saving lighting fixtures, and gradually replace old and outdated power consuming equipment. (II)Community participation and social welfare: Regularly participate in social welfare group activities, such as organizing flea donation activities and bringing them to the nursery to share with the children in the hospital. (III) Social contribution: Cooperate with the blood donation center to hold irregular blood donation activities. (IV)Consumer rights: There are dedicated personnel to handle customer complaints such as product warranty and after-sales service, and an official website section is set up to actively respond to the appeal needs of investors, suppliers, customers, and employees, in order to implement the protection of consumer rights. (V)Human rights: Our colleagues, regardless of gender, age, religion, or party affiliation, have equal opportunities for employment and promotion. The Company is committed to providing a good working environment to avoid discrimination against colleagues harassment. (VI) Safety and Health: Conduct annual employee health checks and irregularly hold labor safety and health lectures and fire drills. (VII) Other: Turn off the public area lights for one hour during the lunch break; When holding internal meetings, it is necessary to carry a personal environmental cup and encourage the use of				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	

environmental chopsticks to save energy in a practical way.  
(VIII) Other social responsibility activities: The Company's MOPS reporting operation is responsible by special personnel to collect and disclosure the company's information, and ensure that the information that may affect the decision of shareholders and stakeholders can be disclosed in a timely manner.

Note 1: The Company's promotion of sustainable development:

(I) Promote sustainable development architecture



(II) Promote sustainable development governance

- (1) President's Office: Set specific goals and periodically review whether strategic direction needs to be adjusted
- (2) Chairman's Office: To align with corporate governance trends, promote the functioning of the board of directors, and implement compliance with laws and regulations.
- (3) Purchase Department: do a good job in supply chain management and evaluate raw material procurement.
- (4) Administration Department: implement labor relations, employee health and safety, greenhouse gas emissions and waste management.
- (5) Sales Department: maintain customer privacy, customer satisfaction, and product life cycle management.
- (6) R&D Department: Improve product quality, innovate products, and develop new materials.

Note 2: Promote sustainable development risk assessment

Major issues	Risk assessment project	Risk management strategies and measures
Environment	Environmental protection, climate change	The Company has implemented energy-saving and carbon reduction policies and has planned to start investing in greenhouse gas inventory operations, with the goal of reducing carbon dioxide emissions year by year.
Society	job/work safety	The Company adheres to safety and health related laws and regulations, regularly implements safety and health education, and holds "fire safety lectures" and training courses.
Corporate governance	Socio-economy and legal compliance	Through the establishment of a governance structure and the implementation of internal control mechanisms, ensure that all personnel and operations of the Company comply with relevant laws and regulations.

(VI) Performance Status of Ethical Corporate Management, its Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason :

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
<p>I. Establish Ethical Corporate Management Policy and Program</p> <p>(1) Does the company establish the ethical corporate management policy, passed by the Board of Directors and expressly indicate the policy and practice in the regulations and external documents and are the Board of Directors &amp; the high-ranking management personnel committed to carrying out the operational policy?</p> <p>(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention of immoral conduct programs accordingly, covering at least the prevention measures of the conduct, as prescribed in each subparagraph of Paragraph 2, Article 7 of the “Ethical Corporate Management Principles for the TWSE/TPEX Listed Companies”?</p> <p>(3) Does the company clearly stipulate the processing procedures, conduct guideline, and violation discipline &amp; complaint system, carry out the execution and review &amp; revise the above-described program on a regular basis?</p>	✓		(1) The company has established the "Code of Integrity Management" and "Code of Ethical Conduct" and disclosed them on our company website; In addition to serving as the basis for implementing honest business operations, and thereby expressing the policies and practices of honest business operations, as well as the commitment of the board of directors and management to actively implement business policies.	None
	✓		(2) The Company explicitly prohibits the provision of illegal political donations and facilitation fees, avoidance of interests, avoidance of transactions with dishonest operators, disclosure of company business secrets, and avoidance of insider trading in the " Code of Integrity Management.” We also include integrity management in employee performance evaluations to strengthen the implementation of integrity management policies.	None
	✓		(3) To cooperate with the establishment of the "Code of Integrity Management " and establish the "Code of Ethical Conduct" as the basis for implementing the Code of Conduct for Integrity. If any suspected violations of laws or regulations are found, there is also a reporting mechanism and relevant provisions for disciplinary action.	None
<p>II. Implementation of Ethical Corporate Management</p> <p>(1) Does the company evaluate the business partners’ ethical records and expressly stipulate the clause of ethical conduct in contracts, signed with them?</p> <p>(2) Does the company set up the exclusively (concurrently dedicated unit, subordinated with the Board of Directors, to implement ethical corporate management and regularly report its ethical corporate management policy, the prevention of immoral conduct programs as well as the supervision &amp; execution status with the Board of Directors?</p>	✓		(1) When the Company signs a contract with others, the content should include compliance with the integrity management policy. If either party engages in dishonest behavior in commercial activities, the other party may unconditionally terminate or terminate the contract at any time.	None
	✓		(2) The administration department is responsible for formulating integrity management policies. If any dishonest behavior is found, the handling method and subsequent review and improvement measures should be reported to the Board of Directors.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
(3) Does the company establish the conflict of interest prevention policy, provide the adequate appealing channel, and carry out the execution?	✓		(3) Established as a “Code of Ethical Conduct,” providing appropriate channels for directors, supervisors, and managers to proactively explain whether they have any potential conflicts of interest with the Company	None
(4) Does the company build up an effective accounting system and an internal control system for the implementation of the ethical corporate management and does its internal audit unit draw up the related audit plan, based on the evaluation results of the immoral conduct risk and further audit the compliance conditions of the immoral conduct prevention program or assign the CPA to execute audit?.	✓		(4) In addition to establishing the "Code of Integrity Management " and the "Code of Ethical Conduct" to regulate the behavior of management and employees, the Company has also developed operational procedures to prevent insider trading to ensure the implementation of the integrity management policy. Internal auditors periodically inspect the compliance with laws and regulations. If reports are received, appropriate measures or legal procedures should be taken to review and ensure the continuous effectiveness of system design and implementation.	None
(5) Does the company regularly conduct the internal and external educational training in respect of ethical corporate management?	✓		(5) The Company has established the "Code of Integrity Management " and the "Code of Ethical Conduct", which are regularly promoted during the monthly staff meeting to implement.	None
III. . Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up??	✓		(1) Company employees: The Company has an employee opinion box and an online opinion response box, and the administration department is responsible for establishing a reporting channel and handling related affairs that violate integrity management. External personnel of the company: The Company has a complaint mailbox for stakeholders on the company website. The supervisor and audit supervisor are responsible for accepting suggestions and appeals raised by stakeholders.	None
(2) Does the company establish the standard processing procedures for investigation of accepted reporting matters, the follow-up measures to be adopted after completion of investigation and related confidentiality mechanism?	✓		(2) To encourage reporting, colleagues should report to appropriate personnel, such as independent directors, supervisors, managers, and internal audit supervisors, if they suspect or find violations of laws and regulations or ethical conduct	None
(3) Does the company adopt the measure wherein the reporter can be				

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
protected so that he/she would not be treated improperly due to the reporting?	✓		(3) The Company will handle the reported and reported cases in a confidential manner and make every effort to protect the safety of the informant from retaliation or improper disposal.	None
IV. Strengthening Information Disclosure Does the company disclose the contents of ethical corporate management it establishes as well as the implementation effectiveness in its website and the Market Observation Post System?	✓		The Company has disclosed the "Code of Integrity Management " and "Code of Ethical Conduct" at the MOPS, and has also advocated for the Company's integrity management policy and disclosed relevant operating standards to colleagues on our internal website.	None
V. If the company has established its own ethical corporate management principles pursuant to the “Ethical Corporate Management Principles for TWSE/TPEX Listed Companies”, please describe the implementation and its variance from the said principles: None				
VI. Other important information which is helpful for understanding the implementation of the ethical corporate management: (For example, the company reviews and revises its established ethical corporate management principles (1) In order to implement honest business operations, our company strictly complies with the Company Act, the Securities and Exchange Act, and the laws and regulations that listed companies should comply with. (2) In order to enhance the effectiveness of corporate governance, the Company has taken into account the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies " and the " Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies" to update our "Code of Integrity Management " and "Code of Ethical Conduct", and to educate and advocate for the board of directors, management, and all colleagues. (3) The Company's "Management Procedure for Preventing Insider Trading" has relevant regulations for the "Operating Procedure for Major Information Processing", with excerpts as follows: 1. The handling and disclosure of significant internal information shall be carried out in accordance with relevant laws, orders, and the provisions of these operating procedures. 2. Directors, supervisors, managers, and employees shall exercise the care and loyalty of good managers, adhere to the principle of honesty and trustworthiness, and sign confidentiality agreements. They shall not disclose their knowledge of internal significant information to others, nor shall they inquire or collect non-public internal significant information unrelated to their personal duties from those who have knowledge of internal significant information, For internal significant information that has not been disclosed due to non-business operations, it shall not be disclosed to others. 3. Institutions or personnel outside of the Company who participate in mergers and acquisitions, important memorandums, strategic alliances, other business cooperation plans, or important contracts shall sign confidentiality agreements and shall not disclose any significant internal information to others. 4. Disclosure of significant internal information to the public should adhere to the following principles: (1) The disclosure of information should be accurate, complete, and timely. (2) The disclosure of information should be based on evidence. (3) Information should be fairly disclosed. 5. Disclosure of significant internal information shall be handled by the spokesperson or acting spokesperson, and the order of agency shall be confirmed, unless otherwise provided by law or regulations. 6. The content of speeches by spokespersons and acting spokespersons shall be limited to the scope authorized by our company, and no personnel other than the person in charge, spokesperson, or acting spokesperson shall disclose significant internal information to the public without authorization. 7. If the content reported by the media does not match the content disclosed by our company, it should be immediately clarified at the public information observation station and corrected by the media. 8. Publish internal announcements every year and periodically educate and advocate directors, supervisors, managers, and employees on these operating procedures or relevant laws and regulations to				

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Summary Description	
avoid their violation and insider trading behavior.				
(4) The Company conducts education, training, communication and publicity from time to time, and when signing contracts with commercial manufacturers, it has incorporated the Company's honest management policies and the penalty clauses for violating dishonest behaviors into the contracts, so that they can fully understand the Company's determination and execution in honest management and corporate governance.				

(VII) The company has established a corporate governance code and related regulations, and the inquiry methods are as follows:

Please go to the website of the MOPS under "Corporate Governance" in <http://mops.twse.com.tw/mops/web/index> to download the Company's corporate governance-related regulations, such as "Code of Integrity Management" and "Code of Ethical Conduct".

(VIII) Other important information that is sufficient to enhance understanding of corporate governance operations:

In order to continuously implement and promote the operation of corporate governance, the Company currently has four independent directors participating in the board of directors to strengthen its functions and protect the rights and interests of shareholders and stakeholders. The Company will upload the relevant regulations on corporate governance to the MOPS for investors to download and refer to, and comply with relevant laws and regulations to timely disclose significant information or announcements to the public, in order to enhance the transparency of corporate governance and information disclosure.

(IX) Implementation status of internal control system

1. Statement of Internal Control System

TOPOWER Co., Ltd.  
Statement of Internal Control System

Date : March 10, 2023

Based on the results of the self-assessment, the Company's internal control system for the year 2022 is stated as follows.

1. The Company recognizes that the establishment, implementation and maintenance of the internal control system is the responsibility of the Company's Board of Directors and the Manager, and that the Company has established such a system. The purpose of the system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.
2. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, the effectiveness of the internal control system may change due to changes in circumstances and conditions. However, the Company's internal control system has a self-monitoring mechanism, and once deficiencies are identified, the Company will take corrective action.
3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the criteria for determining the effectiveness of the internal control system set forth in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"). The judgment items of the internal control system adopted in the "Guidelines" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Handling Guideline" for the above items.
4. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the aforementioned evaluation, the Company believes that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved, and the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the aforementioned objectives
6. This statement will be the main content of the Company's annual report and public statement and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors' Meeting on March 10, 2023. Of the seven directors present, zero held opposing views and the rest agreed to the contents of this statement

TOPOWER Co., Ltd.

Chairman : Shih-Chi Lin  
President : Shih-Chi Lin

2. For those who need to appoint an accountant to review the internal control system, the accountant's review report should be disclosed: None.

(X) In the most recent year and up to the publication date of the annual report, the Company and its internal personnel have been punished according to law, the Company has punished its internal personnel for violating the provisions of the internal control system, major deficiencies and improvement situation: none.

(XI) 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. :

Shareholders' Meeting/ Board of Directors	Regular and extraordinary meetings/sessions of the Board of Directors	Date	Material resolutions□	Remark
Board of Directors	The 14th of the twelfth session	2022.03.18	<ol style="list-style-type: none"> <li>1. Adopted the total amount of employee compensation and director's compensation and the payment method in 2021.</li> <li>2. Passed the remuneration distribution plan for directors and managers and employees in 2021.</li> <li>3. Passed the salary adjustment case for managers in 2022.</li> <li>4. Acknowledged the case of final accounts list for 2021.</li> <li>5. Acknowledged the case of surplus distribution in 2021.</li> <li>6. Acknowledged the case of "Effectiveness Assessment of Internal Control System" and "Statement of Internal Control System" in 2021.</li> <li>7. Adopted the 2022 operating plan and budget.</li> <li>8. Some amendments to the Rules on Duties of Independent Directors were adopted.</li> <li>9. Adoption of amendments to some provisions of the Code of Ethical Conduct.</li> <li>10. Adoption of amendments to some provisions of the Code of Integrity Management.</li> <li>11. Some amendments to the Rules of Procedure for Shareholders' Meeting were adopted.</li> <li>12. Adoption of amendments to some provisions of "Regulations Governing the Acquisition and Disposal of Assets "</li> <li>13. Passed the proposal of comprehensive re-election of directors.</li> <li>14. Passed the resolution on lifting the restriction on non-competition of new directors and their representatives.</li> <li>15. Passed the Proposal to Convene the 2022 General Meeting of Shareholders</li> <li>16. Passed shareholders' proposals and nominating candidates (including independent directors) through the 2022 General Meeting of Shareholders.</li> </ol>	
Board of Directors	The 15th of the twelfth session	2022.04.29	<ol style="list-style-type: none"> <li>1. Approved the amendments to some articles of the "Articles of Association"</li> <li>2. Approved the list of nominated directors and independent director candidates for the 2022 General Meeting of Shareholders</li> </ol>	
Board of Directors	The 16th of the twelfth session	2022.05.06	<ol style="list-style-type: none"> <li>1. Approved the 2022 Manager Salary Adjustment Proposal</li> <li>2. Approved the circular revision of the computerized information system</li> <li>3. Passed 2022 First Quarter Financial Statements</li> </ol>	
Shareholders' Meeting	2022 General Meeting of Shareholders	2022.06.14	<ol style="list-style-type: none"> <li>1. Recognition of the Final Account Book for the Year 2021 Implementation status: Approved by the resolution of the 2022 general meeting of shareholders</li> <li>2. Recognition of the surplus distribution case for the year 2021 Implementation status: August 30, 2022 is designated as the ex-dividend benchmark date, and cash dividends will be distributed on September 23, 2022. (Cash dividend distributed per share of NT\$2.5)</li> <li>3. Adoption of amendments to certain provisions of the "Articles of Association" Implementation status: The resolution was passed and was approved for registration by the Ministry of Economic Affairs on July 5, 2022, and announced on the company's website.</li> <li>4. Amendment to the " Regulations Governing Loaning of Funds " Implementation status: Announced on the company's website on June 29, 2022, and handled in accordance with the revised procedures.</li> <li>5. Amendment to the " Regulations Governing Making of Endorsements/Guarantees "</li> </ol>	

Shareholders' Meeting/ Board of Directors	Regular and extraordinary meetings/sessions of the Board of Directors	Date	Material resolutions□	Remark
			<p>Implementation status: Announced on the company's website on June 29, 2022, and handled in accordance with the revised procedures.</p> <p>6. Amendment to the "Regulations Governing the Acquisition and Disposal of Assets "</p> <p>Implementation status: Announced on the company's website on June 29, 2022, and handled in accordance with the revised procedures.</p> <p>1. Adoption of the Amendment to the " Procedures for Election of Directors"</p> <p>Implementation status: Announced on the company's website and handled in accordance with the revised procedures.</p> <p>2. Adoption of the revised "Rules of Procedure for Shareholders' Meetings"</p> <p>Implementation status: Announced on the company's website and handled in accordance with the revised procedures.</p> <p>3. Election of the 13th Board of Directors</p> <p>List of elected directors: Zhicheng Investment Co., Ltd. Representative: Shih-Chi Lin, Chih-Lung Lin Chung-I Lin</p> <p>List of elected independent directors: Hui-Ling Fang, Cheng-Che Chiang, Yen-Hsun Chen, and Yueh-Feng Chuang.</p> <p>Implementation status: Approved for registration by the Ministry of Economic Affairs on July 5, 2022</p> <p>4. Case of lifting the prohibition of non-competition for newly appointed directors and their representatives</p> <p>Implementation status: Approved by the resolution of the 2022 general shareholders' meeting.</p>	
Board of Directors	The 1st of the thirteenth session	2022.06.14	Elected the chairman of this session	
Board of Directors	The 2nd of the thirteenth session	2022.07.26	Approved for establishing an Audit Committee and Formulating the "Audit Committee Charter"	
Board of Directors	The 3rd of the thirteenth session	2022.07.26	<p>1. Passed the case of financing contract with Xinhua Branch of First Bank.</p> <p>2. Passed the case of financing contract with E.SUN Bank.</p> <p>3. In order to avoid the risk of interest and exchange rate fluctuations, the Company applied to E.SUN Bank for a hedging limit of US\$ 500,000, and authorized to buy/sell derivative financial products and undertake combined products.</p> <p>4. Passed the proposal of appointing the members of the Fifth Remuneration Committee.</p> <p>5. Passed accounting supervisor 's change case</p> <p>6. Passed the case of registration of change of manage</p>	
Board of Directors	The 4th of the thirteenth session	2022.08.09	<p>1. Passed the "Internal Major Information Processing Operation Procedure" case</p> <p>2. Passed the case of financing contract limit and hedging limit with DBS (Taiwan) Commercial Bank</p> <p>3. Passed the case of the financial statements for the second quarter of the year 2022</p>	
Board of Directors	The 5th of the thirteenth session	2022.11.08	<p>1. Passed the salary and compensation plan of the Company's finance and accounting manager</p> <p>2. Passed the year-end bonus plan for managers in 2022</p> <p>3. Passed the revision of some provisions of the "Corporate Governance Best Practice Principles "</p> <p>4. Passed the revision of some provisions of the "Corporate Social Responsibility Best Practice Principles"</p> <p>5. Passed the revision of some provisions of the "Internal Major Information Processing Operating Procedures"</p> <p>6. Passed the revision of some provisions of the " Regulations Governing Procedure for Board of Directors Meetings"</p> <p>7. Passed the financial statements for the third quarter of 2022</p> <p>8. Passed the internal audit plan for the year 2023</p>	
Board of Directors	The 6th of the thirteenth session	2023.03.10	<p>1. Passed the total amount and distribution method of employee compensation and board and supervisor compensation for the year 2022</p> <p>2. Passed the distribution of remuneration for directors, supervisors, and managers for the year 2022</p> <p>3. Passed the 2023 Manager Salary Adjustment Plan</p> <p>4. Recognition of the Final Statement for the Year 2022</p> <p>5. Recognition of the 2022 Earnings Distribution Case</p>	

Shareholders' Meeting/ Board of Directors	Regular and extraordinary meetings/sessions of the Board of Directors	Date	Material resolutions□	Remark
			6. Acknowledge the 2022 "Assessment of the Effectiveness of the Internal Control System" and "Statement of the Internal Control System" 7. Approval of the 2023 Operating Plan and Budget 8. Passed the amendment to the "Review Measures for Pre-approved Non Authentic Service Policies " 9. Passed the payment of remuneration to CPAs and evaluation of their independence case 10. Passed the amendments to certain provisions of the "Articles of Association" 11. Passed the amendments to some provisions of the "Rules of Procedure for Shareholders' Meetings" 12. Drafted a proposal to convene 2023 shareholders' meeting 13. Passed 2023 general shareholders' meeting to accept shareholders' proposals	

(XII) 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.

(XIII) 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 related personnel, including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, and chief research and development officer:

March 31, 2023

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Finance Manager	Zhuo-xun Yang	2016.11.08	2022.07.26	Resignation due to personal career planning

#### V. Information on CPA professional fees

March 31, 2023  
Unit : NTD Thousand

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remark
Deloitte Taiwan	Geng-xi Zhang	2022.01.01 to 2022.12.31	1,700	200	1,900	None
	Qiang-shi Chen					
Watt accounting firm	Rong-chao Chen	2022.06.14 to 2022.07.05	-	14	14	None
		2022.07.26 to 2022.08.25				

1. Audit fees refer to the fees paid by the Company to accountants for auditing, reviewing, and reviewing financial reports.

2. Non-audit public fee services: the public fee for tax visa, handling the articles of association, registration of the change of the election of directors and registration of the change of the removal of managers.

VI. Change Accountant Information :

(I) Regarding former accountants

Replacement Date	March 22, 2022		
Reasons for Replacement and Explanation	The reason for the change of the Company's accountants in the first quarter of 2022 was due to the internal organizational adjustment of Deloitte & Touche		
The statement is that the appointer or accountant terminates or does not accept the appointment	1 Parties station	2. accountant	3. appointee
	Voluntary termination of appointment	Not Applicable	Not Applicable
	Not accepting (continuing) appointment	Not Applicable	Not Applicable
Opinion and reasons for issuing a report other than an unqualified opinion within the last two years	No such situation		
Does the issuer have any different opinions	Yes	-	Accounting principles or practices
		-	Disclosure of financial reports
		-	Audit scope or steps
		-	other
	No	✓	Explanation : None
Other disclosure matters	<p>(1) The former accountant once informed the company that it lacked a sound internal control system, which made its financial report unreliable.</p> <p>(2) The former accountant has notified the company that it cannot rely on the company's statement or are unwilling to have any connection with the company's financial report.</p> <p>(3) The former accountant has notified the company that the audit scope must be expanded, or the information shows that expanding the audit scope may damage the credibility of previously issued or upcoming financial reports, but due to a change of accountant or other reasons, the former accountant has not expanded the audit scope.</p> <p>(4) The former accountant had informed the company that based on the information collected, the credibility of the financial reports issued or about to be issued may be compromised. However, due to the replacement of the accountant or other reasons, the former accountant did not handle this matter.</p>		None

## (II) Regarding Successive Accountants

Name of Firm	Deloitte & Touche
Name of Accountant	Accountant Chen Qiang-xun
Date of Appointment	March 22, 2022
Consultation on accounting treatment methods or accounting principles for specific transactions and possible opinions and results on financial reports before appointment	None
The written opinion of the successor accountant on matters where the previous accountant has different opinions	None

(III) The previous accountant's reply to the matters specified in Article 10, Paragraph 5, Item 1 and Item 2, Item 3 of these Standards: Not applicable.

VII. Where the company's chairman, president, 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: none.

VIII. Changes in equity transfers and equity pledges of directors, supervisors, managers, and shareholders holding more than 10% of the shares in the most recent year and as of the date of publication of the annual report

(I) Shareholding variation of directors, supervisors, managerial officers and largest shareholders :

Unit: share

Title	Name	2022		Current year, as of April 18	
		Shareholding increase (decrease)	Pledged share Increase (decrease)	Shareholding increase (decrease)	Pledged share Increase (decrease)
Chairman and Acting President	Zhicheng Investment Co., Ltd Representative: Shih-Chi Lin	0	0	0	0
Director	Chung-I Lin	0	0	0	0
Director	Zhicheng Investment Co., Ltd Representative: Chih-Lung Lin	0	0	0	0
Independent Director	Hui-Ling Fang	0	0	0	0
Independent Director	Cheng-Che Chiang	0	0	0	0
Independent Director	Yen-Hsun Chen	0	0	0	0
Independent Director	Yueh-Feng Chuang	0	0	0	0
Associate Manager of Sales Dept.	Li-qiu You	0	0	0	0
Manager of F&A Dept.	Chih-He Kang	0	0	0	0
Major shareholder	Zhicheng Investment Co., Ltd	0	0	0	0

(II) Equity transfer information: None.

(III) Equity pledge information: None.

IX. Ten largest shareholders and the holding percentage of each, and its interrelationship information

April 18, 2023

Unit: share

Name	Self-shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Among the company's 10 largest shareholders, any one is a related party or a spouse, a relative within the second degree of kinship, and his/her name or relationship		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Zhicheng Investment Co., Ltd	34,000,000	52.77%	0	0	0	0	Longyi Investment Co., Ltd	Material party	-
							Representative: Shu-zheng Lin	Father and daughter	
Representative: Yu-zhu Lin	536,000	0.83%	0	0	0	0	Zheng-wen Liu	In-laws	-
Qing-lin Zhou	3,382,837	5.25%	48,626	0.08%	0	0	-	-	-
Longyi Investment Co., Ltd	1,515,000	2.35%	0	0	0	0	Zhicheng Investment Co., Ltd	Material party	-
							Representative: Shu-zheng Lin	Father and daughter	
Representative: Shu-zheng Lin	510,000	0.79%	0	0	0	0	Zheng-wen Liu	Having a blood relationship with Shu-zheng Lin	-
Tian-bao Xie	1,505,000	2.34%	0	0	0	0	-	-	-
Yu-wen Zhou	1,370,000	2.13%	0	0	0	0	-	-	-
Rong-bin Wu	1,295,000	2.01%	0	0	0	0	-	-	-
Ming-zhi Chen	1,194,000	1.85%	0	0	0	0	-	-	-
Longsheng Transportation Equipment Co., Ltd Representative: Zong-ying Xie	1,119,000	1.74%	0	0	0	0	-	-	-
	0	0	0	0	0	0	-	-	-
Zheng-wen Liu	1,000,000	1.55%	0	0	0	0	Shu-zheng Lin	Having a blood relationship with Zheng-wen Liu	-
							Yu-zhu Lin	In-laws	-
Ideal Assets Co., Ltd Representative: Xingu Zhou	918,000	1.43%	0	0	0	0	-	-	-
	0	0	0	0	0	0	-	-	-

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and managerial officers, and any companies controlled either directly or indirectly by the Company: None

## IV Capital Overview

### I. Capital and share handling situation

#### (1) Source of Equity

##### 1. Source of Equity :

Year Month	Issue Price	Authorized share capital		Paid-in share capital		Remark	
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Source of Equity	Approval number
1986.09	Note 1	Note 1	5,000	Note 1	5,000	Founding capital	—
1993.11	1,000	20	20,000	20	20,000	Cash capital increase NT\$ 15,000,000	—
1999.11	12	7,000	70,000	7,000	70,000	Cash capital increase NT\$ 50,00,000	Ministry of Economic Affairs, Taipei (1999) No. 088449204
2001.04	12	9,700	97,000	9,700	97,000	Cash capital increase NT\$ 17,000,000 Transfer of capital surplus to capital NTS 10,000,000	Ministry of Economic Affairs (2001) No.09032091690
2001.11	12	11,000	110,000	11,000	110,000	Cash capital increase NT\$ 9,000,000 Transfer of surplus to capital NTS 4,000,000	Ministry of Economic Affairs (2001) No.09001487240
2002.08	18	30,000	300,000	16,000	160,000	Cash capital increase NT\$ 28,000,000 Transfer of surplus to capital NT\$17,050,000 Transfer of capital surplus to capital NTS 4,950,000	Ministry of Economic Affairs (2002) No.09102344980
2003.10	10	30,000	300,000	21,000	210,000	Transfer of surplus to capital NTS 43,200,000 Transfer of capital surplus to capital NTS 4,800,000 Transfer of employee bonus to capital NTS 2,000,000	Taiwan Financial Certificate (I) No. 0920136231
2004.08	10	43,000	430,000	26,230	262,300	Transfer of surplus to capital NTS 37,800,000 Transfer of capital surplus to capital NTS 10,500,000 Transfer of employee bonus to capital NTS 4,000,000	Ministry of Economic Affairs (2004) No.0930134133
2005.10	10	43,000	430,000	30,864	308,645	Transfer of surplus to capital NTS 39,345,000 Transfer of employee bonus to capital NTS 7,000,000	Financial Supervisory Certificate No.0940126628
2006.08	10	43,000	430,000	33,307	333,077	Transfer of surplus to capital NTS 15,432.25,000 Transfer of employee bonus to capital NTS 9,000,000	Financial Supervisory Certificate No.0950129600
2007.08	10	43,000	430,000	36,173	361,731	Transfer of surplus to capital NTS 16,653.86,000 Transfer of employee bonus to capital NTS 12,000,000	Financial Supervisory Certificate No.0960035855
2008.08	10	43,000	430,000	37,222	372,225	Transfer of surplus to capital NTS 7,234.62,000 Transfer of employee bonus to capital NTS 3,260,000	Financial Supervisory Certificate No.0970033009
2010.01	10	43,000	430,000	25,222	252,225	Reduce capital to cover losses\$ 120,000,000	Financial Supervisory Certificate No.0980069149
2010.03	14.18	43,000	430,000	28,130	281,305	Private equity cash capital increase NTS 29,080,000	Ministry of Economic Affairs, Taipei No.0993072010
2010.09	16.90	43,000	430,000	30,130	301,305	Private equity cash capital increase NTS 20,000,000	Ministry of Economic Affairs, Taipei No.0993156244
2011.04	10.63	50,000	500,000	43,130	431,305	Private equity cash capital increase NTS 130,000,000	Ministry of Economic Affairs, Taipei No.1005021370
2011.11	11.20	66,000	660,000	64,430	644,305	Private equity cash capital increase NTS 213,000,000	Ministry of Economic Affairs No.10001248640

Note 1: The Company was established as a limited company, and was changed to a joint stock limited company in October 1989.

Note 2: The Company does not use property other than cash to offset the stock payment.

2. Types of shares :

April 18, 2023

Unit : share

Types of shares	Approved share capital			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	64,430,573	23,569,427	88,000,000	Common stock

3. Information related to the overall declaration system: Not applicable.

(2) Shareholder Structure

April 18, 2023

Shareholder Structure Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	0	0	25	1,399	3	1,427
Number of shares held	0	0	43,310,928	21,100,689	18,956	64,430,573
Shareholding Ratio	0.00%	0.00%	67.22%	32.75%	0.03%	100.00%

(3) Diversification of shareholding:

Face value of NT\$10 per share

April 18, 2023

Shareholding Classification	Number of shareholders	Number of shares held	shareholding Ratio
1 to 999	774	174,504	0.27%
1,000 to 5,000	450	896,749	1.39%
5,001 to 10,000	74	582,050	0.90%
10,001 to 15,000	28	356,237	0.55%
15,001 to 20,000	15	271,791	0.42%
20,001 to 30,000	15	381,000	0.59%
30,001 to 40,000	6	201,000	0.31%
40,001 to 50,000	4	184,626	0.30%
50,001 to 100,000	13	904,000	1.40%
100,001 to 200,000	12	1,651,223	2.56%
200,001 to 400,000	10	2,920,000	4.53%
400,001 to 600,000	14	7,257,556	11.26%
600,001 to 800,000	2	1,351,000	2.11%
800,001 to 1,000,000	2	1,918,000	2.98%
1,000,001 or more	8	45,380,837	70.43%
Total	1,427	64,430,573	100.0%

## (4) List of major shareholders:

Name, amount and proportion of shares held by shareholders with an equity proportion of more than 5% or shareholders with an equity proportion of the top ten shareholders

April 18, 2023

Name Of major shareholders	Shares	Number of shares held	Shareholding ratio (%)
Zhicheng Investment Co., Ltd		34,000,000	52.77%
Qing-lin Zhou		3,382,837	5.25%
Longyi Investment Co., Ltd		1,515,000	2.35%
Tian-bao Xie		1,505,000	2.34%
Yu-wen Zhou		1,370,000	2.13%
Rong-bin Wu		1,295,000	2.01%
Ming-zh Chen		1,194,000	1.85%
Longsheng Transportation Equipment Co., Ltd		1,119,000	1.74%
Zheng-wen Liu		1,000,000	1.55%
Ideal Assets Co., Ltd		918,000	1.43%

## (5) Statement of market price, net worth, earnings and dividends per share in the past two years:

Unit : NTD

Item	Year	2021	2022	Current year, as of March 31, 2023	
		Market price per share (Note 1)	The highest	84.30	66.00
	The lowest	60.00	52.50	52.20	
	Average	70.68	61.54	55.86	
Net worth per share (Note 2, 7)	Before distribution	20.34	22.82	—	
	After distribution	20.34	22.82	—	
Earnings per share (Note 3)	Weighted average number of shares (thousand shares)	64,430	64,430	—	
	Earnings per share	3.58	4.95	—	
Dividends per share	Cash dividends	2.5	2.5	—	
	issuance of bonus shares	Stock dividends	—	—	—
		Capital reserve dividends	—	—	—
	Accumulated unpaid dividends (Note 5)	—	—	—	
Analysis of return on investment	Earnings ratio (Note 6)	19.74	12.43	—	
	Dividend ratio (Note 7)	28.27	24.62	—	
	Cash dividend yield rate (Note 8)	3.54	4.06	—	

Note 1: List the highest and the lowest market prices of common stocks each year, and according to the turnover and trading volume of each year, calculate the average market price of each year.

Note 2: Please go by the number of shares issued in the end of the year, and fill in according to the

distribution

approved by board of directors or the resolution of the shareholders' meeting in the next year.

Note 3: As the Company had bonus shares, and needed to retrospectively adjust, and it shall list earnings per share before and after adjusted.

Note 5: If it specified that the undistributed dividends of the current year shall be accumulated in distributed earnings year in equity securities issuance conditions, and the Company shall separately disclose accumulated unpaid dividends as of the end of the current year

Note 6: Earnings ratio = average closing price of the current year / earnings per share.

Note 7: Dividend ratio = average closing price of the current year / cash dividends per share

Note 8: Cash dividend yield rate = cash dividends per share / average closing price per share of the current year.

Note 9: Information of the recent quarter examined (reviewed) by CPAs shall be filled in columns of net worth per share and earnings per share as of the date of publication of the annual report; information of the current year shall be filled in the rest columns as of the date of publication of the annual report.

#### (6) Company's Dividend Policy and Implementation Status

##### 1. Dividend Policy stipulated in the Articles of Association :

The Company considers the future investment capital demand, financial structure, earnings and other situations to seek sustainable operation and stable growth. In the future, the company's earnings will be allocated no less than 10% of available for distribution to shareholders each year according to the company's operating conditions. However, the accumulated available for distribution shall not be distributed if it is less than 5% of the paid-in capital. Cash dividends shall be paid not less than 30 % of the total amount of dividends in the current year.

The objects to which employees distribute stocks, including employees of affiliated companies who meet certain conditions, shall be determined by the board of directors.

##### 2. Distribution of Dividend Proposed by Shareholders Meeting: :

According to the resolution of the 6th Board of Directors of the 13th session on 2023.03.10, the Company will distribute a cash dividend of NTS2.5 per share for the year 2022

##### 3. When there are significant changes in the expected dividend policy, it should be explained:

The Company examines the impact of global economic and exchange rate fluctuations, and in line with the company's future development and expansion funding needs, plans to revise the company's articles of association dividend policy, which is yet to be resolved at the 2023 shareholders' meeting.

#### (7) The impact of the accumulated unpaid dividends at this shareholders' meeting on the company's operating performance and earnings per share:

There is no accumulated unpaid dividends at this year's shareholders' meeting, so it will not affect the company's operating performance or earnings per share

#### (8) Compensation of employees, directors and supervisors:

##### 1. The percentages or ranges with respect to employee, director, and supervisor

If the Company makes a profit for the year, it shall allocate no less than 1% for employee compensation and no more than 5% for director and supervisor compensation. However, if there are still accumulated losses, the amount to be compensated should be retained in advance.

The term 'profit' referred to in the preceding paragraph refers to the pre tax benefits before deducting the distribution of employee remuneration and the remuneration of directors and supervisors. Employee compensation shall be based on stocks or cash, and shall be determined by a special resolution of the board of directors and reported to the shareholders' meeting.

The recipients of stocks or cash issued in the preceding paragraph include employees of affiliated companies who meet certain conditions.

##### 2. The calculation basis of the compensation amount of employees, directors and supervisors, the calculation basis of the number of shares of employees' compensation distributed in stock and the accounting treatment if the actual distribution amount is different from the estimated number: The employee bonus and the remuneration of the board of directors and supervisors of the Company in the 2022 are calculated on the

basis of the pre-tax net profit of 1.0003% and 0.52% of the net profit of the compensation of directors and supervisors respectively. If there is a major change in the amount as decided by the shareholders' meeting, it shall be treated as a change in accounting estimate and adjusted into the account in the year of the shareholders' meeting's decision.

3. Information on any approval by the Board of Directors of distribution of compensation:

(1) The amount of employee compensation and directors' and supervisors' compensation distributed in cash or stock: The Company has approved the distribution of employee compensation and directors' and supervisors' compensation for the year 2022 through the board of directors on March 10, 2023, and plans to submit a report to the shareholders' meeting on June 16, 2023. The employee compensation and directors' and supervisors' compensation distributed in cash are NT\$ 4,040,000 and NT\$ 2,100,000 respectively, both of which are distributed in cash.

(2) The amount of employee compensation distributed through stocks and its proportion to the total amount of net profit after tax and employee compensation in individual or individual financial reports for the current period: It is not proposed to distribute employee compensation through stocks.

(3) The differences between the proposed distribution amount and the estimated expenses for the year 2022, as well as the reasons and handling situations, are as follows:

Item	Amounts recognized in financial reports	Proposed distribution approved by the board of directors	Discrepancy	Reason
Employee Compensation	4,040,000	4,040,000	-	-
Directors and Supervisors Remuneration	2,100,000	2,100,000	-	-

The above-mentioned remuneration for directors, supervisors, and employees has been expensed in the year 2022, and the recorded amount does not differ from the proposed allocation amount proposed by the board of directors on March 10, 2023.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The annual estimation and actual distribution of the recognized expenses for employee dividends and compensation for directors and supervisors of the Company for the year 2021 are as follows:

Item	Amounts recognized in financial reports	Proposed distribution approved by the board of directors	discrepancy	cause
Employee Compensation	3,346,810	3,346,810	-	-
Directors and Supervisors Remuneration	1,680,000	1,680,000	-	-

The above-mentioned remuneration for directors, supervisors, and employees has been expensed in the year 2021, and there is no difference between the recorded amount and the actual distribution amount.

(9) Status of the company repurchasing its own shares: None

II. Financing plans and implementation of corporate bonds: None

III. Financing plans and implementation of preferred shares: None

IV. Financing plans and implementation of overseas depositary receipts: None

V. Financing plans and implementation of employee stock option with warrants: None

VI. Restrictions on the handling of new shares of employees' rights: None

VII. Implementation of mergers and acquisitions or issuance of new shares in connection with any acquisition of shares of another company: None

VIII. Implementation of assets process and planning: None

## V. Operational Overview

### I. Business Activities:

The Company is a professional manufacturer engaged in the manufacturing, trading, and import and export trade of LED modules for automotive lights and automotive components.

#### (1) Business scope:

##### 1. The main content of the business:

Automobile and its parts manufacturing industry. Except for licensed businesses, businesses that are not prohibited or restricted by laws and regulations may be operated.

##### 2. Business proportion:

Product \ Year	2022		2021	
	Sales revenue	Ratio	Sales revenue	Ratio
Automotive components	2,127,031	94.79%	2,772,128	95.00%
Electronic components	116,899	5.21%	146,045	5.00%
Environmentally friendly high-order power supply	22	0.00%	0	0.00%
Total net sales	2,243,952	100.00%	2,918,173	100.00%

#### 3. Current product (service) items:

Product	Explain
Automotive headlights	Turbine headlights, tail lights, edge lights, corner lights, fog lights, reversing lights, bumper lights, brake lights, trailer remote control lights, etc.
LED lighting	Dedicated LED light group for car lights and power supply for lighting
Lighting packaging module	Lighting packaging module

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

The company's future product development plans are as follows:

- (1) Design a car search function on the car body without the car search function, and use C language to control LED for multiple light source changes, upgrading the visual appearance of low-end models to higher-level models. It is also paired with a human-machine interaction interface, combined with Bluetooth and 5G signals, to achieve signal communication between drivers and vehicles.
- (2) The MLA (Micro Lens Array) micro lens array, combined with the development of light guide plates, achieves high light efficiency by reducing LED light sources through optical mechanical integration.
- (3) Develop laser shaped optical panels and use a small amount of LED to achieve OLED like development technology, reducing material costs and enabling the design to be actually mass-produced and sold.
- (4) Development and mass production plan for the intelligent driving road situation system module.
- (5) Collaborate with the New Energy Mobile Tool Alliance to plan lighting designs for multiple new energy mobile tools.
- (6) The integration of wireless signals and electronic control design for special vehicle lighting fixtures achieves synchronization between the active and passive functions of remote control lights for special vehicles.
- (7) Cooperate with the domestic semiconductor packaging and listing electronics factory to produce modules, and develop and manufacture vehicle electrical system customers and products in tandem.

### (II) Industry Overview:

#### 1. Current status and development of the industry:

##### (1) Current Status of the Industry for Automotive LED Lamp Sets and Automotive Lights

LED has great advantages in vehicle lighting due to its high brightness, long lifespan, and fast response speed. The company continues to invest in the technological development of light sources for car headlights, with the aim of providing more efficient and environmentally friendly lighting

fixtures, while also providing users with safer functions. Innovative exterior design is injected into the design elements of car headlights. Currently, LED is widely used in headlights, fog lights, brake lights, direction lights, taillights, third brake lights, as well as daytime running lights that have been mandatory by regulations in various countries in recent years. With the advancement of LED technology, automobile manufacturers are gradually replacing traditional light sources such as incandescent lamps, halogen lamps, and xenon lamps with LED. The penetration rate of LED in automobile headlights is rapidly growing, accelerating the demand for LED light groups, especially high brightness LEDs, in automobiles.

At present, LED is widely used in car bodies and the market is relatively competitive. The company has invested a lot of manpower in the research and development of LED optical applications, with the aim of developing optical panels that use fewer LEDs and have relatively low costs, so as to provide consumers with more diversified and cost-effective products, and to achieve quality and quantity excellence.

At the same time, the complexity of the entire vehicle electronic control system has been increasing since the rise of electric vehicles in recent years, and the company has invested more software and firmware personnel to study signal control and acquisition between the vehicle body and lighting fixtures.

In addition, in the history of automobile development, the only function of the headlights is to illuminate and improve night recognition. In recent years, the headlights have also become a symbol that distinguishes different brand models. As autonomous driving technology matures, sensors play the role of the "eyes" of cars, and communication between cars and objects is not limited to human vision. Autonomous driving has overturned everything, so the automotive lighting system has combined the "co growth" of autonomous driving, giving the market further room for growth. Give autonomous driving more new features, shape personalized vehicle design, and help make driving safer. Therefore, LED technology will be continuously optimized and given new functions. The full LED matrix ADB system (adaptive high beam) can improve the nighttime image recognition ability of the ADAS system, and will become a standard product for smart driving cars in the future.

#### ※ Taiwan Auto Parts Export Amount Statistics Table

Unit : NTD 100 million

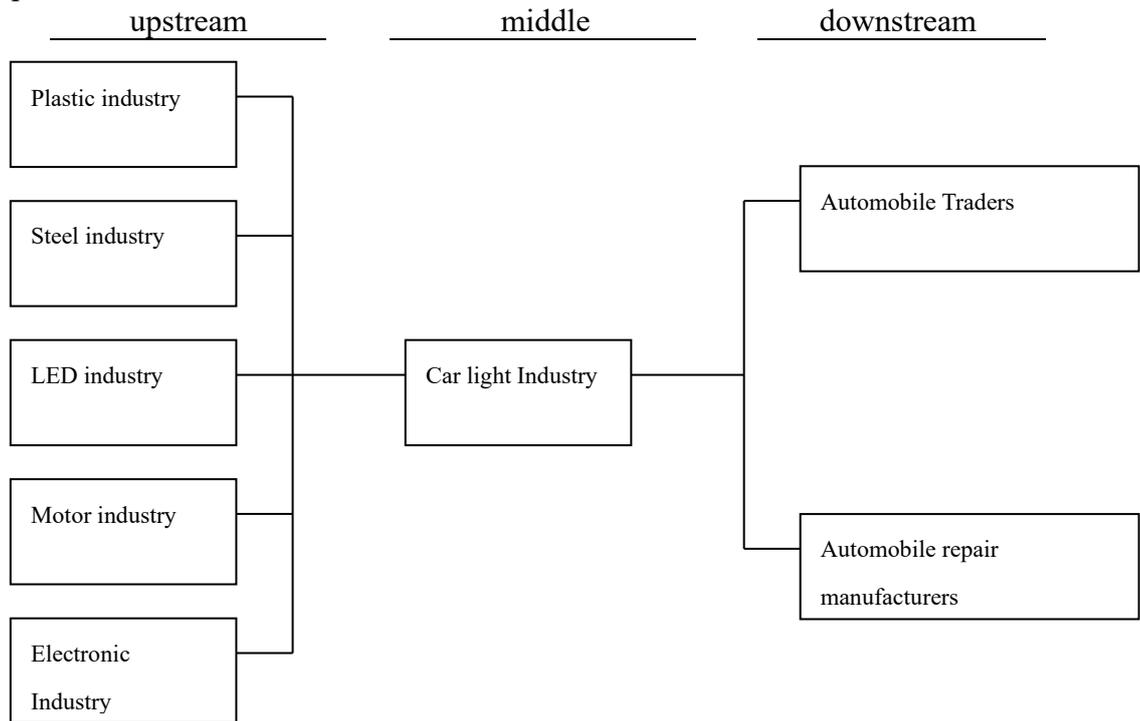
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Amount</b>	1,979	2,077	2,145	2,113	2,149	2,147	2,148	1,927	2,208	2,530
<b>Growth rate</b>	1.60%	4.96%	3.26%	-1.47%	1.70%	-0.11%	0.02%	-10.26%	14.58%	14.58%

Source: Customs import and export statistics, organized by the Taiwan Vehicle Industry Association  
(2) Future Development of the Automotive LED Lamp Group and Automotive Lamp Industry

The rise of China and emerging markets has led to a continuous increase in demand for automobiles, bringing huge business opportunities to the automotive repair market (such as car headlights). According to statistics, the new car sales market in mainland China has surpassed the United States to become the world's largest automotive market since 2009, with stable sales of about 20-22 million new cars annually. Maintaining the position of mainland China's automobile sales as the world's largest market will help the overall AM market expand its procurement scale for the automotive parts industry.

Automotive components are developing in the direction of intelligent, lightweight, electricized and modular. LED light source has the advantage of energy saving. Due to the technological progress of LED and the reduction of price, it provides an opportunity for automotive lights to commercialize LED light source. The advantages of Taiwan auto parts include the quality of the international standard, the certification of the parts sold in Europe and the United States, the complete international marketing channel, the integration of the system, the rapid mutual support, the high flexibility of the product manufacturing, the excellent supply management ability, so that we can take advantage of the industrial advantages to expand the global market and create greater business opportunities.

2. The relationship among the upstream, middle and downstream reaches of the industry:  
 The relationship between automobile LED lamp group and automobile lamp industry in the upstream, middle and downstream.



3. Various development trends and competitive situations of the product:

In terms of car LED light sets and car lights:

**Development trend:** Due to the rapid development of automotive technology, autonomous driving has become a prominent player in the industry in recent years. European and Japanese car manufacturers, international light manufacturers, and light source technology suppliers have been actively researching and developing advanced adaptive driving beams (ADB) in recent years, and it is expected that the market share of ADB will rapidly grow from less than 1% in the current automotive market to 25% by 2025. Taiwan is an important automotive component supply chain, let alone absent. At present, the light source of car headlights has been widely converted from traditional halogen bulbs to LED based. The use of LED light sources to create various types of lamp designs has become the absolute mainstream in the current market. In recent years, due to the improvement of car safety requirements, car lights have become more intelligent. The ADB camp in Europe not only includes high-end cars such as Audi and Mercedes Benz, but also Toyota and Honda in Japan actively invest in ADB's research and development.

**Competition:** Chinese Mainland's industries enjoy government subsidies, and Taiwanese companies are difficult to compete at low prices. The reverse engineering technology of imitating the original vehicle lights has matured, and the products have gradually moved to the Red Sea price market. Due to different regulatory requirements in different countries, it is necessary to adjust the design and invest a large amount of funds in mold development and manufacturing for sales in different regions. Global car manufacturers have connected vehicle lighting and driving computers for control, and the design is becoming increasingly complex. The AM market is no longer just a reverse engineering development, and due to the protection of whole lamp patents, it is more necessary to invest in patent layout and research. Therefore, the company conducts a short-term, medium, and long-term layout.

(III) Technical and R&D Overview:

1. R&D expenses invested in the most recent year and up to the date of publication of the annual report:

Unit : NTD thousand

Item \ Year	2022
R&D expenses (A)	57,440
Total operating income (B)	2,266,222
(A) / (B)	2.53%

Note: The financial information on March 31, 2023 has not been reviewed by a CPA.

2. Technologies or products successfully developed in the most recent year and up to the date of publication of the annual report:

Year	R&D products and R&D focus	
	R&D product	overview
2015	APP controllable colorful intelligent headlights	On the basis of complying with vehicle regulations, allowing the lights to change color through the action device according to driving speed/sky color/personalized settings
2016	AFS active steering headlights	A new type of AFS device for front lights that complies with automotive regulations and enhances driving safety
2017	Full LED light source headlight	High brightness full LED light source headlights, including high and low beam lights, daytime running lights, and directional lights, increase driving lighting and safety
2018	Full LED multi-mode dimming welcome function	Design a car search function for vehicles without search lights, and use C language to control different light source changes for each light source of the lamps
2020~2023	Research and Development Plan for Intelligent Driving Situation System	A. Research and development of multifunctional intelligent car light optical and mechanical module B. Research and development of smart car light detection system C. Research and development of intelligent road projection image correction system for car headlights D. Research and development of multifunctional smart car headlights E. Development of human-machine interaction interface module F. Combining the front water tank cover with lighting fixtures and RGB LED interactive research and develop

3. 2020~2023 The R&D investment plan and mass production schedule are planned as follows:

R&D Plan Name	R&D Plan Content	The main factors that will affect the success of research and development in the future	Current progress of R&D Plan	Expected production schedule	Expected R&D funding (NTD)
R&D Plan for Intelligent Driving Situation System	A. Research and development of multifunctional intelligent car light optical and mechanical module B. Research and development of smart car light detection system C. Research and development of intelligent road projection image correction system for car headlights D. Research and development of multifunctional smart car headlights	A. Design and development of intelligent automotive composite light source control software B. Development of intelligent object detection system for edge platforms C. Design and development of optimization algorithm for road projection image correction D. Research and development of digital high resolution vehicle lamp functionality and reliability testing	Prepare ARTC to test the road running effect	2021~2023 Staged mass production	NTD 10,000,000

(IV) Long-term & Short-term Business Development Plan:

In order to respond to future industrial development and overall economic environment trends, our company has formulated various long-term and short-term plans to plan the company's future operational direction and enhance competitiveness. We hereby provide a summary of our short-term and medium to long-term plans as follows:

1. Marketing:

(1.1) Short term plan for car LED light sets and car lights:

- A. Continuously expanding markets in the Americas and Europe and attempting to develop emerging markets.
- B. Emphasize customer satisfaction and shorten customer complaint processing and feedback time.

(1.2) Medium and long term plan for car LED light sets and car lights:

- A. Gradually expand into Europe and emerging markets.
- B. Expand operation scale, improve customer service quality and market share of products.

2. Product development:

(2.1) Short-term plan: The current mainstream products (such as daytime running lights/welcome lights/LED modules for near and far lights) are designed with common modules to shorten the development schedule and provide production capacity, effectively reducing the cost of lighting in a short period of time and improving the stability of products.

(2.2) Medium and long term plan: Carry out a research and development plan for intelligent driving situational systems, break through the low-cost problem on the other side, and lay out product technology research and development in future high-end technology. Through the phased completion of this plan, new product designs will be introduced project by project. The content of the plan is as follows:

- A. Research and development of multifunctional autonomous intelligent vehicle lighting electromechanical module
  - A1. Design and development of multifunctional ballast light machine
  - A2. Asymmetric lens design and development (2:1 □ 4:1)
  - A3. Research and development of high efficiency laser light source module
  - A4. Research and development of optical and mechanical high thermal conductivity modules
- B. Research and development of smart car light detection system
  - B1. Design and development of digital camera system
  - B2. Design and development of intelligent vehicle composite light source control software
  - B3. Development of edge platform intelligent object detection system
- C. Research and development of intelligent road projection image correction system for car headlights
  - C1. Design and development of optimization algorithm for road projection image correction
  - C2. Design and development of Intelligent Image projection system
  - C3. Projection screen chip development
  - C4. Vehicle grade chip development and verification
- D. Research and development of multifunctional smart car headlights
  - D1. Integrated development of the whole lighting mechanism and ADB interface
  - D2. Design and development of the whole light heat dissipation system
  - D3. Research and development of digital high resolution light functionality and reliability testing
  - D4. Development of intelligent inclination angle auxiliary lighting module for two wheel locomotives
- E. Research and development of multifunctional water tank cover interactive

lighting fixtures combined with RGB LED modules

3. Procurement:

- (3.1) Effectively utilizing the energy of the company's products, integrating LED and active/passive components that can be used universally, to achieve the maximum purchase amount of individual materials, thereby using the principle of unified procurement to ensure that material procurement maintains high quality and low price, and to reduce product costs in the short term
- (3.2) Integrate the high unit price parts used in the car lights, and develop a matching manufacturer that is lower than the previous purchase unit price
- (3.3) Re-arrange the satellite factory, review and cooperate with the manufacturer's quotation, quality and product stability

4. Financial management:

(4.1) Short term plan:

Improve financial structure and properly utilize financing channels.

The company will cooperate with the operational scale, effectively establish a complete financial structure, and reduce operational risks.

As for the required working capital and R&D, marketing and other related expenditures, they are currently funded with their own funds, and at the same time, they have established a good relationship with their banks to obtain appropriate financing with excellent credit conditions.

(4.2) Medium and long-term plans:

A. Establish a good financing channel, and effectively use various tools in the capital market to obtain sufficient funds to expand the company's scale, such as strengthening the operation ability of financial functions, strengthening the financial structure of the company, as the basis for the sustainable operation of the enterprise.

B. The principle of conservatism and conservatism is adopted in exchange rate hedging, which is based on the premise of financial natural hedging. Meanwhile, it is timely assessed that the use of financial market commodities will reduce exchange losses.

5. Production:

(5.1) Short term plan:

Implement cost reduction process improvement, and strengthen product competitiveness by improving product quality, production efficiency and equipment efficiency.

(5.2) Medium and long term plans:

The production factory has obtained international certification and gained market position to assist in securing orders.

6. Operation and management:

(6.1) Short term plan:

A. Maintain a sound financial structure and reduce operational risks.

B. Cooperate with the company's operational development, operate with stable funds, and maximize operational efficiency.

C. Continuously improve the process of cost reduction for products, improve production efficiency, product quality and equipment turnover by simplifying the raw material procurement process and flexibly allocating production line work orders, so as to strengthen product competitiveness and improve product profits and create business performance.

(6.2) Medium and long term plans:

A. Integrate company management resources, simplify processes, and improve departmental efficiency. By providing real-time decision-making information for various management levels through information systems, we enhance our

response capabilities and jointly support external business development and future career development.

B. Strengthen personnel training and maintain excellent corporate culture.

Continuously cultivate technical and trade talents, cultivate a sincere, optimistic, responsible, proactive, and attentive attitude among all colleagues, and increase competitiveness through experience inheritance and knowledge management to meet the company's diversified operational goals.

## II. Market and Production & Marketing Overview

### (I) Market Analysis

#### 1. Sales (supply) areas of main commodities (services):

Unit : NTD Thousands

Sales region \ Year		2022		2021	
		Sales value	percentage	Sales value	percentage
Domestic sales (Taiwan)		348,584	15.53%	369,861	12.67%
export sales	European Region	65,394	2.91%	99,161	3.40%
	American Region	1,827,096	81.43%	2,441,902	83.68%
	Other regions	2,878	0.13%	7,249	0.25%
Total		2,243,952	100.00%	2,918,173	100%

#### 2. Market share:

##### 2.1 Car LED light sets and car lights:

The Company's main products are the manufacturing, trading, import and export of various automotive lights and LED light sets for vehicles. Mainly focusing on export sales, currently with the Americas as the main market, actively expanding into Europe and emerging markets in the future.

#### 3. Future supply and demand situation and growth potential of the market:

##### 3.1 Automobile and motorcycle LED light sets and automobile lights:

The quality of Taiwan's auto parts and components has reached the international standard and has perfect international certification and international marketing channels. Taiwan has become the world's leading exporter of auto parts and components in the AM market. Its market share has become the first in the world, and its safety, stability and innovation are recognized. Automobile drivers' consumer awareness is moving towards improving driving safety, energy conservation, aesthetics, etc. LED lights, due to their advantages of high brightness, energy conservation, and lightweight, will also focus on the application of LED technology in the future.

The Company follows the trend by producing car light products and developing all LED head and tail light sets, actively obtaining certification and marketing globally. Driven by the stabilization of oil prices and the stable recovery of the global economy, the sales value of automotive components in China is expected to continue to rise, and its growth is also within reach.

#### 4. Competitive niche:

##### 4.1 Automobile and motorcycle LED light sets and automobile lights:

- (1) The company has good research and development capabilities, and can lead the trend in product design, winning the favor of consumers.
- (2) Focusing on developing key components such as LED car light modules, our products have stable quality and are highly trusted by customers.
- (3) Establish a self-owned brand and plan products according to market demand, fully leveraging the unique advantages of product design to increase profit margins

#### 5. Favorable and unfavorable factors and corresponding strategies for the development

vision:

### 5.1 Automobile and motorcycle LED light sets and automobile lights

(1) Favorable factors:

- A. LED has advantages in its lightweight design, coupled with green energy and environmental protection concepts, making it easy to popularize on all vehicles.
- B. Capable of flexible manufacturing and rapid response to delivery times.
- C. Experience and ability in quality certification such as DOT and SAE.
- D. Comprehensive quality control is implemented from design and development, production to shipment.
- E. Improve customer satisfaction and strengthen after-sales service.
- F. The integration of the R&D technical team in the field of optoelectronics and mechatronics shortens the development schedule due to its R&D advantages.

(2) Unfavorable factors:

- A. Althea product is mainly exported and faces the risk of exchange rate fluctuations.
- B. The price competition in the automotive industry and the rise in raw material prices and wages affect the achievement of a company's profitability.
- C. Mainland Chinese manufacturers have made rapid progress and have the advantage of low cost, quickly dividing the car lamp market.

(3) Corresponding strategies:

- A. Strictly control costs and delivery times.
- B. Improve product quality.
- C. Continuously develop advantageous products and strengthen customer service.
- D. Cross industry product market development increases non business revenue.

### (II) Important Usage and Production Process of Main Products

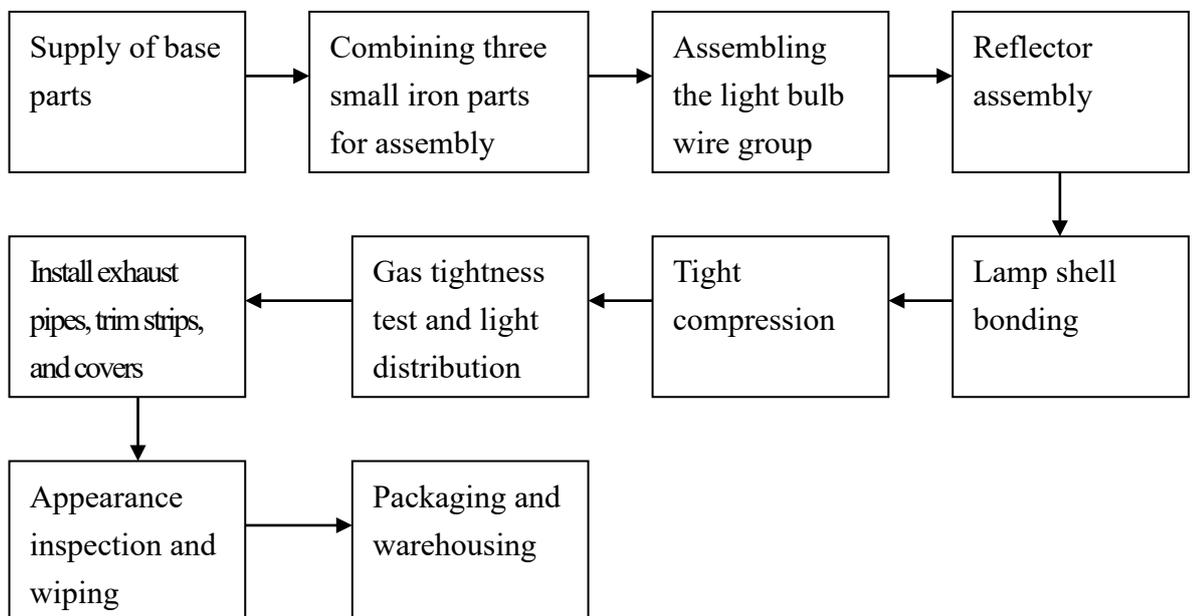
#### 1. Usage of Main Products

Product Items	Important Uses
Car lights	Used for car lighting, issuing driving signals, and meeting the aesthetic requirements of modified car lights, etc.
LED lighting	Provide beautiful, environmentally friendly and energy-saving LED lamps for car lights

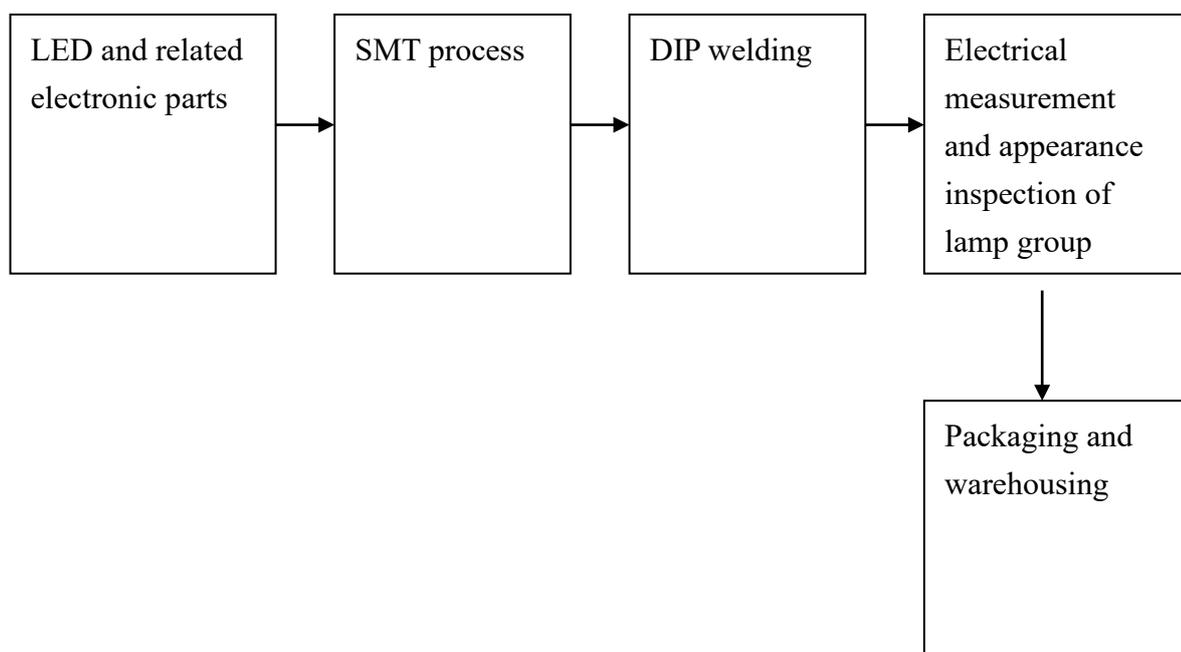
#### 2. Production Process of Main Products :

Car LED light sets and car lights:

(1) Assembly process of finished car lights:



(2) Production Process of LED Lamp Sets for Vehicles:



(III) Supply Status of Main Materials

Item	Main Product	Main Suppliers
1	Automotive components and car lights products	Long Feng, Jin Lianyang, Qingsheng, Guanghong, Changzhou Wentong Optoelectronics, Chongyue

The Company sells and produces car lights and LED light sets for vehicles, mainly consisting of lamp shells, light bulbs, LEDs, plastic materials, electronic parts, and wire groups. These materials are supplied by multiple senior and excellent manufacturers both domestically and internationally, and the quality of the supplied materials is stable.

The source of supply of the raw materials should be secure

(IV) List of main purchases and sales:

1. The names of suppliers who have accounted for more than 10% of the total purchase amount in any of the past two years, as well as their purchase amount and proportion, and the reasons for their changes in increase or decrease:

Unit : NTD

Item	Thousands				Thousands			
	2022		2021		2022		2021	
	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer
1	Manufacture A	676,813	46.69%	Substantial related person	Manufacture A	512,598	25.75%	Substantial related person
2	Manufacture B	0	0.00%	None	Manufacture B	406,630	20.43%	None
3	Manufacture C	0	0.00%	None	Manufacture C	327,177	16.44%	None
4	ManufactureD	404,137	27.88%	None	Manufacture D	259,918	13.06%	None
5	Others	368,630	25.43%	None	Others	483,950	24.32%	None
	Net Sales Amount	1,449,580	100.00%		Net Sales Amount	1,990,273	100.00%	

Reason for changes in increase or decrease: The purchase amount in this period has decreased compared to the previous period, mainly due to a slowdown in customer orders since September 2022, and a relative decrease in demand for finished products, raw materials, and semi-finished products.

Note 1: Manufacturers B, C, and D belong to the same group.

Note 2: Received a written notice of termination of business transactions between Company B

and Company C on October 8, 2021, and terminated business transactions from October 12, 2021 onwards. The transaction mode between the Company and Company B and Company C has not undergone significant changes as of the termination date of the aforementioned transaction.

2. The names of customers who have accounted for more than 10% of total sales in any of the past two years, as well as their sales amount and proportion, and the reasons for their increase or decrease shall be explained:

Unit : NTD Thousands

Item	2022				2021			
	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer
1	Client A	867,287	38.65%	None	Client A	1,108,978	38.00%	None
2	Client B	512,086	22.82%	None	Client B	522,040	17.89%	None
3	Others	864,579	38.53%	None	Others	1,287,155	44.11%	None
	Net Sales Amount	2,243,952	100.00%		Net Sales Amount	2,918,173	100.00%	

Explanation of increase or decrease: the turnover of the current period decreased compared to the previous period, mainly because in the past two years, the global economy is still affected by the epidemic, the global supply chain chaos, coupled with the Ukrainian and Russian war also made raw material prices soared, resulting in global inflation, so that the global economic recovery under pressure, pulling momentum slowed down, resulting in the Company's sales reduction.

(V) Production Volume & Value for the Most Recent Two Years:

Unit: Pcs; NTD Thousands

Production Volume & Value	Year	2022			2021		
		Production Capacity	Yield	Output Value	Production Capacity	Yield	Output Value
Automotive components	Main	1,500,000	1,503,682	733,838	1,900,000	1,989,266	950,171
Total		1,500,000	1,503,682	733,838	1,900,000	1,989,266	950,171

(VI) Sales Volume & Value for the Most Recent Two Years

Unit: Pcs; NTD Thousands

Sales Volume & Value	Year	2022				2021			
		Import		Export		Import		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Consumer electronics peripheral products	Main	690,560	116,860	400	39	1,193,728	145,728	1,000	67
Automotive components		221,675	231,701	1,193,825	1,895,330	84,634	223,883	1,677,928	2,548,245
Other products		950	22	0	0	0	0	0	0
Total			348,583		1,895,369		369,861		2,548,312

### III. Information on employees employed in the past two years and up to the date of publication of the annual report

Year		2021	2022	As of March 31, 2023
Employee No.	R&D and administrative personnel	114 people	110 people	108 people
	Business personnel	16 people	17 people	17 people
	Direct labor	65 people	73 people	72 people
	Total	195 people	200 people	197 people
Average Age		37.87 years old	38.37 years old	38.87 years old
Average Years of Service		6.01 years	6.44 years	6.72 years
Distribution Rate of Education	Master	2%	1%	2%
	University & College	60%	59%	60%
	Senior High School	32%	30%	30%
	Below Senior High School	6%	9%	9%

### IV. Information of Expenses for Environmental Protection

- (I) The total amount of losses (including compensation) and penalties suffered due to environmental pollution for the most recent year and up to the date of publication of the annual report: None of these events.
- (II) Future response measures (including improvement measures) and possible expenses (including estimated amounts of losses, penalties, and compensation that may occur if no response measures are taken): Not applicable

### V. Labor relations

The company's various employee welfare measures, retirement system, implementation status, and agreements between labor and management:

The Company has an Employee Welfare Committee, which allocates welfare funds on a monthly basis in accordance with the provisions of the Employee Welfare Fund Regulations. The Employee Welfare Committee handles the planning of employee welfare and the management of income and expenditure of welfare funds.

#### (I) Employees' Welfare Measures:

1. The Employee Welfare Committee was officially established in January 2003, and the existing welfare measures include:
  - (1) Birthday gifts, celebrations.
  - (2) Cash gifts for childbirth, weddings, funerals, and celebrations.
  - (3) Domestic and foreign tourism subsidies.
  - (4) Subsidy for irregular small-scale activities.
  - (5) Cash gifts for Labor Day, Dragon Boat Festival, and Mid-Autumn Festival .
  - (6) Hospitalization consolation fund: For employees who are hospitalized due to illness or accidents, the Welfare Commission will send personnel on behalf of the company to visit and offer hospitalization consolation fund or equivalent gifts.
  - (7) Establish an employee suggestion mailbox as one of the channels for appealing employee opinions.
2. The company provides:
  - (1) Provide a congratulatory gift when the employee gets married.
  - (2) Education and training subsidies.
  - (3) Year-end bonus.
  - (4) Employee dividends.
  - (5) Appropriation of retirement benefits.
  - (6) Subsidy for irregular small-scale activities.
  - (7) Cash gifts for Labor Day, Dragon Boat Festival, and Mid-Autumn Festival.
  - (8) Annual employee health checkups.
  - (9) Welfare fund allocation.
  - (10) Group insurance
  - (11) The employee's personal death shall be handled in accordance with Chapter 8 of the Work Rules on Occupational Disaster Compensation and Compensation, and a memorial ceremony or wreath shall be sent as a gesture of mourning.
3. Government decrees stipulate:
  - (1) Labor health insurance.
  - (2) Withdrawal from the old pension fund special account and the new pension individual special account.

(3) If employees encounter occupational injuries or illnesses, they will be compensated in accordance with the provisions of the Labor Standards Law.

(4) The rest shall be handled in accordance with labor laws and labor and health insurance regulations.

(II) Employee Continuing Education and Training:

1. The company has established education and training management measures, and has compiled education and training plans for each department in the budget operation for the next year. The main focus is on functional improvement and secondary functional training. The relevant education and training achievements for the year 2022 are as follows:

Item	Number of shifts	Total persons	Total hours	Total cost (NTD)
New recruit training	24	30	90	0
Internal functional training	14	206	513	0
External training	14	21	123	45,138
Total	52	257	726	45,138

2. The situation of manager training is as follows :

Title	Name	Date of Continuing Education	Course Name	Training hours
Director of F&A Dept.	Chih-He Kang	2022.10.05~2022.10.14	Issuer Securities Firm Stock Exchange Accounting Director Training Course for Beginners	30 hours

3. Relevant personnel who have obtained relevant certificates about transparency of financial information: None.

(III) Retirement system and its implementation:

**(Old system)** The retirement policy of the Company is applicable to employees with old seniority (who arrived before June 30, 2005), and the pension payment method is as follows:

1. In accordance with the Organizational Guidelines for the Labor Retirement Reserve Supervision Committee of Public Institutions issued by the Ministry of the Interior, our company officially established the Labor Retirement Reserve Supervision Committee on March 5, 2003; According to the actuarial evaluation report on employee benefits issued by the actuary, the labor retirement reserve shall be allocated on a monthly basis and deposited into the "Retirement Reserve Account" of Bank of Taiwan.
2. Two bases will be given for each full year of work experience. For work experience exceeding fifteen years, one base will be given for each full year, with a maximum limit of forty-five bases. Those who have not completed half a year shall be counted as half a year, and those who have not completed one year shall be counted as one year. One base is the average monthly salary. The average salary is calculated based on the average salary for the six months prior to retirement.
3. The payment of retirement pension can be made in one lump sum.
4. The right to apply for retirement pension shall be extinguished if it is not exercised for more than five years from the month following retirement.

**(New system)** The retirement benefits for employees who are not eligible for the old system employee retirement plan (who started working after July 1, 2005) are as follows:

1. In accordance with the provisions of the Labor Pension Regulations, starting from July 1, 2005, the Company will contribute 6% of the labor pension according to the corresponding salary classification table of employees, and deposit it into the Labor Pension Personal Account of the Labor Insurance Bureau on a monthly basis.
2. Payment of retirement pension: Monthly retirement pension may be paid after 15 years of service; The principle of one-time payment is for those with less than fifteen years of experience.
3. The right to apply for retirement pension shall be extinguished if it is not exercised for more than five years from the month following retirement.

(IV) Agreement between labor and management and measures for safeguarding employee rights and interests: Since its establishment, the Company has been able to coexist harmoniously between labor and capital, contributing to the development of our

business together, and has not suffered losses due to labor disputes.

- (V) The losses suffered due to labor disputes in the most recent fiscal year and up to the date of publication of the annual report, as well as the estimated amount and countermeasures that may occur in the current and future: There are no such incidents.

#### VI. Information security management:

- (I) Describe the security risk management structure, security policy, specific management plan and resources invested in security management of the information network:

1. Information security risk management structure

Although the Company has not established a cross departmental information security committee, the current head of the management department also holds the position of information security related affairs.

2. Information security policy

- (1) Regularly conduct information security promotion every year to establish employees' awareness of information security.

- (2) Protect confidential information of our company.

- (3) Preventing the invasion of computer viruses

- (4) Ensure that all information security incidents or suspected security vulnerabilities are reported upwards in accordance with appropriate reporting mechanisms, and are appropriately investigated and handled.

- (5) Appropriate backup, backup, or monitoring mechanisms have been established for important information or equipment to maintain availability through regular drills.

3. Specific management plan and operational status

- (1) Do not install software on your own.

- (2) Prohibit the use of external storage.

- (3) Well organized network firewall

- (4) Hierarchical permission control.

- (5) Use legal antivirus software.

- (6) Employee accounts, passwords, and permissions should be kept and used responsibly, and passwords should be changed regularly.

- (7) The company has conducted information security promotion for the year 2022 and placed it in the internal employee system for reference by colleagues.

- (8) At least once a year, conduct information security education and training, and place the data in the internal employee system for reference by colleagues.

- (II) List the losses, potential impacts, and corresponding measures suffered due to major information security incidents for the most recent fiscal year and up to the date of publication of the annual report. If it is impossible to reasonably estimate, explain the fact that it is impossible to reasonably estimate: there is no such situation.

#### VII. Important Contracts

Note: Due to the involvement of trade secrets, it is not intended to disclose the names of the contracting parties and customers.

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
Short term loans	First Commercial Bank Xinhua Branch	2022/6/30~2023/6/30	Credit loan financing limit	None
Short term loans	E.SUN Bank	2022/6/1~2023/6/1	Credit loan financing limit	None
Short term loans	DBS Bank	2022/5/14~2023/5/13	Credit loan financing limit	None
Hedge limit	E.SUN Bank	2022/5/30~2023/5/30	Hedge limit	None
Hedge limit	DBS Bank	2022/5/14~2023/5/13	Hedge limit	None

VI. Financial Overview

(I). Condensed Balance Sheet, Income Statement, and CPAs' audit opinion for the past five years  
 Concise Balance Sheet and Income Statement Information - Adopting International Financial  
 Reporting Standards

Consolidated Condensed Balance Sheet

Unit : NTD Thousand

Year Item		Financial Information for the Most Recent Five Years				
		2018 ( Note )	2019 ( Note )	2020 (Note)	2021 (Note)	2022 (Note)
Current assets		No relevant information	No relevant information	No relevant information	No relevant information	No relevant information
Financial assets measured by cost						
Financial assets available for sale						
Financial assets measured at fair value through other comprehensive income						
Property, plant and equipment						
Investment property						
Intangible assets						
Other asset						
Total assets						
Current liabilities	Before distribution					
	After distribution					
Non-current liabilities						
Total liabilities	Before distribution					
	After distribution					
Equity attributable to shareholders of the parent						
Capital stock						
Capital surplus						
Retained earnings	Before distribution					
	After distribution					
Other equity interest						
Treasury stock						
Non-controlling interest						
Total equity	Before distribution					
	After distribution					

Note: Individual financial reports were issued from 2018 to 2022, so it is not applicable.

## Consolidated Condensed Income Statement

Unit: Thousand(Except for earnings per share in NT\$)

Year Item	Financial Information for the Most Recent Five Years				
	2018 (Note)	2019 (Note)	2020 (Note)	2021 (Note)	2022 (Note)
Operating revenue					
Gross profit					
Income & loss from operations					
Non-operating revenue & expenses					
Income before tax					
Income (loss) from continuing operation for this term					
Loss on discontinuing operation					
Income (loss) for this term					
Other comprehensive income & loss for this term (net amount after tax)					
Total amount of comprehensive income & loss for this term	No relevant information	No relevant information	No relevant information	No relevant information	No relevant information
Income attributable to shareholders of the parent					
Income attributable to non-controlling interest					
Total amount of comprehensive income & loss attributable to shareholders of the parent					
Total amount of comprehensive income & loss attributable to non-controlling interest					
Earnings per share (loss)					

Note: Individual financial reports were issued from 2018 to 2022, so it is not applicable.

## Condensed Individual Balance Sheet

Unit : NTD Thousand

Year		Financial Information for the Most Recent Five Years (Note)				
Item		2018	2019	2020	2021	2022
Current assets		1,258,124	1,290,908	1,617,779	1,432,427	1,336,307
Financial assets measured by cost		—	—	—	—	—
Financial assets available for sale		—	—	—	—	—
Financial assets measured at fair value through other comprehensive income		19,337	10,420	9,662	3,685	2,924
Property, plant and equipment		176,496	250,936	264,668	381,174	528,801
right-of-use asset		—	16,797	42,770	33,096	23,422
Investment property		55,300	54,671	54,042	53,414	52,785
Intangible assets		408	871	544	1,284	2,356
Other asset		79,860	44,507	209,085	284,515	283,618
Total assets		1,589,525	1,669,110	2,198,550	2,189,595	2,230,213
Current liabilities	Before distribution	496,089	491,796	857,433	853,139	743,078
	After distribution	689,381	685,088	1,082,940	1,014,215	904,154
Non-current liabilities		1,073	2,262	35,760	26,119	16,780
Total liabilities	Before distribution	497,162	494,058	893,193	879,258	759,858
	After distribution	690,454	687,350	1,118,700	1,040,334	950,934
Equity attributable to shareholders of the parent		—	—	—	—	—
Capital stock		644,306	644,306	644,306	644,306	644,306
Capital surplus		14,705	14,705	14,705	14,852	14,872
Retained earnings	Before distribution	440,378	520,566	651,477	656,345	815,127
	After distribution	247,086	327,274	425,970	495,269	654,051
Other equity interest		(7,026)	(4,525)	(5,131)	(5,166)	(3,950)
Treasury stock		—	—	—	—	—
Non-controlling interest		—	—	—	—	—
Total equity	Before distribution	1,092,363	1,175,052	1,305,357	1,310,337	1,470,355
	After distribution	899,071	981,760	1,079,850	1,149,261	1,309,279

Note: The financial information for the years 2018-2022 has been audited and certified by the CPAs..

Condensed Individual Comprehensive Income Statement

Unit: Thousand(Except for earnings per share in NT\$)

Item \ Year	Financial Information for the Most Recent Five Years(Note)				
	2018	2019	2020	2021	2022
Operating revenue	1,761,274	1,932,664	2,494,947	2,918,173	2,243,952
Gross profit	440,600	455,709	602,136	691,036	510,642
Income & loss from operations	317,411	341,400	448,289	511,198	279,842
Non-operating revenue & expenses	43,279	(2,274)	(45,637)	(183,446)	117,886
Income before tax	360,690	339,126	402,652	327,752	397,728
Income (loss) from continuing operation for this term	288,515	269,695	323,569	230,501	318,757
Loss on discontinuing operation	—	—	—	—	—
Income (loss) for this term	288,515	269,695	323,569	230,501	318,757
Other comprehensive income & loss for this term (net amount after tax)	(2,164)	6,286	28	(161)	2,317
Total amount of comprehensive income & loss for this term	286,351	275,981	323,597	230,340	321,074
Income attributable to shareholders of the parent	—	—	—	—	—
Income attributable to non-controlling interest	—	—	—	—	—
Total amount of comprehensive income & loss attributable to shareholders of the parent	—	—	—	—	—
Total amount of comprehensive income & loss attributable to non-controlling interest	—	—	—	—	—
Earnings per share (loss)	4.48	4.19	5.02	3.58	4.95

Note: The financial information for the years 2018-2022 has been audited and certified by the CPAs..

(II) Name of CPAs and their audit opinions for the recent five years

1. Name of CPAs and their audit opinions

Year	Name of accounting firm	CPA	Audit Opinion	Description
2018	Deloitte & Touche	Yong-fu Liu, Zhao-mei Chen	Unqualified Opinion□	None
2019	Deloitte & Touche	Yong-fu Liu, Zhao-mei Chen	Unqualified Opinion□	None
2010	Deloitte & Touche	Geng-xi Zhang, Zhao-mei Chen	Unqualified Opinion□	None
2021	Deloitte & Touche	Geng-xi Zhang, Zhao-mei Chen	Emphasis of emphasis paragraph of unqualified opinion	(Note)
2022	Deloitte & Touche	Geng-xi Zhang, Qiang-xi Chen	Emphasis of emphasis paragraph of unqualified opinion	(Note)

Note: As mentioned in note 35 to the financial report, the Chairman of Topower Co., Ltd. and related colleagues were prosecuted by Tainan District Procuratorate of Taiwan in July 2021 for violating the Securities Exchange Act and the Business Entity Accounting Act and other relevant provisions, and transferred to Tainan District Court of Taiwan for trial. The Chairman of Topower Co., Ltd. and related colleagues have appointed lawyers to fight for a fair judgment according to law. The accountant has not revised the audit opinion accordingly.

2. Instructions for replacing the accountant:

Cooperating with the internal adjustments of Deloitte & Touche, we will replace the CPAs starting from the first quarter of 2022.

## II. Financial analysis of the last five years

### (I) Financial analysis:

#### Consolidated financial analysis-adopting International Financial Reporting Standards

Year		Financial analysis of the last five years				
		2018 (Note)	2019 (Note)	2020 (Note)	2021 (Note)	2022 (Note)
Items of analysis						
Financial Structure (%)	Debt to asset ratio					
	Long term capital to property, plant and equipment ratio					
Solvency (%)	Current ratio					
	Quick ratio					
	Interest coverage ratio					
Operating Ability	Receivables turnover (times)					
	Average cash recovery day					
	Inventory turnover (times)					
	Payable turnover rate (times)					
	Days sales outstanding					
	Property, plant and equipment turnover rate (times)	No relevant information	No relevant information	No relevant information	No relevant information	No relevant information
	Total asset turnover (times)					
Profitability	Return on assets (%)					
	Return on equity (%)					
	Ratio of pre-tax net profit to paid-up capital (%)					
	Net profit ratio (%)					
	Earnings per share (NTD)					
Cash Flow	Cash flow ratio (%)					
	Cash flow adequacy ratio (%)					
	Cash reinvestment ratio (%)					
Leverage	Operating leverage					
	Financial leverage					

Note 1: From 2018 to 2022, individual financial reports were issued, so they are not applicable

Individual Financial Reporting- adopting International Financial Reporting Standards

Items of analysis		Financial analysis of the last five years				
		2018	2019	2010	2011	2022
Financial Structure	Debt to asset ratio	31.27	29.6	40.63	40.16	34.07
	Long term capital to property, plant and equipment ratio	619.52	469.16	506.72	350.62	281.23
Solvency (%)	Current ratio	253.60	262.48	188.68	167.90	179.83
	Quick ratio	225.01	236.95	167.42	143.66	152.62
	Interest coverage ratio	7,213,900	-	205,534.69	46,788.32	22,469.40
Operating Ability	Receivables turnover (times)	4.10	4.17	4.63	4.72	3.95
	Average cash recovery day	89	88	79	77	92
	Inventory turnover (times)	9.44	10.52	12.19	11.60	8.38
	Payable turnover rate (times)	3.80	4.22	4.12	3.96	4.06
	Days sales outstanding	39	35	30	31	44
	Property, plant and equipment turnover rate (times)	12.90	9.04	9.68	9.06	4.93
	Total asset turnover (times)	1.19	1.18	1.29	1.33	1.02
Profitability	Return on assets (%)	19.65	16.57	16.75	10.55	14.51
	Return on equity (%)	28.46	23.79	26.09	17.62	22.93
	Ratio of pre-tax net profit to paid-up capita (%)	55.98	52.63	62.49	50.87	61.73
	Net profit ratio (%)	16.38	13.95	12.97	7.90	14.21
	Earnings per share (NTD)	4.48	4.19	5.02	3.58	4.95
Cash Flow	Cash flow ratio (%)	74.42	58.83	54.96	33.30	39.92
	Cash flow adequacy ratio(%)	157.88	123.28	116.31	96.67	94.93
	Cash reinvestment ratio (%)	20.59	7.47	18.58	3.67	7.37
Leverage	Operating leverage	1.22	1.21	1.24	1.20	1.37
	Financial leverage	1.00	1.00	1.00	1.00	1.01

Explanation of the reasons for changes in various financial ratios in the past two years:

1. Ratio of long-term funds to real estate, plant and equipment:

Due to a significant increase in the acceptance amount of mold equipment in 2022 compared to the same period last year, coupled with an increase in the amount of real estate, factory buildings, and equipment, this ratio has decreased compared to the same period last year.

2. Return on assets, return on equity, ratio of pre- tax net profit to paid in capital, net profit ratio, and earnings per share:

The above interest rates in 2022 have all increased compared to the same period last year, due to the net profit after tax in 2021 due to non-business tax violations and penalties.

The calculation formula of the analysis items is as follows:

1. Financial structure

- (1) Debt to asset ratio = total amount of debt / total assets.
- (2) Long term capital to property, plant and equipment ratio = (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) Interest coverage ratio = net profit before income tax and interest expense / interest expense.

3. Operating capacity

- (1) Receivable (including trade receivables and notes receivables arising from operating activities) turnover rate = net sales / each period average receivables (including trade receivables and notes receivables arising from operating activities) balance.
- (2) Average cash recovery day = 365 / receivable turnover rate.
- (3) Inventory turnover rate = cost of sales / average inventory.
- (4) Payable (including accounts payable and notes payable arising from operating activities) turnover rate = cost of sales / each period average payables (including accounts payable and notes payable arising from operating activities) balance.
- (5) Days sales outstanding = 365 / inventory turnover rate.
- (6) Property, plant and equipment turnover rate = net sales / net property, plant and equipment.
- (7) Total asset turnover rate = net sales / average total assets.

4. Profitability

- (1) Return on assets = (post-tax profit or loss + interest expense x (1 — rate)) / average total assets.
- (2) Return on equity = post-tax profit or loss / average total equity.
- (3) Net profit rate = post-tax profit or loss / net sales.
- (4) Earnings per share = (interests attributable to parent company owner — Preferred Shares dividends) / weighted average number of issued shares.

5. Cash flow

- (1) Cash flow rate = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities of the last five years / (capital expenditure + increase in inventory + cash dividends) of the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities — cash dividends) / (gross property, plant and equipment + long-term investment + Other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (operating revenues — variable operating costs and expenses) / operating income.
- (2) Financial leverage = operating income / (operating income — interest expense).

## **Audit Committee's Review Report**

I hereby state as follows:

This proposal is the presentation by the Board of Directors of the Company's 2022 Business Report, Financial Statements, and Earnings Distribution Proposal. Of these items, the Financial Statements have been entrusted and audited by Deloitte & Touche Taiwan, and an opinion and report have been issued on the Financial Statements.

The aforementioned proposal regarding Business Report, Financial Statements, and Earnings Distribution Proposal has been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To the 2023 Shareholder's Meeting of TOPOWER CO., LTD.

Convener of Audit Committee : Hui-Ling Fang

March 10, 2023

## CERTIFIED PUBLIC AUDITOR'S REPORT

To Topower Co., LTD

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 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.

### **Emphasis of Matter**

As described in Note 35 of the financial statements, the Chairman and related employees of the Company were prosecuted by the Tainan District Prosecutors Office

in Taiwan in July 2021 for alleged violations of Securities and Exchange Act and Business Entity Accounting Act, and the case is now being heard by the Tainan District Court. The Chairman and related employees of the Company have engaged lawyers to seek a fair judgment on the charges. The auditor has not revised our audit opinions as a result of this.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's financial statements for the year ended December 31, 2022 is as follows:

#### Authenticity of Sales Revenue Recognition

The Company's main business is the manufacturing and sale of automotive components, electronic components, and high-end environmental power supplies. However, when comparing the gross profit margin of the top twelve sales customers between 2022 and 2021, some customers (hereinafter referred to as the key audit customers) had an increase in gross profit margin in 2022, which had a significant impact on the overall financial statements. Therefore, the auditor has designated the authenticity of revenue recognition for these key audit customers as a key audit matter for this year.

Refer to Note 4(12) for the accounting policies regarding revenue recognition, and refer to Note 24 for the relevant disclosure of operating revenues.

The auditor has designed relevant internal control audit procedures to address the risks associated with revenue recognition based on an understanding of the internal control procedures related to sales. In addition, the auditor has obtained basic information and transaction details of the key audit customers from management and reviewed and analyzed their relevant industry background information. The auditor has also confirmed the existence of these customers by analyzing credit limits, credit conditions, actual sales, and accounts receivable turnover days. The auditor has also confirmed the completeness of transaction details, selected appropriate samples, and examined whether orders, export declarations, and payment recipients are consistent with the trading parties to understand whether there are any abnormalities in the transactions. The auditor has also investigated whether significant sales returns and allowances occurred after the period, and if so, the auditor has investigated the reasons and whether appropriate handling has been done to ensure that there is no significant misstatement in the recognition of revenue.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
CPA Chang, Keng-Hsi

CPA Chen, Chiang-Hsuan

Securities and Futures Bureau  
No. Taiwan-Financial-Securities-VI-  
0920123784

Financial Supervision Commission  
No. Financial-Supervisory-Securities-  
Auditing-1060023872

March 15, 2023

Notice to Readers

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

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

**Topower Co., LTD**  
**BALANCE SHEETS**  
**December 31, 2022 and 2021**

In Thousands of New Taiwan Dollars

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
1100	Cash and cash equivalents (Note 4 and 6)	\$ 546,541	25	\$ 572,196	26
1110	Financial assets at fair value through profit or loss-current (Note 4 and 7)	4,965	-	2,697	-
1136	Financial assets at amortized cost-current (Note 4, 8 and 32)	83,752	4	-	-
1150	Notes receivable (Note 4, 10 and 24)	8,228	-	14,678	1
1160	Notes receivable-related parties (Note 4, 10, 24 and 31)	13,909	1	24,905	1
1170	Accounts-receivable (Note 4, 10 and 24)	466,816	21	593,526	27
1180	Accounts receivable-related parties (Note 4, 10, 24 and 31)	4,922	-	9,929	-
1200	Other receivables-related parties (Note 4 and 10)	798	-	596	-
1310	Inventories (Notes 4 and 11)	184,887	8	187,231	9
1410	Prepayments (Notes 12)	17,330	1	19,613	1
1479	Other current assets	4,159	-	7,056	-
11XX	Total current assets	<u>1,336,307</u>	<u>60</u>	<u>1,432,427</u>	<u>65</u>
<b>NON-CURRENT ASSETS</b>					
1517	Financial assets at fair value through other comprehensive income-noncurrent(Note 4 and 9)	2,924	-	3,685	-
1600	Property, plant and equipment (Notes 4 and 13)	528,801	24	381,174	18
1755	Right-of-use assets (Notes 4 and 14)	23,422	1	33,096	2
1760	Investments property (Notes 4 and 15)	52,785	2	53,414	3
1780	Other intangible assets (Notes 4 and 16)	2,356	-	1,284	-
1840	Deferred income tax assets (Notes 4 and 26)	24,787	1	4,573	-
1975	Net defined benefit assets (Notes 4 and 22)	9,232	1	8,461	-
1990	Other non-current assets (Notes 4, 17 and 31)	249,599	11	271,481	12
15XX	Total non-current assets	<u>893,906</u>	<u>40</u>	<u>757,168</u>	<u>35</u>
1XXX	TOTAL	<u>\$ 2,230,213</u>	<u>100</u>	<u>\$ 2,189,595</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
2100	Short-term loans (Notes 18)	\$ 290,000	13	\$ 150,000	7
2130	Contract liabilities (Notes 4 and 24)	1,122	-	1,245	-
2150	Notes payable (Notes 19)	116	-	116	-
2170	Accounts payable (Notes 19)	163,248	7	201,654	9
2180	Accounts payable-related parties (Note 19 and 31)	134,831	6	353,052	16
2219	Other payables (Notes 20 and 31)	60,025	3	68,841	3
2250	Provisions for liabilities-current (Notes 4 and 21)	36,199	2	10,829	1
2280	Lease liabilities-current (Note 4, 14 and 31)	9,519	-	9,606	-
2230	Current income tax liabilities (Notes 4 and 26)	46,908	2	56,641	3
2300	Other current liabilities	1,110	-	1,155	-
21XX	Total current liabilities	<u>743,078</u>	<u>33</u>	<u>853,139</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>					
2580	Lease liabilities-noncurrent (Note 4, 14 and 31)	14,302	1	23,821	1
2570	Deferred income tax liabilities (Notes 4 and 26)	1,850	-	1,692	-
2645	Guarantee deposits	628	-	606	-
25XX	Total non-current liabilities	<u>16,780</u>	<u>1</u>	<u>26,119</u>	<u>1</u>
2XXX	Total liabilities	<u>759,858</u>	<u>34</u>	<u>879,258</u>	<u>40</u>
<b>EQUITY (Note 2 and 3)</b>					
3110	Share Capital-Common stock	644,306	29	644,306	29
3200	Capital surplus	14,872	1	14,852	1
	Retained earnings				
3310	Legal reserve	165,137	7	142,099	7
3320	Special reserve	5,166	-	5,131	-
3350	Unappropriated earnings	644,824	29	509,115	23
3400	Other components of equity	( 3,950)	-	( 5,166)	-
3XXX	Total equity	<u>1,470,355</u>	<u>66</u>	<u>1,310,337</u>	<u>60</u>
	TOTAL	<u>\$ 2,230,213</u>	<u>100</u>	<u>\$ 2,189,595</u>	<u>100</u>

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

(Please refer to the audit report dated March 15, 2023 by Deloitte)

Chairman : Lin, Shih-Chi

Manager : Lin, Shih-Chi

Accounting Manager : Kang, Chih-He

**Topower Co., LTD**  
**STATEMENTS OF COMPREHENSIVE INCOME**

Year 2022 and 2021

In Thousands of New Taiwan Dollars,  
Except Earnings Per Share

<u>Code</u>		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	OPERATING REVENUE (Notes 4, 24 and 31)	\$ 2,243,952	100	\$ 2,918,173	100
5000	OPERATING COSTS (Notes 4, 11, 25 and 31)	( 1,733,310)	( 77)	( 2,227,137)	( 77)
5900	GROSS PROFIT	<u>510,642</u>	<u>23</u>	<u>691,036</u>	<u>23</u>
	OPERATING EXPENSE (Notes 4, 10, 25 and 31)				
6100	Selling expenses	58,722	3	77,331	3
6200	Administrative expenses	46,536	2	44,605	1
6300	Research and development	57,440	2	57,902	2
6450	Expected credit losses	<u>68,102</u>	<u>3</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>230,800</u>	<u>10</u>	<u>179,838</u>	<u>6</u>
6900	OPERATING INCOME	<u>279,842</u>	<u>13</u>	<u>511,198</u>	<u>17</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 4, 25 and 31)				
7100	Interest income	6,235	-	6,209	-
7010	Other income	6,030	-	6,825	-
7020	Other gains and losses	107,984	5	( 195,217)	( 6)
7050	Finance costs	( 2,363)	-	( 1,263)	-
7000	Total non-operating income and expenses	<u>117,886</u>	<u>5</u>	<u>( 183,446)</u>	<u>( 6)</u>
7900	EARNINGS BEFORE TAX	397,728	18	327,752	11
7950	INCOME TAX EXPENSE (Notes 4 and 26)	( 78,971)	( 4)	( 97,251)	( 3)
8200	NET INCOME	<u>318,757</u>	<u>14</u>	<u>230,501</u>	<u>8</u>

( Continued )

( Continued )

Code		2022		2021	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 26)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	\$ 735	-	(\$ 175)	-
8316	Unrealized valuation gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,789	-	( 22)	-
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	( 207)	-	36	-
8300	Total other comprehensive income (loss), net of income tax	<u>2,317</u>	-	( <u>161</u> )	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 321,074</u>	<u>14</u>	<u>\$ 230,340</u>	<u>8</u>
	EARNINGS PER SHARE (Note 27)				
9710	Basic earnings per share	<u>\$ 4.95</u>		<u>\$ 3.58</u>	
9810	Diluted earnings per share	<u>\$ 4.94</u>		<u>\$ 3.58</u>	

The accompanying notes are an integral part of the financial statements.  
(Please refer to the certified public audit's report dated March 15, 2023 by Deloitte)

Chairman : Lin, Shih-Chi

Manager : Lin, Shih-Chi

Accounting Manager : Kang, Chih-He

**Topower Co., LTD**  
**STATEMENTS OF CHANGES IN EQUITY**  
**January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021**

In Thousands of New Taiwan Dollars

Code		Capital Stock	Capital Surplus	Retained Earnings			Others	Total Equity
				Legal capital reserve	Special capital reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Through Other Comprehensive Income	
A1	BALANCE, JANUARY 1, 2021	\$ 644,306	\$ 14,705	\$ 109,679	\$ 4,525	\$ 537,273	(\$ 5,131)	\$ 1,305,357
	Appropriations of 2020 earnings (Note 23)							
B1	Provision of legal reserve	-	-	32,420	-	( 32,420 )	-	-
B3	Provision of special reserve	-	-	-	606	( 606 )	-	-
B5	Cash dividends to shareholders	-	-	-	-	( 225,507 )	-	( 225,507 )
	Changes in other capital surplus							
C17	Shareholders fail to claim dividends overdue	-	147	-	-	-	-	147
D1	Net income of 2021	-	-	-	-	230,501	-	230,501
D3	Other comprehensive income (loss), net of income tax of 2021	-	-	-	-	( 140 )	( 21 )	( 161 )
D5	Total comprehensive income (loss) of 2021	-	-	-	-	230,361	( 21 )	230,340
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income (Note 9)	-	-	-	-	14	( 14 )	-
Z1	BALANCE, DECEMBER 31, 2021	644,306	14,852	142,099	5,131	509,115	( 5,166 )	1,310,337
	Appropriations of earnings of 2021 (Note 23)							
B1	Provision of legal reserve	-	-	23,038	-	( 23,038 )	-	-
B17	Reversal of special reserve	-	-	-	35	( 35 )	-	-
B5	Cash dividends to shareholders	-	-	-	-	( 161,076 )	-	( 161,076 )
	Changes in other capital surplus							
C17	Shareholders fail to claim dividends overdue	-	20	-	-	-	-	20
D1	Net income of 2022	-	-	-	-	318,757	-	318,757
D3	Other comprehensive income (loss), net of income tax of 2022	-	-	-	-	588	1,729	2,317
D5	Total comprehensive income (loss) of 2022	-	-	-	-	319,345	1,729	321,074
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income (Note 9)	-	-	-	-	513	( 513 )	-
Z1	BALANCE, DECEMBER 31, 2022	\$ 644,306	\$ 14,872	\$ 165,137	\$ 5,166	\$ 644,824	(\$ 3,950)	\$ 1,470,355

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

(Please refer to the audit report dated March 15, 2023 by Deloitte)

Chairman : Lin, Shih-Chi

Manager : Lin, Shih-Chi

Accounting Manager : Kang, Chih-He

**Topower Co., LTD**  
**STATEMENTS OF CASH FLOWS**

**January 1st to December 31st, 2022 and 2021**

In Thousands of New Taiwan Dollars

<u>Code</u>		<u>2022</u>	<u>2021</u>
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A10000	Earnings before tax	\$ 397,728	\$ 327,752
A20010	Income expense item		
A20100	Depreciation expense	121,993	99,554
A20200	Amortization expense	808	560
A20300	Expected credit losses	68,102	-
A20400	Loss (gain) on financial instruments at fair value through profit or loss	( 27)	345
A20900	Finance costs	2,363	1,263
A21200	Interest income	( 6,235)	( 6,209)
A22500	Loss (gain) on disposal of property, plant and equipment	-	( 32)
A23700	Impairment loss on property, plant and equipment	-	1,077
A24100	Loss (gain) on foreign exchange	( 30,111)	12,993
A29900	Reduce inventory to market	3,281	2,409
A29900	Provision for liabilities	27,102	10,829
A30000	Changes in operating assets and liabilities		
A31130	Note receivables	6,450	896
A31140	Note receivables-related parties	10,996	( 9,328)
A31150	Account receivables	57,393	( 61,916)
A31160	Account receivables-related parties	5,007	18,356
A31180	Other receivables	( 245)	-
A31200	Inventories	( 937)	( 28,971)
A31230	Prepayments	2,283	2,019
A31240	Other current assets	2,897	2,170
A32125	Contract liabilities	( 123)	( 239)
A32130	Notes Payable	-	116
A32150	Accounts payable	( 38,430)	( 301,422)
A32160	Accounts payable-related parties	( 218,221)	285,804
A32180	Other payable	( 8,789)	2,696
A32200	Provision for liabilities	( 1,732)	-
A32230	Other current liabilities	( 45)	214
A32240	Net defined benefit assets	( 36)	-
A33000	Cash generated from operations	401,472	360,936
A33100	Interest received	6,278	6,090

( Continued )

( Continued )

Code		2022	2021
A33300	Interest paid	(\$ 2,024)	(\$ 1,450)
A33500	Income tax paid	( 109,095)	( 81,474)
AAAA	Net cash generated by operating activities	<u>296,631</u>	<u>284,102</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00020	Disposal of financial assets at fair value through other comprehensive income (Note 9)	437	5,955
B00040	Acquisition of financial assets measured at amortized cost	( 83,752)	184,011
B02700	Acquisitions of Property, plant and equipment	( 259,578)	( 202,849)
B02800	Disposal of Property, plant and equipment	-	50
B03700	Refundable deposits paid	( 220)	( 1,800)
B04500	Acquisitions of other intangible assets	( 1,880)	( 1,300)
B07100	Decrease (increase) in advance payment for equipment	<u>22,102</u>	<u>( 74,663)</u>
BBBB	Net cash used in investing activities	<u>( 322,891)</u>	<u>( 90,596)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C00100	Increase (decrease) in short-term loans	140,000	( 20,880)
C03000	Guarantee deposit received increased	22	-
C04020	Repayment of the principal portion of lease liabilities	( 9,606)	( 9,579)
C04500	Cash dividend	( 161,076)	( 225,507)
C09900	Dividends not claimed by shareholders overdue	<u>20</u>	<u>-</u>
CCCC	Net cash generated by (used in) financing activities	<u>( 30,640)</u>	<u>( 255,966)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>31,245</u>	<u>( 11,018)</u>
EEEE	NET DECREASE IN CASH AND CASH EQUIVALENTS	( 25,655)	( 73,478)
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>572,196</u>	<u>645,674</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 546,541</u>	<u>\$ 572,196</u>

The accompanying notes are an integral part of the financial statements.  
( Please refer to the audit report dated March 15, 2023 by Deloitte )

Chairman : Lin, Shih-Chi

Manager : Lin, Shih-Chi

Accounting Manager : Kang, Chih-He

## Topower Co., LTD

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

( Expressed in Thousands of New Taiwan Dollars, Unless Specified otherwise )

#### 1. Company history

Topower Co., LTD. (referred to as "the Company") was established in September 1986, with main business activities including manufacturing, processing, and trading of automotive components, electronic components, and high-end environmentally friendly power supply units. The Company's stock has been listed on the Taiwan OTC market since June 16<sup>th</sup>, 2004. This financial report is presented in the functional currency of the company, which is New Taiwan Dollars.

#### 2. Date and procedures of approval of financial statements

The financial statements for the years ended December 31, 2022 and 2021 of the Company were authorized for issue by the Board of Directors on March 10, 2023.

#### 3. Application of new, amended, and revised standards and interpretations

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies.

- (2) The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2023.

<u>New IFRS</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

- Note 1: This amendment will be applied prospectively for the annual report periods beginning on or after January 1<sup>st</sup>, 2023.
- Note 2: This amendments will be applied to changes in accounting estimates and accounting policies that occur during annual reporting periods beginning on or after January 1<sup>st</sup>, 2023.
- Note 3: The aforementioned revision applies to transactions occurring on or after January 1<sup>st</sup>, 2022, except for the temporary differences arising from the recognition of deferred income tax related to leases and retirement obligations as of January 1<sup>st</sup>, 2022.

#### Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a. The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b. The Company chose the accounting policy from options permitted by the standards;
- c. The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d. The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

- e. The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions

Except for the above impact, as of the date the financial statements were authorized to issue, the Company has assessed that the application of other standards and interpretations will not have a significant impact on the Company's financial position and financial performance.

- (3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28, "Sales or contribution of assets between an investor and its associate or joint venture"	TBA
Amendments to IFRS16 Lease liabilities in sale and leaseback	January 1 <sup>st</sup> , 2024 (Note 2)
Amendments to IFRS 17 "Insurance contracts"	January 1 <sup>st</sup> , 2023
Amendments to IFRS 17	January 1 <sup>st</sup> , 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 comparative information"	January 1 <sup>st</sup> , 2023
Amendments to IAS 1, "Classification of liabilities as current or non-current"	January 1 <sup>st</sup> , 2024
Amendments to IAS 1 Non-current liabilities with covenants	January 1 <sup>st</sup> , 2024
Note 1: Unless otherwise specified, the above newly issued/updated/revised guidelines or interpretations shall be effective for annual reporting periods beginning on or after the respective dates.	
Note 2: A seller-lessee shall retrospectively apply the amendments to IFRS 16 for sale and leaseback transactions entered into after the initial application of IFRS 16.	

Amendments to IAS 1, "Classification of liabilities as current or non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability

Except for the above impact, 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 Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### (1) Statement of compliance

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

##### (2) Basis of Preparation

The Company's financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for an asset or liability.

##### (3) Classification of current and non-current assets and liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

#### (4) Foreign Currencies

In preparing the Company's financial statements, 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. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at historical cost in foreign currencies are retranslated using the exchange rate at the date of transaction.

#### (5) Inventories

Inventories consist of raw materials, supplies, finished goods, and work-in-progress and are stated at the lower of cost or 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 the weighted-average cost on the balance sheet date.

#### (6) 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.

The depreciation of property, plant and equipment is recognized using the straight-line 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.

(7) Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(8) Intangible assets

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

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Impairment of property, plant and equipment, investment properties, right-of-use assets, and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, investment properties, 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 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.

#### (10) Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. 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) 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 fair value through profit or loss are recognized immediately in profit or loss.

##### a. 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 possessed by the Company are classified into financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and FVTPL through other comprehensive income (FVTOCI).

##### i. Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include equity instrument investments that the Company has not specified to be measured at FVTPL through other comprehensive income and investments in debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with dividends, interest and any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, debt investments at amortized cost, accounts receivable, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- (ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that are not held for trading nor merging and acquisition as at FVTOCI.

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 at FVTOCI 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 shows that the debtor is unlikely to pay its creditors.

- ii. When a financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment losses of the aforementioned financial assets are reduced by the allowance account.

(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.

b. Financial liabilities

(a) Subsequent measurement

The Company's 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.

(11) Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranty

The warranty obligation to ensure that the product conforms to the agreed specifications is based on the management's best estimate of the expenditure

required to pay off the company's obligations, and is recognized when the relevant products are recognized as revenue.

#### (12) Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of auto parts, electronic parts and environmentally friendly high-end power supplies is measured at the fair value of the consideration received or receivable. When the goods are delivered in accordance with the terms of the transaction between the two parties, the customer has the right to set the price and use of the goods and bears the main responsibility for reselling the goods, and bears the risk of obsolescence of the goods. The company recognizes revenue and accounts receivable at this point payment. Advance receipts from sales of goods are recognized as contract liabilities before the goods are transferred.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### (13) Leases

At the inception of a contract, the Corporation and its subsidiaries assess whether the contract is, or contains, a lease.

##### a. 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.

##### b. 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 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, which comprise fixed payments and variable lease payments which depend on an index or a rate. 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 lessee's incremental borrowing rate will be used.

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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset 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.

#### (14) Employee benefits

##### a. 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.

##### b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the

return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Corporation and its subsidiaries' defined benefit plan.

#### (15) Taxation

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

##### a. Current tax payable

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

##### b. 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, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date 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 assets and liabilities are measured at the tax rates that are expected to apply in the period 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 balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation and its subsidiaries expect, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

The Company has considered the economic implications of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The accounting policies, estimates and basic assumptions adopted by the company have not been subject to uncertainty in major accounting judgments, estimates and assumptions after evaluation by the company's management.

**6. Cash and cash equivalent**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Cash on hand	\$ 505	\$ 514
Bank deposit		
Check and demand deposit	95,305	165,499
Foreign currency deposit	253,247	115,500
Cash equivalent (Investments with original maturity within 3 months)		
Bank foreign currency time deposit	197,484	290,683
	<u>\$ 546,541</u>	<u>\$ 572,196</u>

Market interest rate range:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Checkings and savings	0.005% ~ 3.6%	0.001% ~ 0.2%
Foreign currency time deposit	2.10% ~ 4.3%	0.3% ~ 2.7%

**7. Loss (gain) on financial instruments at fair value through profit or loss**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Financial assets – current</u>		
Mandatory fair value through profit or loss for non-derivative financial assets		
– Foreign bond	\$ 191	\$ -
– Foreign listed stock	2,068	-
– Mutual fund beneficiary certificate	<u>2,706</u>	<u>2,697</u>
	<u>\$ 4,965</u>	<u>\$ 2,697</u>

**8. Financial assets measured at amortized cost**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Current (note)</u>		
Domestic investment		
Limited time deposit	<u>\$ 83,752</u>	<u>\$ -</u>

Note: The Company considers the debtor's history of default, current financial situation, to assess the expected credit losses over the next 12 months or expected credit losses over the remaining period of creditworthiness for financial assets - current measured at amortized cost. As of December 31<sup>st</sup>, 2022, the company assessed that no expected credit losses need to be recognized for financial assets - current measured at amortized cost.

Interest rate range of limited time deposit to December 31<sup>st</sup>, 2022 is as below:

	December 31 <sup>st</sup> , 2022
RMB	<u>2.20%</u>

For information on the pledge of financial assets measured at cost after amortization, please refer to Note 32.

**9. Financial assets at fair value through other comprehensive income**

Equity instrument investment

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Non-current</u>		
Foreign investment		
Listed Stock	\$ -	\$ 761
Domestic investment		
Unlisted Share	<u>2,924</u>	<u>2,924</u>
	<u>\$ 2,924</u>	<u>\$ 3,685</u>

The Company invests in the special stocks of overseas listed companies and the common stocks of domestic unlisted companies according to its medium-to-long-term strategic objectives and expects to profit from long-term investments.

The management believes that if the short-term fair value fluctuations of these investments are included in the income statement, it would not be consistent with the aforementioned long-term investment plan. Therefore, the company has chosen to designate these investments as a fair value measured through other comprehensive income.

In November 2022, The Company's holding of special stocks in an overseas listed company was delisted. The Company obtained cash of NT\$437 thousand, stocks of NT\$2,043 thousand, and bonds of NT\$198 thousand, which were measured at fair value through profit or loss for the obtained stocks and bonds. Please refer to Note 7 for other equity- financial assets measured at fair value through other comprehensive income. The unrealized gains of NT\$513 thousand were transferred to retained earnings.

In August 2021, The Company adjusted its investment positions to diversify risks and disposed of some of its special stocks in overseas listed companies at a fair value of NT\$5,955 thousand. The unrealized gains of NT\$14 thousand for other equity - financial assets measured at fair value through other comprehensive income were transferred to retained earnings."

#### 10. Notes receivable, accounts receivable and other receivables

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Notes receivable</u>		
Measured at amortized cost		
Total book value		
Non-related party	<u>\$ 8,228</u>	<u>\$ 14,678</u>
Related party	<u>\$ 13,909</u>	<u>\$ 24,905</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total book value		
Non-related party	\$534,918	\$593,526

Less: Allowance for losses	( 68,102)	-
	<u>\$466,816</u>	<u>\$593,526</u>
Related party	<u>\$ 4,922</u>	<u>\$ 9,929</u>

Other receivables

Interest receivable	\$ 553	\$ 596
Others	<u>245</u>	<u>-</u>
	<u>\$ 798</u>	<u>\$ 596</u>

To reduce credit risk, the management of The Company has assigned a dedicated team to monitor the process and ensure that appropriate actions have been taken to collect overdue receivables. In addition, on the balance sheet date, The Company reviews the recoverable amount of each receivable item to ensure that the appropriate impairment loss has been recognized for any unrecoverable receivables. Based on these measures, the management of The Company believes that our credit risk has significantly decreased.

The Company uses the simplified approach of IFRS 9 to recognize the provision for credit losses on receivables based on the expected credit losses over the life of the receivables. The expected credit losses are calculated using a probability matrix that takes into account the customer's past default history and current financial condition, as well as GDP forecasts. As our company's historical experience of credit losses shows no significant differences in loss patterns among different customer groups, the probability matrix does not further differentiate customer groups and only sets the expected credit loss rate based on the number of days the receivables are overdue.

If there is evidence that the counterparty is facing severe financial difficulties and our company cannot reasonably expect to recover the receivables, we will write off the relevant receivables. However, we will continue to pursue recovery activities, and any amount recovered will be recognized in the income statement.

The Company measures the provision for impairment losses on receivables (accounts receivable and notes receivable) according to the probability matrix as follows:

December 31<sup>st</sup>, 2022

	Non-overdue	Overdue 1-90 days	Overdue 91-180 days	Overdue Over 181 days	Individual assessment Impairment loss	Total
expected credit loss rate	-	0.01%~4.17%	4%~8.33%	100%	32.4%	
Total book value	\$ 308,285	\$ 43,500	\$ -	\$ -	\$ 210,192	\$ 561,977
Allowance for losses ( Expected credit losses during the duration )	<u>-</u>	<u>( 3 )</u>	<u>-</u>	<u>-</u>	<u>( 68,099 )</u>	<u>( 68,102 )</u>
Amortized cost	<u>\$ 308,285</u>	<u>\$ 43,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,093</u>	<u>\$ 493,875</u>

## December 31st, 2021

	Non-overdue	Overdue 1-90 days	Overdue 91-180 days	Overdue Over 181 days	Total
expected credit loss rate	-	-	-	-	
Total book value	\$ 585,238	\$ 57,800	\$ -	\$ -	\$ 643,038
Allowance for losses ( Expected credit losses during the duration )	-	-	-	-	-
Amortized cost	<u>\$ 585,238</u>	<u>\$ 57,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,038</u>

Most of the overdue accounts have been collected. The management of The Company has assessed that there is no expected credit loss for accounts receivable as of December 31st, 2021. The information regarding changes in the provision for account receivable is as follows:

	<u>2022</u>
Beginning balance	\$ -
Add: Impairment loss provision for the year	<u>68,102</u>
Ending balance	<u>\$ 68,102</u>

### **11. Inventory**

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Raw material	\$ 87,964	\$ 82,152
Finished products	43,191	40,816
Semi-finished products	36,119	36,265
Work in progress	<u>17,613</u>	<u>27,998</u>
	<u>\$184,887</u>	<u>\$187,231</u>

The cost of goods sold for 2022 and 2021 include inventory write-down expenses of NT\$3,281 thousand and NT\$2,409 thousand, respectively.

### **12. Prepayments**

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Overpaid VAT	\$ 3,845	\$ 6,479
Other prepayments	<u>13,485</u>	<u>13,134</u>
	<u>\$ 17,330</u>	<u>\$ 19,613</u>

### **13. Property, plant and equipment - own use**

	Machine equipment	Mold equipment	Transportati on equipment	Office equipment	Lease improveme nt	Total
<u>Cost</u>						
Balance as of January 1, 2022	\$ 48,135	\$ 649,097	\$ 8,739	\$ 3,139	\$ 38,240	\$ 747,350
Increase	1,961	254,404	2,952	-	-	259,317
Disposal	-	-	-	-	( 10,280 )	( 10,280 )

	Machine equipment	Mold equipment	Transportati on equipment	Office equipment	Lease improvement	Total
Balance as of December 31, 2022	<u>\$ 50,096</u>	<u>\$ 903,501</u>	<u>\$ 11,691</u>	<u>\$ 3,139</u>	<u>\$ 27,960</u>	<u>\$ 996,387</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2022	\$ 34,452	\$ 303,047	\$ 4,786	\$ 2,542	\$ 21,349	\$ 366,176
Depreciation	4,339	101,707	1,430	279	3,935	111,690
Disposal	-	-	-	-	(10,280)	(10,280)
Balance as of January 1, 2022	<u>\$ 38,791</u>	<u>\$ 404,754</u>	<u>\$ 6,216</u>	<u>\$ 2,821</u>	<u>\$ 15,004</u>	<u>\$ 467,586</u>
Net balance as of January 1, 2022	<u>\$ 11,305</u>	<u>\$ 498,747</u>	<u>\$ 5,475</u>	<u>\$ 318</u>	<u>\$ 12,956</u>	<u>\$ 528,801</u>
<u>Cost</u>						
Balance of January 1, 2021	\$ 44,022	\$ 465,376	\$ 6,256	\$ 2,858	\$ 22,526	\$ 541,038
Increase	4,558	183,721	2,483	377	15,714	206,853
Disposal	(445)	-	-	(96)	-	(541)
Balance as of December 31, 2021	<u>\$ 48,135</u>	<u>\$ 649,097</u>	<u>\$ 8,739</u>	<u>\$ 3,139</u>	<u>\$ 38,240</u>	<u>\$ 747,350</u>
<u>Accumulated depreciation and impairment</u>						
Balance of January 1, 2021	\$ 30,310	\$ 221,967	\$ 3,648	\$ 2,389	\$ 18,056	\$ 276,370
Depreciation	4,569	80,003	1,138	249	3,293	89,252
Impairment loss	-	1,077	-	-	-	1,077
Disposal	(427)	-	-	(96)	-	(523)
Balance of December 31, 2021	<u>\$ 34,452</u>	<u>\$ 303,047</u>	<u>\$ 4,786</u>	<u>\$ 2,542</u>	<u>\$ 21,349</u>	<u>\$ 366,176</u>
Net balance of December 31, 2021	<u>\$ 13,683</u>	<u>\$ 346,050</u>	<u>\$ 3,953</u>	<u>\$ 597</u>	<u>\$ 16,891</u>	<u>\$ 381,174</u>

In 2021, The Company recognized an impairment loss of 1,077 thousand New Taiwan Dollars for the fixed assets - mold equipment, after conducting an impairment assessment. This was due to the unsatisfactory sales of the car lamp finished product in the market, which led to a reduction in expected future cash flows for the product. As a result, the recoverable amount of the equipment was lower than its carrying amount. The Company used the value in use as the recoverable amount for the product, and the discount rate used in the fiscal year 2021 was 10%. This impairment loss has been included in the net gain or loss from other comprehensive income on the comprehensive income statement. Please refer to note 25(2) for more information.

Depreciation expense is provided on a straight-line basis over the following useful years:

Machine equipment	3-6 years
Mold equipment	2-5 years
Transportation equipment	5 years
Office equipment	2-5 years
Lease improvement	3-5 years

#### **14. Lease agreement**

(1) Right-of-use assets

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Carrying amounts of right-of-use assets		
Building	\$ 22,343	\$ 30,721
Transportation equipment	<u>1,079</u>	<u>2,375</u>
	<u>\$ 23,422</u>	<u>\$ 33,096</u>
Depreciation expense on right-of-use assets		
Building	\$ 8,378	\$ 8,378
Transportation equipment	<u>1,296</u>	<u>1,296</u>
	<u>\$ 9,674</u>	<u>\$ 9,674</u>

(2) Lease liabilities

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Carrying amounts of lease liabilities		
Current	\$ <u>9,519</u>	\$ <u>9,606</u>
Non-current	<u>\$ 14,302</u>	<u>\$ 23,821</u>

The discount rate range for the lease liability is as follows:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Building	1.39%	1.39%
Transportation equipment	1.39%	1.39%

(3) Important leasing activities and terms:

The Company leases buildings and transportation equipment for use as factories, offices, and company vehicles for a period of 3 to 5 years. At the end of the lease term, The Company does not have any preferential purchase rights for the leased buildings and transportation equipment.

(4) For information on our company's business leasing of investment properties, please refer to Note 15.

(5) Other leasing information.

	2022	2021
Short-term lease expense	\$ <u>8,400</u>	\$ <u>8,409</u>
Low-value asset lease expense	<u>\$ -</u>	<u>\$ 9</u>
Total amount (outflows) from leases	<u>(\$ 18,409)</u>	<u>(\$ 18,537)</u>

- (6) All lease commitments for which the lease period begins after the balance sheet date are as follows:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Lease commitments	<u>\$ 8,400</u>	<u>\$ 8,400</u>

### 15. Investment property

	Land	Buildings	Total
<u>Cost</u>			
Balance of January 1 <sup>st</sup> , 2022	\$ 34,813	\$ 32,060	\$ 66,873
Balance of December 31 <sup>st</sup> , 2022	<u>\$ 34,813</u>	<u>\$ 32,060</u>	<u>\$ 66,873</u>
<u>Accumulated depreciation</u>			
Balance of January 1 <sup>st</sup> , 2022	\$ -	\$ 13,459	\$ 13,459
Accumulated depreciation	-	629	629
Balance of December 31 <sup>st</sup> , 2022	<u>\$ -</u>	<u>\$ 14,088</u>	<u>\$ 14,088</u>
Net balance of December 31 <sup>st</sup> , 2022	<u>\$ 34,813</u>	<u>\$ 17,972</u>	<u>\$ 52,785</u>
<u>Cost</u>			
Balance of January 1 <sup>st</sup> , 2021	\$ 34,813	\$ 32,060	\$ 66,873
Balance of December 31 <sup>st</sup> , 2021	<u>\$ 34,813</u>	<u>\$ 32,060</u>	<u>\$ 66,873</u>
<u>Accumulated depreciation</u>			
Balance of January 1 <sup>st</sup> , 2021	\$ -	\$ 12,831	\$ 12,831
Accumulated depreciation	-	628	628
Balance of December 31 <sup>st</sup> , 2021	<u>\$ -</u>	<u>\$ 13,459</u>	<u>\$ 13,459</u>
Net balance of December 31 <sup>st</sup> , 2021	<u>\$ 34,813</u>	<u>\$ 18,601</u>	<u>\$ 53,414</u>

The lease period for the investment property for rent is 2-3 years. The lessee does not have the option to purchase the investment property at the end of the lease period.

The total lease payments to be received in the future for leasing investment property under operating leases are as follows:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
First year	\$ 3,097	\$ 3,337
Second year	2,606	2,257
Third year	1,359	-
	<u>\$ 7,062</u>	<u>\$ 5,594</u>

Investment properties are depreciated on a straight-line basis based on the following useful lives:

Building and structures - 50 years.

As of December 31st, 2022 and 2021, the fair value of the Company's investment properties was NT\$204,806thousand and NT\$181,117thousand, respectively. The fair value was evaluated by the Company's management based on the actual transaction prices of similar properties in the adjacent area selected from the Ministry of the Interior's real estate transaction website in the recent period.

#### 16. Other intangible assets

	<u>Patent</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance of January 1 <sup>st</sup> , 2022	\$ 577	\$ 12,291	\$ 12,868
Obtained separately	<u>-</u>	<u>1,880</u>	<u>1,880</u>
Balance of December 31 <sup>st</sup> , 2022	<u>\$ 577</u>	<u>\$ 14,171</u>	<u>\$ 14,748</u>
<u>Accumulated amortization</u>			
Balance of January 1 <sup>st</sup> , 2022	\$ 577	\$ 11,007	\$ 11,584
Amortization expense	<u>-</u>	<u>808</u>	<u>808</u>
Balance of December 31 <sup>st</sup> , 2022	<u>\$ 577</u>	<u>\$ 11,815</u>	<u>\$ 12,392</u>
Net balance of December 31 <sup>st</sup> , 2022	<u>\$ -</u>	<u>\$ 2,356</u>	<u>\$ 2,356</u>
<u>Cost</u>			
Balance of January 1 <sup>st</sup> , 2021	\$ 577	\$ 10,991	\$ 11,568
Obtained separately	<u>-</u>	<u>1,300</u>	<u>1,300</u>
Balance of December 31 <sup>st</sup> , 2021	<u>\$ 577</u>	<u>\$ 12,291</u>	<u>\$ 12,868</u>
<u>Accumulated amortization</u>			
Balance of January 1 <sup>st</sup> , 2021	\$ 577	\$ 10,447	\$ 11,024
Amortization expense	<u>-</u>	<u>560</u>	<u>560</u>
Balance of December 31 <sup>st</sup> , 2021	<u>\$ 577</u>	<u>\$ 11,007</u>	<u>\$ 11,584</u>
Net balance of December 31 <sup>st</sup> , 2021	<u>\$ -</u>	<u>\$ 1,284</u>	<u>\$ 1,284</u>

Amortization is charged on a straight-line basis over the following useful years:

Patent	5 years
Computer software	3 years

**17. Other non-current assets**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Prepaid equipment	\$ 242,598	\$ 264,700
Refundable deposits	<u>7,001</u>	<u>6,781</u>
	<u>\$ 249,599</u>	<u>\$ 271,481</u>

**18. Short-term loan**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Secured loan</u> (Note 32)		
Bank loan	\$ 70,000	\$ -
<u>Unsecured loan</u>		
Line of credit loan	<u>220,000</u>	<u>150,000</u>
	<u>\$ 290,000</u>	<u>\$ 150,000</u>

The interest rates for the bank's revolving loans as of December 31st, 2021 and 2020 were 1.4% to 1.84% and 0.7%, respectively.

**19. Accounts Payable****(1) Notes Payable**

The Company's notes payable are mainly issued for payment of goods and operating expenses.

**(2) Accounts Payable**

The Company's accounts payable primarily consist of amounts due for purchases of goods. The Company has established financial risk management policies to ensure that all payables are settled within the predetermined credit terms.

**20. Other accounts payable**

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Payable salary and bonus	\$ 23,663	\$ 22,498
Payable processing fee	5,657	14,008
Payable for equipment	10,394	10,655
Payable test fee – related party	3,328	3,209
Others	<u>16,983</u>	<u>18,471</u>
	<u>\$ 60,025</u>	<u>\$ 68,841</u>

## 21. Liability provision

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Current</u>		
Warranty	<u>\$ 36,199</u>	<u>\$ 10,829</u>
	<u>2022</u>	<u>2021</u>
<u>Warranty</u>		
Beginning balance	\$ 10,829	\$ -
Add: Addition this year	27,102	10,829
Less: Usage this year	<u>( 1,732)</u>	<u>-</u>
Ending balance	<u>\$ 36,199</u>	<u>\$ 10,829</u>

The warranty liability reserve is based on the sales contract for goods. The management of The Company estimates the present value of the best estimate of future economic benefits that will flow out due to warranty obligations. This estimate is based on historical warranty experience and takes into account adjustments for new raw materials, process changes, or other factors affecting product quality.

## 22. Retirement Benefit Plan

### (1) Defined Contribution Plan

The retirement benefit system of The Company, which is governed by the "Labor Retirement Pension Act," is a defined contribution retirement plan managed by the government. The Company contributes 6% of an employee's monthly salary to their personal account at the Labor Insurance Bureau.

### (2) Defined Benefit Plan

The retirement benefit system of The Company, which is based on the "Labor Standards Act" of Republic of China, is a defined benefit retirement plan managed by the government. Retirement benefits are calculated based on the employee's years of service and the average salary for the 6 months prior to the approved retirement date. The Company originally contributed 5% of an employee's monthly salary to the retirement plan, which was deposited in a special account at Taiwan Bank under the name of the Labor Retirement Reserve Supervisory Commission. However, The Company has already received approval from the Tainan City Labor Bureau to suspend contributions to the Labor Retirement Reserve Fund. The special account is managed by the Labor Fund Supervisory Board of the Ministry of Labor, and our company does not have the right to influence investment management strategies.

The amount of defined benefit plan included in the balance sheet is listed below:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Determining the present value of benefit obligations	(\$ 311)	(\$ 338)
Fair value of project assets	<u>9,543</u>	<u>8,799</u>
Net defined benefit assets	<u>\$ 9,232</u>	<u>\$ 8,461</u>

Changes in net defined benefit liabilities (assets) are as follows:

	Determining the present value of benefit obligations	Fair value of project assets	Net defined benefit assets
January 1 <sup>st</sup> , 2022	<u>\$ 338</u>	(\$ 8,799)	(\$ 8,461)
Interest expense (income) recognized in profit or loss	<u>2</u>	( <u>38</u> )	( <u>36</u> )
Return on project assets (except the amount included in net interest)	-	( 706)	( 706)
Actuarial losses - changes in financial losses	( 34)	-	( 34)
Actuarial loss - experience adjustment	<u>5</u>	<u>-</u>	<u>5</u>
Recognized in other comprehensive income	( <u>29</u> )	( <u>706</u> )	( <u>735</u> )
December 31 <sup>st</sup> , 2022	<u>\$ 311</u>	(\$ <u>9,543</u> )	(\$ <u>9,232</u> )
January 1 <sup>st</sup> , 2021	<u>\$ -</u>	(\$ <u>8,636</u> )	(\$ <u>8,636</u> )
Return on project assets (except the amount included in net interest)	-	( 163)	( 163)
Actuarial losses - changes in financial losses	42	-	42
Actuarial loss - experience adjustment	<u>296</u>	<u>-</u>	<u>296</u>
Recognized in other comprehensive income	<u>338</u>	( <u>163</u> )	<u>175</u>
December 31 <sup>st</sup> , 2021	<u>\$ 338</u>	(\$ <u>8,799</u> )	(\$ <u>8,461</u> )

The Company is exposed to the following risks due to the retirement pension system under the "Labor Standards Act":

- a. Investment risk: The Ministry of Labor's Labor Pension Fund is invested in domestic (foreign) equity securities, debt securities, bank deposits, and other assets through self-operation and commission management. However, the amount of the plan assets distributed by The Company is

calculated based on earnings that are not lower than the local bank's 2-year fixed deposit interest rate, which may be subject to investment risks.

- b. Interest rate risk: A decrease in the interest rates of government bonds/corporate bonds will increase the present value of the defined benefit obligation. However, the debt investment return of the plan assets will also increase, partially offsetting the impact on the net defined benefit liability.
- c. Salary risk: The calculation of the present value of the defined benefit obligation is based on the future salary of plan members. Therefore, an increase in plan members' salaries will increase the present value of the defined benefit obligation.

The present value of The Company's defined benefit obligation is calculated by qualified actuaries, and the major assumptions are as follows:"

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Discount rate	1.6032%	0.4362%
Salary expected increase rate	3.5%	3.5%

If significant actuarial assumptions change reasonably and all other assumptions remain unchanged, the increase (decrease) in the present value of the defined benefit obligation would be as follows:

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Discount rate		
Increase 0.5%	(\$ 13)	(\$ 16)
Decrease 0.5%	\$ 14	\$ 15
Salary expected increase rate		
Increase 0.5%	\$ 14	\$ 17
Decrease 0.5%	(\$ 13)	(\$ 16)

Since actuarial assumptions may be interrelated and the possibility of a single assumption changing is unlikely, the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Expected amount allocated within 1 year	\$ -	\$ -
Determining the average benefit obligation due period	8.96 years	10.03 year

## 23. Equity

(1) Share capital

Common stock

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Number of shares authorized (thousand shares)	<u>88,000</u>	<u>88,000</u>
Authorized capital	<u>\$ 880,000</u>	<u>\$ 880,000</u>
Number of issued and fully paid shares (thousand shares)	<u>64,431</u>	<u>64,431</u>
Paid-in capital	<u>\$ 644,306</u>	<u>\$ 644,306</u>

The issued common stock has a par value of NTD10 per share, and each share has one voting right and the right to receive dividends.

(2) Capital surplus

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<u>Can be used to make up for losses, distribute cash or allocate capital (Note 1)</u>		
Additional paid-in capital	\$ 14,705	\$ 14,705
<u>Can be used only to make up losses</u>		
Dividends not collected by shareholders overdue (Note 2)	<u>167</u>	<u>147</u>
	<u>\$ 14,872</u>	<u>\$ 14,852</u>

Note 1: This type of capital surplus can be used to offset losses, and can also be used to distribute cash or allocate to share capital when the company has no losses, but the allocation to share capital is limited to a certain percentage of the paid-in share capital each year.

Note 2: According to the Ruling No. 10602420200 issued by the Ministry of Economic Affairs on September 21st, 2017, dividends that shareholders fail to collect within the statute of limitations shall be recognized as capital surplus.

(3) Retained earnings and dividend policy

In accordance with the profit distribution policy stipulated in the company's Articles of Association, if there is a profit in the annual financial statements, taxes should be paid first, followed by the offset of accumulated losses, and then 10% should be allocated as a legal reserve. Except for the payment of dividends, if there is still a profit, the Board of Directors will propose an earnings distribution plan. If the proposal is to distribute share dividends, it

should be submitted to the shareholders' meeting for resolution. The aforementioned dividend distribution, if distributed in the form of cash dividends (including the issuance of capital surplus and legal reserve by cash under Article 241 of the Company Law), the board of directors shall authorize a resolution of more than two-thirds of the attending directors and the approval of the majority of the attending directors, and report to the shareholders' meeting.

The Company considers future investment capital needs, financial structure, earnings, and other factors to ensure sustainable operation and stable growth. In the future, The Company's earnings will be based on The Company's operating conditions, and dividends will be distributed to shareholders at a rate of not less than 10% of the distributable earnings every year, provided that the accumulated distributable earnings should not be distributed when it is less than 5% of the paid-in capital. The principle for the distribution of cash dividends is not less than 30% of the total amount of dividends distributed in the current year. For the employee and director remuneration distribution policy, please refer to Note 25 (7) of the employee and director remuneration.

The legal reserve fund can be used to offset for losses. When The Company has no losses, the part of the legal reserve that exceeds 25% of the total paid-in capital may be distributed to shareholders as dividends either in shares or cash.

Pursuant to Financial Supervisory Commission's Ruling No. 1090150022 and the "FAQs on the Application of Special Earnings Reserve after the Adoption of International Financial Reporting Standards (IFRSs)," The Company has set up and reversed special earnings reserve accordingly.

The Company held shareholders' meetings on June 14, 2022 and July 15, 2021 and passed the profit distribution proposals for the 2020 and 2019, respectively, as follows:

	<u>2021</u>	<u>2020</u>
Legal reserve	<u>\$ 23,038</u>	<u>\$ 32,420</u>
Special earnings reserve	<u>\$ 35</u>	<u>\$ 606</u>
cash dividend	<u>\$ 161,076</u>	<u>\$ 225,507</u>
Cash dividend per share (NTD)	\$ 2.5	\$ 3.5

On March 10th, 2023, The Company's board of directors proposed the 2022 earnings distribution plan as follows:

	<u>2022</u>
Legal reserve	<u>\$ 31,986</u>
Special earnings reserve	<u>(\$ 1,216)</u>
cash dividend	<u>\$ 161,076</u>
Cash dividend per share (NTD)	\$ 2.5

The above-mentioned cash dividends have been resolved by the board of directors, and the rest are yet to be recognized by the general meeting of shareholders expected to be held on June 16, 2023.

(4) Special earnings reserve

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 5,131	\$ 4,525
Provision of special reserve		
Deductions of other equity items	<u>35</u>	<u>606</u>
Ending balance	<u>\$ 5,166</u>	<u>\$ 5,131</u>

(5) Other equity items

Unrealized valuation gains and losses on financial assets measured at fair value through other comprehensive income.

	<u>2022</u>	<u>2021</u>
Beginning balance	(\$ 5,166)	(\$ 5,131)
Generated in the current year		
Unrealized gains and losses		
Equity instrument	1,917	( 22)
Related income tax	( <u>188</u> )	<u>1</u>
Other comprehensive income for the year	<u>1,729</u>	( <u>21</u> )
Transfer of accumulative gains and losses from disposal of equity instruments to retained earnings		
Realized profit or loss		
Equity instrument	( 641)	( 17)
Related income tax	<u>128</u>	<u>3</u>
	( <u>513</u> )	( <u>14</u> )
Ending balance	<u>(\$ 3,950)</u>	<u>(\$ 5,166)</u>

**24. Revenue**

(1) Revenue details

<u>Product category</u>	<u>2022</u>	<u>2021</u>
Automobile component	\$ 2,127,031	\$ 2,772,128
Electronics component	116,899	146,045
Environmental power supply unit	<u>22</u>	<u>-</u>
	<u>\$ 2,243,952</u>	<u>\$ 2,918,173</u>

Region	2022	2021
America	\$ 1,827,096	\$ 2,441,902
Asia	348,584	369,861
Europe	65,394	99,161
Oceania	<u>2,878</u>	<u>7,249</u>
	<u>\$ 2,243,952</u>	<u>\$ 2,918,173</u>

(2) Contract balance

	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	January 1 <sup>st</sup> , 2021
Notes receivable ( related parties ) ( Note 10 and 31 )	<u>\$ 22,137</u>	<u>\$ 39,583</u>	<u>\$ 31,151</u>
Accounts receivable ( related parties ) ( Note 10 and 31 )	<u>\$ 471,738</u>	<u>\$ 603,455</u>	<u>\$ 561,897</u>
Contract liabilities	<u>\$ 1,122</u>	<u>\$ 1,245</u>	<u>\$ 1,484</u>

The change in contract liabilities mainly comes from the difference between the timing of fulfilling contractual obligations and the timing of customer payments. The number of contract liabilities recognized as revenue for 2022 and 2021 at the beginning of the year was NT\$1,104 thousand and NT\$839 thousand, respectively.

**25. Net income**

(1) Other income

	2022	2021
Rent	\$ 3,684	\$ 3,342
Royalty	-	53
Other income	<u>2,346</u>	<u>3,430</u>
	<u>\$ 6,030</u>	<u>\$ 6,825</u>

(2) Other gains and losses

	2022	2021
Net foreign currency exchange gain (loss)	\$108,595	(\$ 33,773)
Net gain (loss) on financial assets at fair value through profit or loss	27	( 345)
Disposal of net interest in property, plant and equipment	-	32
Business tax violations and fines (Note)	-	( 159,380)
Impairment loss on property, plant and equipment	-	( 1,077)
Miscellaneous expense	<u>( 638 )</u>	<u>( 674 )</u>
	<u>\$107,984</u>	<u>(\$195,217)</u>

Note:

The National Taxation Bureau of the Southern Area of the Ministry of Finance determined that this company acquired uniform invoices issued by non-actual trading business entities as input tax credit certificates for offsetting output tax during the period from November 2014 to March 2018. This involved falsely reporting input tax amounts. On October 5th, 2021, this company received a notice of business tax violation from the National Taxation Bureau of the Southern Area and was required to pay VAT of NT\$105,587 thousand.

On December 1st, 2021, this company received a penalty decision from the National Taxation Bureau of the Southern Area and was fined NT\$53,793 thousand. The Company has paid the relevant taxes and fines and has filed a recheck application to the National Taxation Bureau of the Southern Area on November 24th and December 16th, 2021, respectively, seeking to revoke the original decision."

(3) Financial costs

	<u>2022</u>	<u>2021</u>
Bank loan interest	\$ 1,940	\$ 702
Interest on the lease liabilities	403	540
Imputed interest on deposits received	<u>20</u>	<u>21</u>
	<u>\$ 2,363</u>	<u>\$ 1,263</u>

(4) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$111,690	\$ 89,252
Right-of-use assets	9,674	9,674
Investment property	629	628
Intangible property	<u>808</u>	<u>560</u>
Total	<u>\$122,801</u>	<u>\$100,114</u>

	<u>2022</u>	<u>2021</u>
Summary of depreciation expense by function		
Operating cost	\$116,160	\$ 94,432
Operating expense	5,204	4,494
Non-operating expense	<u>629</u>	<u>628</u>
	<u>\$121,993</u>	<u>\$ 99,554</u>

Amortization expenses summarized by function		
Marketing expense	\$ 427	\$ 326

	<u>2022</u>	<u>2021</u>
Management expense	-	122
R&D expense	<u>381</u>	<u>112</u>
	<u>\$ 808</u>	<u>\$ 560</u>

(5) Direct operating expenses of investment property

	<u>2022</u>	<u>2021</u>
Generate rental income		
Depreciation expense	\$ 629	\$ 628
Taxes	<u>125</u>	<u>125</u>
	<u>\$ 754</u>	<u>\$ 753</u>

(6) Employee benefits expense

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$119,469	\$123,968
Post-employment benefits		
Confirm allocation plan	4,633	4,701
Defined benefit plans (Note 22)	( <u>36</u> )	<u>-</u>
	<u>\$124,066</u>	<u>\$128,669</u>
Summary by function		
Operating cost	\$ 60,196	\$ 67,214
Operating expense	<u>63,870</u>	<u>61,455</u>
	<u>\$124,066</u>	<u>\$128,669</u>

(7) Employee compensation and director and supervisor compensation

The Company allocates employee compensation and director and supervisor compensation by setting aside a portion of the pre-tax profits of the current year, which shall not be less than 1% and not more than 5% before deducting such compensation. The employee compensation and director and supervisor compensation for 2022 and 2021 were respectively resolved by the Board of Directors on March 10th, 2023 and March 18th, 2022 as follows:

Estimated ratio

	<u>2022</u>	<u>2021</u>
Employee compensation	1%	1%
Compensations of directors and supervisors	0.52%	0.5%

## Amounts

	<u>2022</u>	<u>2021</u>
Employee compensation	\$ 4,040	\$ 3,347
Compensations of directors and supervisors	2,100	1,680

After the release date of the annual financial report, if there are still changes in the amounts, they will be handled according to accounting estimates and adjusted in the next year's accounts.

The actual distribution amounts of employee compensation and director and supervisor compensation for 2021 and 2020 are not different from the recognized amounts in the 2021 and 2020 financial reports.

For information regarding employee compensation and director and supervisor compensation decisions made by The Company's board of directors, please refer to the "Public Information Observation Station" of the Taiwan Stock Exchange.

### (8) Foreign exchange gain and loss

	<u>2022</u>	<u>2021</u>
Total foreign exchange gain	\$150,410	\$ 36,065
Total foreign exchange (loss)	( 41,815)	( 69,838)
Net gain (loss)	<u>\$108,595</u>	<u>(\$ 33,773)</u>

## **26. Income tax**

### (1) Income tax recognized in profit or loss

The main components of income tax expenses (benefits) are as follows:

	<u>2022</u>	<u>2021</u>
income tax of current year		
In respect of the current year	\$ 96,850	\$ 96,567
Prior year adjustments	<u>2,384</u>	( 175)
	<u>99,234</u>	<u>96,392</u>
Deferred income tax		
In respect of the current year	( 20,263)	<u>859</u>
Income tax expense recognized in profit or loss	<u>\$ 78,971</u>	<u>\$ 97,251</u>

The adjustment of accounting income and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Earnings before tax	<u>\$397,728</u>	<u>\$327,752</u>
Income tax expense calculated at statutory tax rate	\$ 79,545	\$ 65,550

	<u>2022</u>	<u>2021</u>
Non-deductible expense losses	-	31,875
Tax-free income	( 93)	1
Unrecognized deductible temporary differences	( 2,865)	-
Adjustment for previous year's income tax	<u>2,384</u>	<u>( 175)</u>
Income tax expense recognized in profit or loss	<u>\$ 78,971</u>	<u>\$ 97,251</u>

(2) Recognized in other comprehensive income tax

	<u>2022</u>	<u>2021</u>
<u>Deferred income tax</u>		
Generated in the current year		
- Defined benefit plan remeasurement number	\$ 147	(\$ 35)
- Unrealized gains and losses on financial assets at fair value through other comprehensive income	188	( 4)
Reclassification adjustment		
- Disposal of equity instrument investments measured at fair value through other comprehensive income	<u>( 128)</u>	<u>3</u>
Income tax recognized in other comprehensive profit or loss	<u>\$ 207</u>	<u>(\$ 36)</u>

(3) Current income tax liabilities

	<u>December 31<sup>st</sup>, 2022</u>	<u>December 31<sup>st</sup>, 2021</u>
Current income tax liabilities		
Income tax payable	<u>\$ 46,908</u>	<u>\$ 56,641</u>

(4) Deferred income tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Temporary difference</u>				
Financial assets at fair value through other comprehensive income	\$ 60	\$ -	(\$ 60)	\$ -
Allowance for losses	-	12,496	-	12,496
Unrealized loss on inventory decline	3,833	657	-	4,490
Property, plant and equipment	-	524	-	524
Liability provision	-	7,240	-	7,240
Unrealized exchange loss	680	(643)	-	37
	<u>\$ 4,573</u>	<u>\$ 20,274</u>	<u>(\$ 60)</u>	<u>\$ 24,787</u>
<u>Deferred tax liabilities</u>				
<u>Temporary difference</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ 4	\$ -	\$ 4
Defined benefit Retirement Plan	1,692	7	147	1,846
	<u>\$ 1,692</u>	<u>\$ 11</u>	<u>\$ 147</u>	<u>\$ 1,850</u>

## 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
<u>Temporary difference</u>				
Financial assets at fair value through other comprehensive income	\$ 59	\$ -	\$ 1	\$ 60
Unrealized loss on inventory decline	3,351	482	-	3,833
Unrealized exchange loss	2,021	(1,341)	-	680
	<u>\$ 5,431</u>	<u>(\$ 859)</u>	<u>\$ 1</u>	<u>\$ 4,573</u>
<u>Deferred tax liabilities</u>				
<u>Temporary difference</u>				
Defined Benefit Retirement Plan	\$ 1,727	\$ -	(\$ 35)	\$ 1,692

### (5) Income tax verification situation

The profit-seeking enterprise income tax return of the Company has been assessed by the tax authority until 2020, and the audited amount is the same as the declared amount.

## 27. Earnings per share (EPS)

Earnings and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net profit for the year

	<u>2022</u>	<u>2021</u>
Net income used to calculate basic earnings per share	<u>\$318,757</u>	<u>\$230,501</u>
<u>Number of shares</u>	(Unit Thousand shares)	
	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used to calculate basic earnings per share	64,431	64,431
Effect on dilutive potential ordinary shares:		
Employee compensation	<u>48</u>	<u>43</u>
Weighted average number of common shares used to calculate diluted earnings per share	<u>64,479</u>	<u>64,474</u>

If the Company may choose to distribute employee compensation in the form of stocks or cash, when calculating diluted earnings per share, we assume that the employee compensation will be distributed in the form of stocks and include the weighted average number of outstanding shares with dilution effects of such potential common stocks to calculate diluted earnings per share. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, we will continue to consider the dilutive effects of such potential common stocks.

**28. Cash Flow Information**

(1) Non-cash transactions

In addition to disclosures made in other notes, the following investment and financing activities involving non-cash transactions were carried out by our company in 2022 and 2021:

The Company acquired properties, plants, and equipment which were not yet paid as of December 31st, 2022 and 2021, respectively, and were accounted for as other payables of NT\$10,394 thousand and NT\$10,655 thousand, respectively (refer to Note 20).

In addition, the Company recognized NT\$147 thousand in capital surplus in 2021 for uncollected dividends by shareholders that had exceeded the statute of limitations. (2) Changes in liabilities from financing activities

## 2022

	January 1st, 2022	Cash flow	Non-cash changes		December 31st, 2022
			Interest expense Amortized amount	Others	
Short-term loan	\$ 150,000	\$ 140,000	\$ -	\$ -	\$ 290,000
Lease liability	33,427	( 9,606 )	403	( 403 )	23,821
Deposits Received	<u>606</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>628</u>
	<u>\$ 184,033</u>	<u>\$ 130,416</u>	<u>\$ 403</u>	<u>( \$ 403 )</u>	<u>\$ 314,449</u>

## 2021

	January 1st, 2021	Cash flow	Non-cash changes		December 31st, 2022
			Interest expense Amortized amount	Others	
Short-term loan	\$ 170,880	( \$ 20,880 )	\$ -	\$ -	\$ 150,000
Lease liability	43,006	( 9,579 )	540	( 540 )	33,427
Deposits received	<u>606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606</u>
	<u>\$ 214,492</u>	<u>\$ 30,459</u>	<u>\$ 540</u>	<u>( \$ 540 )</u>	<u>\$ 184,033</u>

### **29. Capital risk management**

The Company conducts capital management to ensure the maximization of shareholder returns by optimizing debt and equity balances while continuing operations. Our overall strategy remains unchanged.

The Company's capital structure consists of equity (including share capital, capital reserves, retained earnings, and other equity items).

We are not required to comply with external capital regulations.

### **30. Financial instruments**

#### (1) Fair value information - financial instruments not measured at fair value

The management believes that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair values.

(2) Fair value information - financial instruments measured at fair value on a recurring basis.

a. Fair value level

December 31st, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
- Foreign bonds	\$ 191	\$ -	\$ -	\$ 191
- Foreign listed (counter) stocks	2,068	-	-	2,068
- Fund beneficiary certificate	<u>2,706</u>	<u>-</u>	<u>-</u>	<u>2,706</u>
	<u>\$ 4,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,965</u>

Financial assets at fair value through other comprehensive income

Equity instrument investment

- Domestic unlisted (counter) stocks

\$ -	\$ -	\$ 2,924	\$ 2,924
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December 31st, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Fund beneficiary certificate	<u>\$ 2,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,697</u>

Financial assets at fair value through other comprehensive income

Equity instrument investment

- Foreign listed (counter) special stocks

\$ 761	\$ -	\$ -	\$ 761
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- Domestic unlisted (counter) stocks

<u>-</u>	<u>-</u>	<u>2,924</u>	<u>2,924</u>
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Total

<u>\$ 761</u>	<u>\$ -</u>	<u>\$ 2,924</u>	<u>\$ 3,685</u>
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In 2022 and 2021, there was no transfer between level 1 and level 2 at fair

value measurement.

b. Reconciliation of financial instruments measured at level 3 fair value

Financial assets at fair value through other comprehensive income - equity instruments

	2022	2021
Beginning Balance	\$ 2,924	\$ 2,924
Recognized in other comprehensive profit or loss (unrealized gains or losses on financial assets measured at fair value through other comprehensive profit or loss)	-	-
Ending Balance	\$ 2,924	\$ 2,924

c. Valuation techniques and inputs applied for level 3 fair value Measurement

For domestic unlisted equity investments, the fair value of the investment is determined using the comparable listed companies method, taking into account the trading price of stocks of companies engaged in similar or related businesses in an active market, the implied value multiplier of such prices, and the liquidity discount to determine the value of the target company. The significant unobservable input value is the liquidity discount.

(3) Financial instruments category

	December 31st, 2022	December 31st, 2021
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatory fair value through profit or loss	\$ 4,965	\$ 2,697
Financial assets measured at amortized cost (Note 1)	1,131,967	1,222,611
Financial assets at fair value through other comprehensive income		
Equity instrument investment	2,924	3,685
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	625,185	751,771

Note 1: The balance includes cash and cash equivalents, financial assets measured at amortized cost-current, accounts receivable, other

receivables, and deposits paid measured at amortized cost.

Note 2: The balance includes short-term borrowings, bills payable, accounts payable, other payable (excluding salaries and bonuses payable), and deposits received measured at amortized cost.

(4) The purpose and policy of financial risk management

The Company's primary financial instruments include foreign currency deposits, equity instrument investments, accounts receivable, accounts payable, borrowing, and lease liabilities. Our financial management department provides services to various business units, coordinating and supervising the operation of entering domestic and international financial markets. By analyzing internal risk reports of unexpected risks according to the degree and breadth of risk, we manage the financial risks related to the Company's operations. Such risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

a. Market Risk

The main financial risks of the Company assumes in its operating activities are foreign exchange rate risk, interest rate risk, and other price volatility risk.

There is no change in the Company's market risk and its management and measurement methods regarding financial instruments.

(a) Exchange Rate Risk

Please refer to Note 36 for the book value of monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

Sensitivity Analysis

The Company is mainly affected by fluctuations in the exchange rates of the US dollar, RMB, and Euro.

The following table shows the sensitivity analysis of The Company when the New Taiwan Dollar (the functional currency) increases or decreases by 5% against each relevant currency. 5% is the sensitivity ratio used by the Company's management to report exchange rate risks to the top management and represents the evaluation of a reasonable possible range of exchange rate changes by the management.

Negative numbers in the table indicate that when the New Taiwan Dollar appreciates by 5% against each relevant currency, it will result in a decrease in profit before tax. When the New Taiwan Dollar depreciates by 5% against each relevant foreign currency, the impact on

profit before tax will be the same amount but positive.

	2022	2021
USD	(\$ 45,529)	(\$ 38,006)
RMB	(\$ 4,994)	(\$ 10,569)
EUR	(\$ 2,247)	(\$ 773)

The above mainly comes from the evaluation of the Company's cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, and accounts payable denominated in USD, CNY, and EUR that were still outstanding and not hedged for cash flows on the balance sheet date.

The Company's sensitivity to USD exchange rates increased during the current year mainly due to the increase in the net assets held in USD. The sensitivity to CNY exchange rates decreased mainly because of the decrease in the net assets held in CNY, while the sensitivity to EUR exchange rates increased due to the increase in the assets held in EUR.

(b) Interest rate risk

The carrying amounts of the financial assets and financial liabilities of the Company subject to interest rate exposure on the balance sheet date are as follows:

	December 31st, 2022	December 31st, 2021
Fair value interest rate risk		
- Financial assets	\$ 281,427	\$ 290,683
- Financial liabilities	313,821	183,427
Cash flow interest rate risk		
- Financial asset	347,201	278,259

Sensitivity Analysis

The following sensitivity analysis is based on the Company's exposure to interest rate for non-derivative instruments on the balance sheet date. The fluctuation rate used by the Company's management to report interest rates internally is an increase or decrease of 25 basis points, which also represents their assessment of the reasonable range of interest rate changes.

If the interest rate increases or decreases by 25 basis points, with all other variables remaining constant, the pre-tax profits for 2022 and 2021 will increase or decrease by NT\$ 868,000 and NT\$ 696,000, respectively. This is mainly due to the interest rate risk of the Company's floating-rate current deposits and foreign exchange deposits. The Company's sensitivity to interest rates has increased in this period mainly due to

the increase in bank deposits with floating interest rates.

(c) Other price risk

The Company has experienced equity price volatility due to domestic and foreign equity securities investments. These equity investments are not held for trading but rather for strategic purposes. The Company has not actively traded these investments and manages the risk by holding low-risk portfolio products.

Sensitivity Analysis

The following sensitivity analysis is based on the equity securities price exposure on the balance sheet date. If the equity price increases/decreases by 5%, the pre-tax profit or loss for the year 2022 will increase/decrease by NT\$103 thousand due to the fair value changes in financial assets measured at fair value through profit or loss. Additionally, the pre-tax other comprehensive income for 2022 and 2021 will increase/decrease by NT\$146 thousand and NT\$184 thousand, respectively due to the fair value changes in financial assets measured at fair value through other comprehensive income.

The increase in sensitivity to equity securities price risk for financial assets measured at fair value through profit or loss is mainly due to the increase in foreign equity securities investment. On the other hand, the decrease in sensitivity to equity securities price risk for financial assets measured at fair value through other comprehensive income is mainly due to the decrease in foreign equity securities investment.

b. Credit risk

Credit risk refers to the risk of financial loss that The Company may incur when the counterparty fails to fulfill its contractual obligations. As of the balance sheet date, the maximum credit risk of financial loss that The Company may suffer from the counterparty's failure to fulfill its obligations mainly comes from the carrying amount of financial assets recognized in the balance sheet.

The Company's policy is to only engage in transactions with reputable counterparties and to obtain collateral when necessary to mitigate the risk of financial loss due to defaults.

The Company's credit risk is mainly concentrated on our top three customers. As of December 31, 2022 and 2021, the total amount of accounts receivable from these customers accounted for 83% and 77% of the total amount of accounts receivable, respectively.

c. Liquidity risk

The Company manages and maintains sufficient cash positions to support its operations and mitigate the impact of cash flow fluctuations. The Company's management oversees the use of bank financing facilities and ensures compliance with loan contract terms.

(a) Liquidity and interest rate risk table

The following table shows the remaining contractual maturities of non-derivative financial liabilities that The Company has agreed to repay. The analysis is based on the earliest possible date The Company may be required to repay and is prepared based on the undiscounted cash flows of the financial liabilities.

December 31, 2022

	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months- 1 year</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>				
Liability with no interest	\$ 27,716	\$ 202,977	\$ 104,492	\$ -
Lease liability	834	1,668	7,286	14,476
Fixed rate instrument	-	220,379	70,264	-
	<u>\$ 28,550</u>	<u>\$ 425,024</u>	<u>\$ 182,042</u>	<u>\$ 14,476</u>

December 31, 2021

	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3 months- 1 year</u>	<u>1-5 years</u>
<u>Non-derivative financial liabilities</u>				
Liability with no interest	\$ 195,922	\$ 368,333	\$ 37,516	\$ -
Lease liability	834	1,668	7,507	24,265
Fixed rate instrument	-	150,250	-	-
	<u>\$ 196,756</u>	<u>\$ 520,251</u>	<u>\$ 45,023</u>	<u>\$ 24,265</u>

(b) Financing amount

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Unsecured bank overdraft facility		
- Used amount	\$ 220,000	\$ 150,000
- Unused amount	<u>276,065</u>	<u>300,000</u>
	<u>\$ 496,065</u>	<u>\$ 450,000</u>
Secured bank overdraft facility		
- Used amount	\$ 70,000	\$ -

	December 31st, 2022	December 31st, 2021
- Unused amount	<u>-</u>	<u>-</u>
	<u>\$ 70,000</u>	<u>\$ -</u>

### 31. Related party transaction

The ultimate parent company and ultimate controller of the company are Zhicheng Investment Co., Ltd., which held 52.76% of the company's ordinary shares on December 31, 2022 and 2021.

Except as disclosed in Notes, the transactions between the company and related parties are as follows.

#### (1) Related party and relationship

<u>Related party</u>	<u>Relationship to our company</u>
Eagle Eyes Traffic Industrial Co., Ltd. ("EE Co., Ltd.")	Substantive related party

#### (2) Revenue

<u>Related party</u>	<u>2022</u>	<u>2021</u>
EE Co., Ltd.	<u>\$ 89,216</u>	<u>\$ 108,162</u>

There is no significant difference between The Company's trading conditions for sales to related parties and general customers.

#### (3) Operating cost

<u>Related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
EE Co., Ltd.	Purchase	<u>\$ 676,813</u>	<u>\$ 512,598</u>
EE Co., Ltd.	Utility expense	<u>\$ 2,896</u>	<u>\$ 4,796</u>
EE Co., Ltd.	Processing expense	<u>\$ 175</u>	<u>\$ -</u>
EE Co., Ltd.	Other expenses	<u>\$ 147</u>	<u>\$ 184</u>

The Company's transaction prices for purchases from related parties do not significantly differ from those of regular suppliers, and payment terms are determined by mutual agreement. Please refer to Note 37, Attachment 2 for details.

In addition, during 2021, The Company procured goods from Wuyang Co., Ltd. (hereinafter referred to as "Wuyang Company") and Lingxiang Co., Ltd. (hereinafter referred to as "Lingxiang Company"), among others.

The Company has learned that Wuyang and Lingxiang Company purchased products from EE Co., Ltd., the products are manufactured by EE Co., Ltd. and then sold to the Company for a total of NT\$ 402,644 thousand. In addition, Wuyang and Lingxiang Company sold products purchased from non-related

parties through EE Co., Ltd. to the Company for a total of NT\$ 331,163,000, which is not included in the number of related party transactions.

(4) General and administrative

<u>Related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
EE Co., Ltd.	Maintenance expense	<u>\$ 40</u>	<u>\$ 40</u>

The Company pays for maintenance expense.

(5) Research and development

<u>Related party</u>	<u>Nature</u>	<u>2022</u>	<u>2021</u>
EE Co., Ltd.	Testing fee	<u>\$ 12,704</u>	<u>\$ 13,676</u>
EE Co., Ltd.	Certification fee	<u>\$ -</u>	<u>\$ 83</u>

The Company pays for mold testing and certification.

(6) Other income

<u>Related party</u>	<u>2022</u>	<u>2021</u>
EE Co., Ltd.	<u>\$ 1</u>	<u>\$ 18</u>

(7) Accounts receivable to related party

<u>Category</u>	<u>Related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Noted receivable	EE Co., Ltd.	<u>\$ 13,909</u>	<u>\$ 24,905</u>
Accounts receivable	EE Co., Ltd.	<u>\$ 4,922</u>	<u>\$ 9,929</u>

There is no guarantee for the outstanding receivables from related parties. The amount receivable from a related party is evaluated and no provision for loss is required.

(8) Refundable deposits (accounted for in other non-current assets)

<u>Related party</u>	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
EE Co., Ltd.	<u>\$ 1,520</u>	<u>\$ 1,520</u>

(9) Amount payable to related parties

<u>Accounts</u>	<u>Related party</u>	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Accounts payable	EE Co., Ltd.	<u>\$ 134,831</u>	<u>\$ 353,052</u>
Other payables	EE Co., Ltd.	<u>\$ 3,328</u>	<u>\$ 3,209</u>

The outstanding balance of payables to related parties has not been guaranteed.

(10) Lease agreement

Accounts	Related party	December 31st, 2022	December 31st, 2021
Lease liability	EE Co., Ltd.	<u>\$ 22,725</u>	<u>\$ 31,032</u>

Related party	2022	2021
<u>Interest expense</u>		
EE Co., Ltd.	<u>\$ 378</u>	<u>\$ 493</u>

The rental of factories leased from related parties due to operational needs is negotiated and paid monthly with reference to market conditions.

(11) Trademark license

The Company is licensed to use the trademark of Eagle Eyes Traffic Industrial Co., Ltd. on some of the products. According to the agreement, we are required to pay a royalty of 1% of the unit price for each sale using the licensed trademark. The trademark expenses for 2022 and 2021 were NT\$ 454 thousand and NT\$ 931 thousand respectively.

(12) Salary of major managerial position

	2022	2021
Short-term employee benefits	\$ 7,959	\$ 7,312
Retirement benefits	<u>117</u>	<u>112</u>
	<u>\$ 8,076</u>	<u>\$ 7,424</u>

The salary of directors and major managerial position is determined by the remuneration committee in accordance with individual performance and market trends.

**32. Assets pledged as collateral or for security**

The following assets were provided as collateral for short-term loan:

	December 31st, 2022	December 31st, 2021
Pledged time deposits (accounted for as financial assets measured at amortized cost - current)	<u>\$ 83,752</u>	<u>\$ -</u>

**33. Significant contingent liabilities and unrecognized commitments**

As of December 31, 2022, the unpaid amount of the contracted mold and engineering payment of the Company was NT\$ 82,024 thousands, USD\$ 1,606 thousand and RMB\$ 8,640 thousand.

**34. Significant subsequent events**

None

### 35. Other significant events

As described in Note 35 of the financial statements, the Chairman and related employees of Topower Co., LTD were prosecuted by the Tainan District Prosecutors Office in Taiwan in July 2021 for alleged violations of Securities Exchange Law and Business Entity Accounting Act, and the case is now being heard by the Tainan District Court. The Chairman and related employees of Topower Co., LTD have engaged lawyers to seek for a fair judgment on the charges. The above mentioned lawsuit does not affect the Company's finance and daily operation.

### 36. Significant assets and liabilities denominated in foreign currencies

The following information is summarized and expressed in terms of foreign currencies other than The Company's functional currency, and the disclosed exchange rates refer to the exchange rates converted from these foreign currencies to the functional currency. Assets and liabilities denominated in foreign exchanges with significant impact are as follows:

Each foreign currency / New Taiwan Dollars in thousands			
December 31st, 2022			
	Foreign exchange	Exchange Rate	Amount
<u>Foreign exchange assets</u>			
<u>Monetary item</u>			
USD	\$ 29,854	30.71(USD : NTD)	\$ 916,817
RMB	22,664	4.408(RMB: NTD)	99,902
EUR	1,374	32.72(EUR:TWD)	44,941
<u>Non-monetary items</u>			
USD	162	30.71(USD: NTD)	4,965
<u>Foreign exchange liabilities</u>			
<u>Monetary item</u>			
USD	203	30.710(USD: NTD)	6,241
RMB	3	4.408(RMB: NTD)	13

December 31st, 2021			
	Foreign exchange	Exchange Rate	Amount
<u>Foreign exchange assets</u>			
<u>Monetary item</u>			
USD	\$ 27,666	27.680 (USD : NTD)	\$ 765,804
RMB	48,661	4.344 (RMB : NTD)	211,383
EUR	493	31.320 (EURO : NTD)	15,455
<u>Non-monetary items</u>			
USD	125	27.680 (USD : NTD)	3,458
<u>Foreign exchange liabilities</u>			
<u>Monetary item</u>			
USD			
RMB	205	27.680 (USD : NTD)	5,679
	1	4.344 (RMB : NTD)	6

Unrealized foreign exchange gains and losses with significant impacts are as follows :

Foreign exchange	2022		2021	
	Exchange rate	Net unrealized Exchange (loss) loss	Exchange rate	Net unrealized Exchange (loss) loss
USD	1: 29.805 (USD: NTD)	(\$ 3,171)	1 : 28.009 (USD: NTD)	( \$ 2,426 )
RMB	1: 4.422 (RMB: NTD)	1,922	1 : 4.341 (RMB: NTD)	( 778 )
EUR	1:31.360 (EUR:TWD)	<u>1,066</u>	1 : 33.160 (EUR:TWD)	( <u>197</u> )
		(\$ <u>183</u> )		( \$ <u>3,401</u> )

### 37. Separately disclosure items

(1) Information about significant transaction:

- a. Loans to others: None.
- b. Endorsements and guarantees for others: None.
- c. Holdings of securities at the end of the period (excluding investments in subsidiaries, associated companies, and joint venture equity): see Appendix 1.
- d. Cumulative purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital: None.
- e. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital: None.

- f. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital: None.
- g. Sales and purchases with related parties reaching NT\$100 million or 20% of paid-in capital: see Appendix 2.
- h. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital: None.
- i. Trading in derivative instruments: None.
- j. Other: No significant business relationships or important transactions between the parent company, subsidiaries, and among subsidiaries with significant amounts.

(2) Information on investees: None

(3) Information on investments in China

- a. Information on invested companies in Mainland China, including their names, main business activities, paid-up capital, investment methods, inflow and outflow of funds, shareholding ratios, investment gains and losses, year-end book value of investments, realized investment gains and losses, and investment quotas in Mainland China: None.
- b. Significant transactions directly or indirectly carried out with invested companies in Mainland China via third-party countries, along with their prices, payment terms, and unrealized gains and losses: None.

(4) Information on major shareholders: Names, shareholding amounts, and ratios of shareholders with a stake of 5% or more are listed in Appendix 3.

### **38. Segment information**

(1) Information by segment

The Company primarily engages in the production and sales of automotive components, electronic components, and high-end environmentally friendly power supplies, and has no other segments to report.

(2) Information on major customers

The following is a disclosure of the revenue from the Company's major customers in 2022 and 2021, which exceeded 10% of the total revenue:

	<u>2022</u>	<u>2021</u>
Customer A	\$ 867,287	\$ 1,108,978
Customer B	<u>512,086</u>	<u>522,040</u>
	<u>\$ 1,379,373</u>	<u>\$ 1,631,018</u>

## Appendix 1

Topower Co., LTD  
Securities held at the end of the period  
December 31<sup>st</sup>, 2022

In Thousands of New Taiwan Dollars,  
unless otherwise specified

Holding company	Type and name of securities	Issuer of securities relationship	Accounts	End of year			Fair value (note)	Notes
				Number of thousand shares or thousand equity units	Amount	Share percentage %		
Topower Co., LTD Holding company	<u>Bond</u> Foreign bonds FYBR 5 7/8 11/01/2029	None	Financial assets at fair value through profit or loss - current	8	\$ 191		\$ 191	
	<u>Stocks</u> Foreign listed (counter) stocks FRONTIER COMMUNICATIONS PARENT INC	None	Financial assets at fair value through profit or loss - current	2	2,068	-	2,068	
	Domestic unlisted (counter) stocks ACT-RX Technology Corp.	None	Financial assets at fair value through other comprehensive income non-current	328	2,924	0.67	2,924	
	<u>Fund</u> Franklin Templeton Global Bond Fund	None	Financial assets at fair value through profit or loss - current	7	2,706		2,706	

Note: The fair value of foreign bonds is based on the latest closing price provided by Bloomberg; the fair value of foreign listed (counter) stocks is based on 4:00 p.m. local time on the balance sheet day of the New York Stock Exchange to calculate the closing price of the stock; domestic unlisted (over-the-counter) stocks have no public quotations, so their fair value can be evaluated and reasonably estimated by the method of analogous listed OTC companies; the fair value of open-end funds is based on the balance sheet Calculate the net value of the fund on the day.

Appendix 2

Topower Co., LTD

The amount of goods purchased and sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital

2022

In Thousands of New Taiwan Dollars

Purchasing (selling) goods company	Trading partners	Relation	Transaction situation				Situations and reasons of transaction conditions are different from general transactions		Notes receivable (payment), accounts		Note
			Purchasing (selling) goods	Amount	% of total purchase (sales)	Credit period	Unit price	Credit period	Balance	% of total bills receivable (payable) and accounts (Note 1)	
Topower Co., LTD	EE Co., Ltd.	Substantial related party	Purchasing Goods	\$676,813	46%	77-day payment for finished product purchase; 107-day payment for non-finished product purchase	-	Purchase monthly settlement 90 days payment	( \$ 134,831 )	( 45% )	

Note 1: The above ratio is calculated based on the ratio of the balance of notes receivable (payment) and accounts of the transaction partner to the total balance of notes receivable (payment) and accounts of the importing (selling) company.

Appendix 3

Topower Co., LTD  
Major shareholders information  
December 31, 2022

Major shareholder	Shares	
	Share holding	Share percentage %
Zhicheng Investment Co., Ltd.	34,000,000	52.76
Chou Chinglin	3,382,837	5.25

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the total number of common shares held by shareholders who have completed the delivery of shares without physical registration (including treasury stocks) as of the last business day of the quarter. The number of shares recorded in The Company's financial report and the actual number of shares delivered without physical registration may differ due to differences in calculation methods.

V. If there are any financial difficulties in the company and its affiliated enterprises during the most recent fiscal year and up to the date of printing of the annual report, the impact on the financial situation of the company: None

## VII. Review and Analysis of Financial Situation, Financial Performance, and Risk Matters

### I. Financial Situation

Comparative Analysis of Financial Situation Table

Unit : TAD Thousand

Item \ Year	2022	2021	Increase (decrease) amount	Increase/decrease ratio (%)
Current assets	1,336,307	1,432,427	(96,120)	(6.71%)
Financial assets measured at fair value through other comprehensive income	2,924	3,685	(761)	(20.65%)
Property, plant and equipment	528,801	381,174	147,627	38.73%
right-of-use asset	23,422	33,096	(9,674)	(29.23%)
Investment property	52,785	53,414	(629)	(1.18%)
Intangible assets	2,356	1,284	1,072	83.49%
Other asset	283,618	284,515	(897)	(0.32%)
Total assets	2,230,213	2,189,595	40,618	1.86%
Current liabilities	743,078	853,139	(110,061)	(12.90%)
Non-current liabilities	16,780	26,119	(9,339)	(35.76%)
Total liabilities	759,858	879,258	(119,400)	(13.58%)
Capital stock	644,306	644,306	0	0.00%
Capital surplus	14,872	14,852	20	0.13%
Retained earnings	815,127	656,345	158,782	24.19%
Other equity interest	(3,950)	(5,166)	1,216	(23.54%)
Non-controlling interest	—	—	—	—
Total equity	1,470,355	1,310,337	160,018	12.21%

If the changes in the above items in the later stage reach 20% or more, and the change amount reaches NT \$10 million or more, the analysis of the changes is as follows:

1. Increase in real estate, plant and equipment compared to the previous period:

Due to an increase in the acceptance amount of mold equipment in the year 2022 compared to the year 2021.

2. Increase in retained earnings: due to the increase in profits in the current period.

## II. Financial Performance

(I) The main reasons and effects of major changes in operation revenue, operation net profit and income before tax during the past 2 fiscal years

Unit : NTD Thousand

Year Item	2022	2021	Increase (decrease) amount	Increase/decrease ratio (%)
Total operating income	2,266,222	2,936,498	(670,276)	(22.83%)
Minus: sales returns and allowances	22,270	18,325	3,945	21.53%
Net operating income	2,243,952	2,918,173	(674,221)	(23.10%)
Operating costs	1,733,310	2,227,137	(493,827)	(22.17%)
Gross operating profit	510,642	691,036	(180,394)	(26.10%)
Operating Expenses	230,800	179,838	50,962	28.34%
Net operating profit	279,842	511,198	(231,356)	(45.26%)
Non-operating income and expenses	117,886	(183,446)	301,332	(164.26%)
Net profit before tax	397,728	327,752	69,976	21.35%
Income tax expense	78,971	97,251	(18,280)	(18.80%)
Current net profit	318,757	230,501	88,256	38.29%
Other comprehensive income and loss	2,317	(161)	2,478	(1539.13%)
Total comprehensive income and loss for the current period	321,074	230,340	90,734	39.39%

Analysis of changes in increase/decrease ratio:

1. Increase in non-operating income and expenses: Due to business tax violations and penalties of NT\$ 159,380,000 in 2021, other expenses were recorded, resulting in a significant increase in non-operating income and expenses compared to the same period last year.
2. Decrease of income tax expense: the income tax expense in 2022 decreased compared with the same period of last year due to the non-expense expense of business tax violation and penalty tax deduction in 2021.
3. The net profit and comprehensive profit and loss for the current period increased compared to last year: due to business tax violations and penalties of NT\$ 159,380,000 in 2021, the net profit increased compared to the same period last year.

(II) Expected sales volume and its basis, potential impact on the company's future financial operations, and corresponding plans:

Although the global economy in 2022 is still under the pressure of the Ukraine-Russia War, global inflation, the rising interest rates of currencies such as the US dollar, with the gradual end of the COVID-19 pandemic, the unsealing of the global supply chain and the gradual recovery of the economy, it is expected that the company's business will begin to stabilize and return to the normal off-peak business cycle.

### III. Cash Flow

#### (I) Analysis and description of cash flow changes in the most recent year:

Unit : NTD Thousand

Item	Year	2022	2021	Change amount
Net cash inflows from operating activities		296,631	284,102	12,529
Net cash outflow from investment activities		(322,891)	(90,596)	(232,295)
Net cash outflow from financing activities		(30,640)	(255,966)	225,326
Impact of exchange rate changes		31,245	(11,018)	42,263
Decrease in cash and cash equivalents for the year		(25,655)	(73,478)	47,823

The current period's cash and cash equivalents increased by NT\$ 47,823,000 compared to the previous period, and the analysis of changes is as follows:

(1) Net cash inflow from operations increased compared to the previous period:

Due to the violation of paying business tax and a penalty of NT\$ 159,380,000 in 2021, there was a significant cash outflow from operating activities.

(2) Net cash outflow from investment activities increased compared to the previous period:

Due to the transfer of fixed deposits of more than 3 months to less than 3 months in 2021, the amount of financial assets measured at amortized cost decreased, resulting in significant cash inflows from investment activities.

(3) Net cash outflow from financing activities increased compared to the previous period:

Due to an increase of 14 million loans in 2022 compared to the previous year, a significant cash inflow was generated; Moreover, the amount of cash dividends paid in 2022 increased or decreased compared to 2021, resulting in a decrease in net cash outflows from financing activities compared to the previous period.

#### (II) Improvement plan for insufficient cash flow liquidity in the most recent year: None.

#### (III) Cash liquidity analysis for the next year

Unit: NTD Thousand

Cash balance at the beginning of the year	Expected annual net cash flow from operating activities	Expected annual cash outflow	Expected remaining (insufficient) amount of cash	Remedial measures for expected cash shortfall	
				Investment plan	Fundraising plan
546,541	610,886	650,047	507,380	—	—

Analysis of expected cash flow changes in the next year:

It is estimated that the cash outflow in the next year will mainly be the payment of cash dividends and income taxes, the addition of production equipment and molds, and the repayment of bank loans. The Company's existing cash position will be sufficient to cover the expenses.

#### IV. The impact of significant capital expenditures on financial operations in the recent year: None.

#### V. Reinvestment policies for the most recent year, the main reasons for its profits or losses, improvement plans, and investment plans for the next year

- (1) The Company's reinvestment policy: None.
- (2) The main reason for profit or loss: Not applicable.
- (3) Improvement plan: Not applicable.
- (4) Investment plan for the next year: None.

VI. Analysis and evaluation of risk events for the most recent fiscal year and as of the date of publication of the annual report

(I) The impact of interest rate, exchange rate changes and inflation on the company's profit and loss and response measures to be taken in the future

1. Interest rates:

In 2022, due to the fact that the funds required for the Company's operations were mainly funded by operating expenses, the ratios of interest income and interest expenses to operating income in 2022 were only 0.28% and 0.11%. Therefore, changes in interest rates did not have a significant impact on the Company.

2. Exchange rate:

Due to the Company's main business being export sales, with a high proportion of foreign currency quotations, sales are mainly based on US dollars, while procurement is mostly priced in Taiwan dollars, which is affected by exchange rate fluctuations.

In 2022, due to the appreciation of the US dollar against the Taiwan dollar by approximately 10.95%, our foreign exchange position generated a net exchange gain of NT\$ 108,595, 000, which affected some of the Company's profits.

In order to avoid significant impact of exchange rate fluctuations on profits, the Company adheres to the principle of conservatism and conservatism in response to exchange rate fluctuations. The specific measures are as follows:

(1) The Company often maintains close contact with various banks, references expert opinions and consultations at any time, collects various financial information, and obtains relevant data on the bank's views on exchange rate trends, in order to fully and timely grasp exchange rate dynamics.

(2) Strengthen the sensitivity and trend analysis of financial personnel to exchange rate fluctuations, in order to understand information on exchange rate fluctuations and manage exchange risk.

(3) Based on the evaluation of future exchange rate fluctuations, the finance and accounting department applies the pre-sale forex limit and short-term foreign currency borrowing to cope with the impact of temporary large exchange rate fluctuations on insufficient hedging positions.

(4) When quoting, sales departments should consider future exchange rate trends to reduce foreign exchange timing risks, establish a concept of customer sharing exchange rate risks, and adjust order prices appropriately to ensure the profitability of the company's products.

(5) Enhance the added value and quality of products, fully control costs, and promote gross profit to reduce the impact of exchange rate fluctuations on gross profit margin.

3. Inflation:

In 2022, due to the Ukrainian-Russian War and the Sino-US trade confrontation, global inflation was severe, making the global economic recovery after the epidemic full of variables. The company's operations were under significant pressure, and relevant departments were constantly paying attention to the impact of inflation on the industry and the company. Regarding procurement costs, it is still necessary to find more suppliers to negotiate relevant raw material information, strictly control costs, maintain market sensitivity, and maintain good relationships with customers, grasp the inventory status of customers and propose corresponding measures in a timely manner

(II) Policies for engaging in high-risk, high-leverage investments, capital lending to others, endorsement guarantees, and derivatives transactions, the main reasons for profits or losses, and future countermeasures:

1. The company mainly focuses on research and development, manufacturing, and sales, and does not engage in any high-risk or highly leveraged investments, so there is no significant profit or loss situation.

2. In 2022, compared to the US dollar against the New Taiwan dollar, the exchange rate appreciated by about 10.95%, and the company held a high position in US dollar assets, resulting in exchange gains of NT\$ 108,595, 000. In the future, we will continue to pay attention to foreign exchange changes and handle them in accordance with the company's established policies and procedures. For other reinvestment, fund lending to others, endorsement and guarantee, and derivative product trading operations, relevant laws and regulations and regulations of the competent authority will be implemented.

(III) Future R&D plans and expected R&D expenses:

1. The Company's future R&D plans will develop innovative products with competitive advantages, pay attention to the development trends of the consumer product market, and develop high-quality and high value-added products. There are currently several R&D product project plans, including products in the

field of automotive electronics related applications.

2. The Company allocates approximately 1% to 5% of its annual revenue as research and development funds to continue developing new products. In the future, this plan will also be used for development projects. By using the ISO 9000 management system, R&D personnel can record their experience and technology through the R&D process within the company for inheritance and preservation. The R&D team continuously absorbs valuable information in the market and clients through multiple channels to understand future technology and trends.
- (IV) The impact of important domestic and foreign policies and legal changes on the company's financial operations and corresponding measures:  
The existing company operates in accordance with relevant laws and regulations both domestically and internationally, while paying attention to political and economic development and regulatory changes both domestically and internationally, in order to understand and respond to market changes. The company is constantly revising to meet actual operational needs.
- (V) The impact of technological changes (including asset security risks) and industrial changes on the company's financial operations and corresponding measures:  
The PC assembly computer market has shrunk due to the substitution effect of notebook computers, tablet computers, smart phones and other products. In recent years, the Company has actively carried out transformation and diversified operations, and complied with the trend of environmental protection and energy conservation to develop various energy-saving applications, including LED lamp modules, to respond to changes and evolution in related industries. In addition, in terms of finance, we need to strengthen our financial operational capabilities and strengthen our financial structure as the foundation for sustainable operations. The Company has not experienced any financial or business impact due to technological or industrial changes in the most recent fiscal year and as of the date of publication of our annual report.  
Please refer to page 71 for the Company's information security management policy and specific management plan. The Company regularly implements information security promotion and implements information security management. For the most recent fiscal year and as of the date of publication of the annual report, the Company has not suffered any losses due to major information security incidents that have affected our financial operations.
- (VI) The impact of corporate image change on corporate crisis management and corresponding measures:  
In recent years, the Company has continuously invested in environmental protection and social responsibility, with stable and transparent finances, a good corporate image, and independent directors and supervisors often provide management advice to urge the company to strengthen governance.  
The Company has a spokesperson system responsible for planning and promoting the overall image of the company. In the event of a crisis that violates laws or regulations or affects the company's image, an emergency response team will be immediately established to assess the degree of impact, formulate countermeasures, and promptly communicate the corresponding countermeasures to the outside world to maintain the company's corporate image.
- (VII) The expected benefits, potential risks, and response measures of the merger and acquisition: The Company has not conducted any merger and acquisition matters.
- (VIII) Expected benefits, potential risks, and response measures for expanding the factory building:  
Since 2012, the Company has continuously expanded the production capacity and equipment of the car light business unit to meet the needs of major customer orders and delivery times, and achieve operational expectations of increasing revenue and increasing gross profit. Possible risks include increased operating costs due to capital expenditures for capacity expansion, such as the need to purchase molds and machinery, personnel and training costs, etc.  
The Company will continue to inspect whether the actual operating results of the expanded factory and equipment meet the expected benefits, and will take various corresponding measures at any time.
- (IX) Risks faced by centralized procurement or sales and corresponding measures:  
The Company has entered the automotive product market due to incomplete product lines, limited production capacity, and limited customer numbers, resulting in a concentration of reliance on major customers and suppliers for procurement and sales. Please refer to pages 74 for the disclosure of the list of major purchases and sales for the past two years.  
As the Company continues to develop new products and expand the market, we strive to attract new customers every year (such as 9 new customers in 2020, 4 new customers in 2021, and 3 new customers in 2022). However, the effect of new customers cannot be achieved overnight, resulting in the continued concentration of purchases or sales for the company in 2022. In addition to expanding the area of leased

factories to increase production lines and improve self-production rates, the possibility of building new factories is also continuously evaluated. In terms of sales, we will also strengthen the development of new products to improve performance. We will continue to develop new customers and expand retail and online sales channels through active methods such as business visits and participation in trade shows, with the hope of further reducing the phenomenon of project advancement and sales concentration.

(X) The impact, risks, and response measures of directors, supervisors, or major shareholders holding more than 10% of the shares on the company due to significant transfer or replacement of equity: None.

(XI) The impact, risks, and response measures of changes in management rights on the company: None.

(XII) Litigation or non-litigation matters, major litigation, non-litigation or administrative litigation matters which have been decided or are pending by the company and its directors, supervisors, general managers, responsible persons, major shareholders holding more than 10% of the company and its subsidiaries, the outcome of which is likely to have a material impact on shareholders' equity or on the price of securities, Disclose the facts in dispute, the amount of the subject matter, the date of commencement of the lawsuit, the main litigants and the disposition of the case up to the date of publication of the annual report: The chairman of the Company and relevant employees were prosecuted by Tainan District Prosecutors Office of Taiwan for violating the Securities Exchange Act and the the Business Entity Accounting Act in July 2021, and were transferred to Tainan District Court of Taiwan for hearing. The chairman of the Company and relevant employees have appointed lawyers to fight for a fair judgment on the contents of the indictment according to law, and the company's financial and business operations continue as usual. Is not affected by the foregoing.

(XIII) Other important risks and corresponding measures: None.

(XIV) Organizational structure of risk management:

In order to integrate various risk control mechanisms of the Company, the President shall coordinate and command the plan, promotion and operation of risk management, and each responsible unit shall be responsible for the management of various business risks.

Audit Office: draw up an audit plan and carry out audit operations based on the results of risk assessment, and submit the audit results and improvements to the Board of Directors to reduce the overall operational risk.

F & A Dept.: reduce the financial risk of the company through capital and tax planning, customer credit risk control and other mechanisms.

Information Office: Responsible for the security control and maintenance of information network systems, while implementing remote backup mechanisms for important information assets of the company to reduce the impact of operational risks.

Administration Dept.: Responsible for reviewing various contracts and applications for intellectual property rights, and handling legal disputes or lawsuits to reduce legal risks in company operations.

VII. Other important matters: None.

VIII. Supplementary evaluation basis and basis for the listing method of the company's assets and liabilities evaluation subjects

Item	Asset liability evaluation subjects	Evaluation Basis	Evaluation Basis
1	Allowance for bad debts	Aging analysis method	The expected credit loss during the existence period is calculated using a preparation matrix, which takes into account the customer's past default records and current financial situation, as well as GDP forecasts
2	Allowance for losses on inventory obsolescence	Analysis Method for the Aging of Dependent Goods and Dead Stocks	<p>Consumer electronics inventory:</p> <p>A. For lead-free inventory aged 180~359 days, the withdrawal rate is 30%.</p> <p>B. For lead-free inventory aged 360~720 days, the withdrawal rate is 60%.</p> <p>C. For lead-free inventory aged over 721 days, the withdrawal rate is 80%.</p> <p>D for lead-free inventory to be scrapped, the withdrawal rate is 100%.</p> <p>E. If there is a lead stock with a storage age of less than 180 days, the withdrawal rate is 30%.</p> <p>F if there is a lead stock with a storage age of 181~359 days, the withdrawal rate is 60%.</p> <p>G. If there are lead stocks with a storage age of more than 360 days, the withdrawal rate is 100%.</p> <p>Car lamp inventory:</p> <p>A. If the inventory age is 360~719 days, the withdrawal rate is 30%.</p> <p>B. If the inventory age is more than 720 days, the withdrawal rate is 60%.</p> <p>C for the warehouse to be scrapped, the withdrawal rate is 100%.</p>

## VIII. Special Disclosure

### I. Summary of Affiliated Companies

(I) Business report on merger of affiliated enterprises: None.

(II) Overview of affiliated enterprises:

1. According to Article 369-3 of the Company Act, it is presumed that there is a controlling and subordinate relationship: more than half of the company and Eagle Eyes Traffic Ind. Co.,Ltd. are indirectly held or invested by the same shareholders

Date : December 31,2022

Unit : NTD Thousand

Company	Date of Incorporation	Address	Paid-in Capital	Main business or production items
Eagle Eyes Traffic Ind. Co.,Ltd.	1978.10.21	No. 818, Zhongshan N. Rd., Yongkang Dist., Tainan City 71041, Taiwan	800,000	Manufacturing, processing, and trading of spare parts and electronic components (excluding pipe products) for automobiles, bicycles, and other vehicles.

2. The names of directors, supervisors, and presidents of each affiliated enterprise, as well as their shareholding or investment in the enterprise:

Company	Title	Name or representative	Holding shares	
			Number of shares	Shareholding ratio
Eagle Eyes Traffic Ind. Co.,Ltd.	Chairman	Yu-zhu Lin	12,280,052	15.35%
	Director	Shu-zheng Lin	1,003,539	1.25%
	Director	Chung-I Lin	1,183,235	1.48%
	Supervisor	Chi-Chung Lin	0	0.00%

(III) Overview of affiliated enterprise operations

Financial status and operating results of each affiliated enterprise: Not applicable.

II. The handling status of private equity securities for the most recent fiscal year and as of the printing date of the annual report: None.

III. For the most recent fiscal year and as of the date of publication of the annual report, the holding or disposal of our company's stocks by subsidiaries: None.

IV. Other necessary supplementary explanations: None.

V. In the most recent fiscal year and up to the date of printing of the annual report, if any of the events specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act has a significant impact on shareholders' equity or securities prices: None

**Topower Co.,Ltd.**

**Chairman : Shih-Chi Lin**