



JOY INDUSTRIAL CO., LTD

2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Made by Joy Industrial Co., LTD

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2022 Annual Report is available at : <http://mops.twse.com.tw>

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Contents

I. Dear Shareholders,	1
(I). 2022 Business Results	1
(II) Operational plans for the year	2
(III). Future development strategy and exterior environments	2
II. Corporate Introduction	4
(I) Date of Incorporation	4
(II) Company History	4
III. Corporate Governance Report	9
(I) Organizational system	9
(II) Information on directors, supervisors, general managers, deputy general managers, senior managers, heads of departments and branches Directors	13
(V) Information on the fees for certified public accountants	55
(VI) Changing of auditors	56
(VII) If the chairman, general manager, finance or accounting manager of the Company has been working in the accounting firm of the CPAs or its affiliates within the last year, the name and title of the personnel and the period of such working relation existing	56
(VIII) In the last fiscal period and as of the date this report was printed, the status of the transfer of shares or the shares in pledge held by the directors, supervisors, managers or the shareholders with more than 10% of the Company's shares	56
(IX) Information Disclosing the Relationship between any of the Company's Top Ten Shareholders :	57
(X) The number of shares held by the company's directors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the combined calculation of the comprehensive shareholding ratio.	58
IV. Capital Overview	59
(I) Capital and Shares	59
(II) Issuance of corporate bonds	64
(III) Preferred shares	64
(IV) The issuance of overseas depository receipts	64
(V) The status of employee stock option plan:	64
(VI) The status of new restricted employee shares	64
(VII) The status of issuance of new shares in connection with mergers or acquisitions	64
(VIII) Implementation of the capital allocation plans	64
V. Operational Highlights	65
(I) Business content	65
(II) Market, production and sales overview	78

(III)	Information on employees for the most recent two years and the current year up to the date of publication of the Annual Report	84
(IV)	Information on environmental protection expenditures	84
(V)	Labor relations.....	84
(VI)	Cybersecurity management	87
(VII)	Important contracts.....	90
VI.	Financial Position	91
(I)	Most Recent 5-Year Concise Balance Sheet and Consolidated Income Statement	91
(II)	Most Recent 5-Year Financial Analysis	95
(III)	The audit committee review report of the most recent annual financial report.....	99
(IV)	The consolidated financial report approved by the accountant for the most recent year Please refer to pages 121 to 193 of the annual report.....	100
(V)	Unconsolidated Financial Statements and Independent Auditors' Report for the most Recent year Please refer to pages 194 to 270 of the annual report.....	100
(VI)	The Company should disclose the financial impact if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this Annual Report.	100
VII.	Review of Financial Conditions, Financial Performance, and Risk Management	101
(I)	Analysis of Financial Status	101
(II)	Analysis of Financial Performance	102
(III)	Cash flows	103
(IV)	Impact of significant capital expenditures on finance and business matters in recent years.....	104
(V)	Investment policy for the most recent year, the major reasons for gain or loss, improvement plan and investment plan for the coming year	104
(VI)	Risks and assessment for last year and for the current year up to the date of publication of the Annual Report	106
(VII)	Other important matters.....	111
VIII.	Special Disclosur.....	113
(I)	Relevant information of related enterprises	113
(II)	Private Placement of Securities (in the most recent fiscal year and up to the issue date of this Annual Report).....	116
(III)	The Shares in the Company Held or Disposed of by , or Held by Subsidiaries (in the most recent fiscal year and up to the issue date of this Annual Report).....	116
(IV)	Other Supplementary Disclosure.....	117
(V)	If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of thecompany's securities, has occurred during the most recent flscal year or durrent the current flscal year up to the date of printing of the annual report, such situations shall listed.	117

Appendix118
Consolidated Financial Statements for the Years Ended December 31 2022 and 2021..... 119
Independent Auditors’ Report for the Years Ended December 31 2022 and 2021.....191

Letter to Shareholders

I. Dear Shareholders,

During the pandemic period, bicycles became the first choice for commuting and single outdoor sports, but due to uncertainties such as city lockdown in many countries, the industry's supply chain encountered various problems such as material shortage, labor shortage, container shortage, all of which resulted in overbooking, but gradually life returned to normal after the pandemic slowed down. The basic demand for bicycles gradually returned to normal, while green leisure, sports competitions and commuting E-bikes continue to grow. In the face of extreme climate changes, the European Union will introduce a carbon tariff in 2026 and many countries jointly expect to reach the goal of "carbon neutrality" by 2030. 128 countries around the world have already declared to achieve net zero carbon emissions by 2050. Under the rising awareness of global green environmental protection and love for the earth, the bicycle industry will face more stringent carbon emission requirements and complicated international situation, and will definitely need to be "wiser" and pursue "carbon reduction".

Under the trend of sustainable development, we need to understand and participate in the international movement immediately, and actively participate in the campaign by the Bicycling Alliance for Sustainability (BAS), which was officially established in October 2022, to share and learn from ESG practices with the industrial peers, and to conduct carbon footprint inventory for our own businesses, including operational processes, production and manufacturing. In order to seize the opportunities of generational changes and to enhance our competitiveness in the international arena. The following is a report on the Company's operations in the past year:

(I).2022 Business Results

1.Achievements of operating plans

The Company's consolidated revenue was NT\$ 1,474,457 thousand, which reduced by NT\$ 99,369 thousand, reduction of 6.31%, compared to NT\$ 1,573,826 thousand in 2021. Net profit after tax was NT\$ 51,413 thousand, which reduced by NT\$ 38,249 thousand, compared to NT\$89,622 thousand in 2021.

2.Results of business plans

The Company did not disclose any financial forecast for 2021, hence, no results of business plans.

3 Revenues, expenses, and profitability analysis

Unit: NT\$ thousands

Items		Year		Comparison of the Same Period%
		2022	2021	
Financial Structure	Net Income	1,474,457	1,573,826	-6.31%
	Gross Profit	295,860	367,386	-19.47%
	Net Profit/Loss	54,085	97,979	-44.80%
	Non-operating Income (Expenses)	26,463	-1,530	1,829.61%
	Net Profit/Loss after Tax	51,413	89,662	-42.66%
Financial Structure	Profit Margin (%)	3.49	5.70	-38.77%
Financial Structure	EPS (NT\$)	0.81	1.55	-47.74%

4. R&D

The Company's R&D plan is based on our understanding of market dynamic and is application-oriented to project the future market demand, combined with the Company's main strategies, to develop medium and long-term research and development and innovation direction, and then based on the annual management meeting and the marketing department's strategic plan, to form a short-term new product and new technology research and development plan.

The planning for the future will focus on the development of major core technologies and cost-saving R&D operations. Based on the target strategy and solid technical capability, the R&D team will develop innovative, unique and high-quality hubs and carbon fiber wheelsets in line with the market demand, and continue to optimize each stage of products.

(II) Operational plans for the year

1. Operational guidelines

The Company's operating goals are as follows:

- (1) Expand the online sales platform and promote products.
- (2) Increase the self-production rate, control cost and quality of products.
- (3) Strengthen product design capability and development and integration capability.
- (4) Develop talents, optimize internal and external training and promotion education.
- (5) Enhance production system, process automation equipment investment and new technology application to increase production competitiveness.

2. Anticipated quantity of sales

Currently, the inventory of middle and low-end bicycles in the supply chain of the bicycle industry is generally high, and the progress of working off the inventory is slow and will not be done until the middle or the end of the year. The inventory of high-end models is less problematic. As the shipments of the 2023 models will be finished in the first quarter of next year, the 2024 models will be shipped in the second half of the second quarter, and the new models will have a chance to absorb some of the raw materials with the new design, and the inventory and shipment situation will be improved significantly.

3. Important production and sales policies

Our production policy is to gradually implement intelligent production and manufacturing, introduce mechanical automation equipment to address the lack of manpower, and optimize the production process to reduce carbon emissions. Our sales policy, by integrating sales information in global markets, is to strengthen e-commerce presence across borders and to enhance operational information with video operations meetings to help make quick decisions and expand markets while meeting ESG trends, and builds brand differentiation to enhance global competitiveness.

(III). Future development strategy and exterior environments

In Taiwan, the movement of CSR in the corporate world is no longer only about social welfare, but also about integrating sustainability strategies into the business philosophy, enforcing sustainable governance from the inside, developing markets from the outside, and creating long-term economic benefits. 2023 is the year when ESG will begin. For the bicycle industry, which is highly connected to the international industry supply chain, the necessary actions to "implement ESG" should be started as soon as possible. In response to the global wave of net-zero carbon emissions, the Company has implemented energy-saving and carbon-reduction policies, completed greenhouse gas emissions inventory, and obtained ISO 14064-1 certification.

Although the global consumer power declines due to the external environment such as inflation, while the trade conflict between China and the U.S. and the war between Russia and Ukraine have led to a generally conservative view of the year. In response to all the unfavorable factors in the current market environment, the Company will strengthen information security risk prevention, employee education and training, and inventory control, and work together with its supply chain partners to cope with this difficult environment.

Thanks to every shareholder for your support. We wish you good health and happiness

Chair: SHIH-WEI CHEN General Manager: SUNG CHUN CHEN Financial Supervisor : YI-YAO, CHIANG

II. Corporate Introduction

(I) Date of Incorporation: 10.14.1981

(II) Company History

In 1981

The company was registered as 久裕興業股份有限公司 before being renamed as 久裕興業科技股份有限公司 (Joy Industrial Co., LTD).

Founded at Nanyan Road, Fongyuan City, Taichung County.

In 1986

Established Daya Factory, which is the current headquarters, located at ZhongZheng Road, Daya Township, Taichung County and later reset to Sec. 4, Changping Rd., Daya Dist., Taichung City upon the renewal of the address system.

In 1989

Received the award for excellent factory from Giant.

Computerized administrative information.

Established the NOVATEC brand to broaden the aftermarket.

In 1993

Established Shenzhen Factory in China.

In 1997

Obtained the TUV product international certificate.

Received the Golden Award for national product image (created jointly with Giant).

In 2002

Placed second for annual luxury innovations in the category of brake systems.

Placed second for Innovative bikes and parts – wheels recognized by Taiwan Bicycle Association.

In 2003

Nominated for Taiwan Excellence Award - high-performance carbon fiber wheels.

In 2004

Joined the A-Team membership, participated in the observation and learning activities and became a model factory that implemented 3Ts (TPS, TQM and TPM).

In 2005

Obtained the ISO-9001 2000 certificate.

Received the Research and Development Innovation Award from Taichung Labor Union of Small and Medium Enterprise Administration, Ministry of Economic Affairs.

Comprehensively promoted 3Ts (TPS, TQM and TPM).

In 2006

Placed fifth in the accessory category honored by Innobike.

Established a wheel section in response to market needs, and renamed as a high-end luxury section later in December.

In 2007

Placed first in other categories honored by Innobike.

In 2008

Honored with the 16th Taiwan Excellence Silver Award (Product: integrated all-carbon fiber wheels).

In 2009

Obtained the ISO-9001 2008 certificate.

Placed second in the wheel category honored by Innobike.

Honored with the 18th National Award of Outstanding SMEs.

Honored with the iF Product Design Award (Product: all-carbon fiber wheels).

Placed second in the wheel category in the Bike and Parts Innovation Competition.

Honored with the 17th Taiwan Excellence Award (Product: all-carbon fiber wheels with low wind resistance and high stiffness CRAFT-W999).

In 2010

Certified as operation headquarters by Ministry of Economic Affairs.

Joy Industrial Co., LTD was renamed as 久裕興業科技股份有限公司 (with its English corporate name remained the same).

Honored with Red Dot Industrial Design Award (Product: all-carbon fiber wheels W999).

Honored with the iF Product Design Award (Product: all-carbon fiber wheels with low wind resistance and high stiffness).

Honored with the 16th Taiwan Excellence Award (Product: crafted road carbon fiber wheels).

Honored with the Excellent Business Quality Award of 2010 (2 stars) by Chinese Society for Quality.

In 2011

Set up an EU subsidiary, Novatech EU s.r.o. in Slovakia, Europe.

Obtained the ISO-14001 Environmental Management Systems certificate.

Honored with the Industrial Excellence Award.

Honored with the Taiwan Excellent Manufacturer Golden Award by Republic of China Fine Manufacturer Association.

Honored with the 19th Taiwan Excellence Award (Product: carbon fiber road bike wheels W752).

In 2012

Set up a U.S subsidiary, Novatec Wheels US, LLC in the US.

Obtained the Carbon Footprint certificate PAS2050.

Passed the acceptance review of the business silver level on TTQS.

Honored with the 15th Rising Star Award.

Honored with the 1st Taipei Cycle d&i awards.

Honored with Germany's iF Product Design Award (Product: all-carbon fiber BMX bike wheels).

Honored with the National Innovation Silver Award (Product: hub structure).

In 2013

Jiuyu Traffic Equipment (Shenzhen) Co., LTD and Jiuyu Bicycle Parts (Kunshan) Co., Ltd were merged into Jiuyu Group.

Honored with the 21st Taiwan Excellence Award (Product: bulletproof fiber all-terrain mountain bike wheels).

In 2014

Issued a public offering on September 18th.

Registered at the emerging stock market on December 8th.

Honored with the 9th National Labor Innovation Award.

Won China's Most Successful Design Competition (Product: electric tricycle with a manual transmission JOY-168+)

Honored with the Taiwan's Golden Pin Design Award (Product: electric tricycle with a manual transmission E-3cycle).

Honored with Germany's iF Product Design Award of 2014 (Product: all-carbon fiber mountain bike wheels).

Honored with the Taipei Cycle d&i awards [Product: all-carbon fiber mountain bike wheels FACTOR 21(27.5), and electric tricycle with a manual transmission JOY-168+].

In 2015

Honored with the 12th Golden Torch Award.

Honored with the 16th National Standardization Award.

Honored with the 23rd Taiwan Excellence Award [Product: all-carbon fiber mountain bike wheels FACTOR 23(26'')].

Honored with the 1st National Talent Development Awards of 2015.

Honored with the Taipei Cycle d&i awards (Product: R3 all-carbon fiber road bike wheels FACTOR-326).

In 2016

Honored with Germany's iF Product Design Award of 2016 (Product: Clutch Hub).

Honored with the Taipei Cycle d&i awards of 2016 (Product: R3 Clincher – the wide model).

Honored with the Golden Pin Design Award of 2016 (Product: Clutch Hub).

Honored with the Taiwan Excellence Award (Product: carbon fiber wide straight-pull road bike wheels).

Honored with the Excellent Business Quality Award of 2016 (3 stars) by Chinese Society for Quality.

Workforce Development Agency, Ministry of Labor: quality control system review on talent development – gold medal in the business category.

In 2017

Received approval from Taichung City Government for the establishment of global branches on March 3rd, 2017.

Joy Industrial (Shenzhen) Co., LTD was renamed as Novatech wheels (Shenzhen) Co., LTD.

Selected as a medium-sized enterprise by Ministry of Economic Affairs.

Honored with the 25th Taiwan Excellence Award for wheels with a clutch system).

Honored with the innovation award for carbon fiber wide road bike wheels by China Bicycle Association.

Honored with Germany's iF Product Design Award (Product: FACTOR 748 wheel set).

Honored with the Golden Pin Design Award for the best design of 2017 (727 ENDURO magnetic clutch carbon fiber wheels).

In 2018

JOY INDUSTRIAL (SHEN ZHEN) CO., LTD won the 17th Shenzhen Enterprise Innovation Record.

Shanghai Exhibition Innovation Award: Product - R3-DISC Asymmetric Disc Brake Edition All Carbon Fiber Road Wheel Set.

(In October)-The Ministry of Economic Affairs approved the capital increase and the issuance of new shares to change the registration. After the capital increase, the paid-in capital was 580,000 thousand dollars.

Honored with the 26th Taiwan Excellence Award: Product - FACTOR 727 ENDURO All Carbon Fiber Mountaineering Wheel Set.

In 2019

Honored with the 27th Taiwan Excellence Award:

Innovation Award for 2019 CHINA CYCLE Shanghai Exhibition.

(In January) The R&D headquarters building Opening

(In June) The board of directors approved the policy relocation and shutdown of JOY CYCLE PARTS(KUNSHAN)CO.,LTD

(In September) JOY INDUSTRIAL (SHEN ZHEN) CO., LTD invested to establish Coretech Composites technology (Xiamen) Co., LTD

In 2020

(In February)- The board of directors approved the leasing of JOY CYCLE PARTS(KUNSHAN)CO., LTD factory building.

(In June)- After the shareholders' meeting was reelected, an audit committee was established, consisting of all independent directors to replace the Supervisor

In 2021

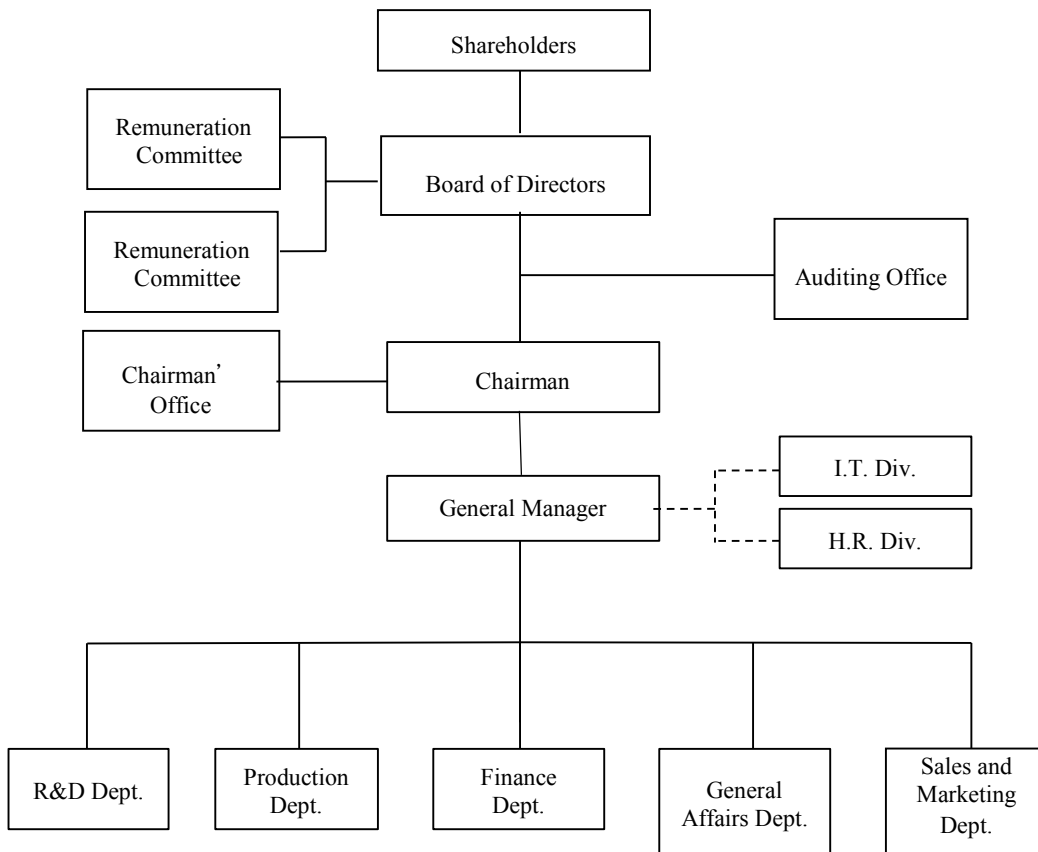
(In August) -The Ministry of Economic Affairs approved the registration of changes in sales of treasury stocks, and the principal and interest of the paid-in capital after the capital reduction was 563,500 thousand dollars.

(In December)-The Ministry of Economic Affairs approved the capital increase and the issuance of new shares to change the registration. After the capital increase, the paid-in capital was 600,000 thousand dollars.

III. Corporate Governance Report

(I) Organizational system

1. Organizational chart



2. Businesses operated by each main department

Div..	Businesses Operated
Auditing office	<ol style="list-style-type: none"> 1. Check and evaluate the soundness, rationality and effectiveness of the company's internal control system. 2. Investigate and evaluate the efficiency of each unit in the enterprise to implement the company's various plans or policies and its designated functions.
Chairman's Office	<ol style="list-style-type: none"> 1. Execute the strategies and policies approved by the board of directors and the chairman, provide consultation and suggestions for the board of directors and the chairman, and assist the operation of the board of directors 2. The key role in the integration and communication of corporate information is to grasp the internal and external information that affects the operation and development of the company, and to provide timely and adequate information for the board of directors and chairman to decide on the company's strategies, policies and major transactions 3. Assist the chairman and the board of directors to supervise the implementation of various operations and ensure the completion of various plans
I.T. Div	<ol style="list-style-type: none"> 1. Information business and computerization of various businesses. 2. Planning and maintenance of computer-related peripheral equipment, planning, development, design and maintenance of computer application systems. 3. Network planning and communication security. 4. Control over the addition or change of passwords for information operators. 5. Establishment of information operation standards and specifications .
H.R. Div.	<ol style="list-style-type: none"> 1. Formulate and implement human resource policies. 2. Execute human resource functions such as recruitment, employment, education, and retention. 3. Education and training of new and current employees, and maintenance of employee relations. 4. Conduct environmental safety and health education training for new employees, current employees and contractors, so that they can understand the operating mechanism and requirements .
Finance Dept.	<ol style="list-style-type: none"> 1. Establish a financial management system to exercise overall control over the daily management, capital budget, and capital operation of the finance division. 2. Assist each department in budget planning, performance tracking and cost analysis to review the company's budget implementation status. 3. Provide the company's various financial related analysis and reports, and analyze and deal with abnormal subjects.

	<ol style="list-style-type: none"> 4. Comply with laws and regulations and complete all declarations, tax declarations and audits on time. 5. Assist the operation of the board of directors and various functional committees, and provide necessary information. 6. Execution of stock affairs operations, operations of related meetings and maintenance of investor relations.
Sales and Marketing Dept	<ol style="list-style-type: none"> 1. Responsible for all marketing planning and layout of the group in the global market. 2. Manage the marketing department of the group's three factories and five offices and distributors around the world. 3. Market analysis and competitor analysis, and formulate various sales plans and goals. 4. Develop potential customers regionally and globally and develop new markets. 5. Expand performance and improve company and product popularity. 6. Track product quality and customer usage. 7. Provide current customer product requirements and assist their future development.
R&D Dept	<ol style="list-style-type: none"> 1. Planning and execution of research and development. 2. New product development, design, sample testing and small batch production. 3. Process planning and process improvement of existing products. 4. Develop and test bicycle hubs and wheel sets and other related parts and products. 5. Develop and test related products such as electric wheel drums. 6. Quality management system maintenance and document control. 7. Incoming material inspection, in-process inspection and outgoing inspection. 8. Measurement equipment instrument calibration activities and measurement system analysis. 9. Quality abnormality handling and correction tracking.
Production Dept	<ol style="list-style-type: none"> 1. Carry out medium and long-term production and material demand planning based on annual plans and sales forecasts. 2. Short-term production plan formulation, implementation and tracking. 3. Integration and coordination of product production and sales activities. 4. Inventory control of WIP and finished products. 5. Execution of manufacturing production goals. 6. Management of various productive consumables. 7. 6S maintenance and management on the manufacturing site. 8. Scheduling, training and supervision of on-site personnel. 9. Planning, promotion and execution of production projects.

	<ol style="list-style-type: none"> 10. Maintain and improve production utilization rate. 11. Abnormal maintenance of production machines. 12. Production machine maintenance plan and implementation of maintenance work. 13. Purchasing inquiry, price negotiation and cost analysis. 14. Customs clearance operation and management of import and export goods. 15. Responsible for the procurement of raw materials, machinery and equipment, outsourcer and supplier management. 16. Warehouse storage and transportation management.
<p>General Affairs Dept</p>	<ol style="list-style-type: none"> 1. Conduct regular and irregular inspections to ensure the implementation of the environmental safety system. 2. Plan and establish an environmental safety and health management system as the benchmark for the company's environmental safety and health work. 3. Carry out work environment considerations and safety and health hazard assessments, identify major environmental considerations and unbearable safety and health risks, and take preventive measures. 4. General affairs administration and fixed assets management of the factory area. 5. Maintenance and repair of factory facilities. 6. Support the operation of the company meeting and provide the resources needed for the meeting.

(II) Information on directors, supervisors, general managers, deputy general managers, senior managers, heads of departments and branches Directors

(I) Information on Directors

Information on Directors 1

111年4月30日；Unit：number of shares,

%

Title	Nationality or Place of Registration	Name	Gender	Elected Date	Term of Office	First Elected Date	Shares Held When Elected		Current Shareholding		Shares Currently Held by Their Spouses and Minor Children		Shares held in the Name of Others		Main Working (Education) Experience	Concurrent Positions in the Company and Other Companies	Other executives, directors or supervisors who are related to the spouse or within the second degree			Note
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relation	
Chair	Republic of China	Fengyi Investment Ltd.	-	June 30, 2020	3 years	June 29, 2017	12,626,174	21.77	13,280,000	22.13	0	0.00	0	0.00	The company's production, general affairs, IT, QA dept., etc (Bachelor of Economics from Kindai University in Japan)	The company's chair, general manager and CEO Chair and general manager of JOY INDUSTRIAL(SHENZHEN) CO., LTD. Chair and general manager of Novatecwheels Taiwan Branch Chair and general manager of JOY CYCLE PARTS (KUNSHAN) Co.,LTD. Chair of JOY PRECISION INDUSTRY (TAIZHOU) CO., LTD Legal representative, executive director and general manager of COMPOSITES TECHNOLOGY (XIAMEN) CO., LTD	Director	Jeff Chen	Brother	(Note)
		Rep.: SHIH-WEI CHEN	Male	June 30, 2020	3 years	June 29, 2016	1,386,395	2.39	1,462,738	2.44	21,078	0.04	0	0.00			Director	Shawn Chen	Brother	
Director	Republic of China	Fengyi Investment Ltd.	-	June 30, 2020	3 years	June 29, 2017	12,626,174	21.77	13,280,000	22.13	0	0.00	0	0.00	The company's sales and marketing, general affairs dept., etc (Bachelor of Mechanical Engineering from University of Salford)	The company's general manager Director of JOY INDUSTRIAL(SHENZHEN) CO., LTD. Director of NOVATECWHEELS (SHENZHEN) CO., LTD. Supervisor of JOY CYCLE PARTS (KUNSHAN) Co.,LTD. Supervisor of JOY PRECISION INDUSTRY (TAIZHOU) CO., LTD	Chair	Tate Chen	Brother	(Note)
		Rep.: SUNG CHUN CHEN	Male	June 30, 2020	3 years	Oct.31, 2014	621,880	1.07	646,880	1.08	64,050	0.11	0	0.00			Director	Shawn Chen	Brother	
Director	Republic of China	Fengyi Investment Ltd.	-	June 30, 2020	3 years	June 29, 2017	12,626,174	21.77	13,280,000	22.13	0	0.00	0	0.00	The company's purchasing, R&D, QA, etc Engineer at Microseal (University of Pittsburgh Materials Science)	The company's chief production officer doubling as chief purchasing officer Supervisor of NOVATECWHEELS (SHENZHEN) CO., LTD. Director of JOY CYCLE PARTS (KUNSHAN) Co.,LTD. Director and general manger of JOY PRECISION INDUSTRY (TAIZHOU) CO., LTD	Chair	Tate Chen	Brother	(Note)
		Rep.: CHEN HSIAO CHEN	Male	June 30, 2020	3 years	June 30, 2020	1,068,000	1.84	1,126,811	1.88	9,246	0.02	0	0.00			Director	Jeff Chen	Brother	

Title	Nationality or Place of Registration	Name	Gender Age	Elected Date	Term of Office	First Elected Date	Shares Held When Elected		Current Shareholding		Shares Currently Held by Their Spouses and Minor Children		Shares held in the Name of Others		Main Working (Education) Experience	Concurrent Positions in the Company and Other Companies	Other executives, directors or supervisors who are related to the spouse or within the second degree			Note
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relation	
Director	Republic of China	MING CHIEH, CHEN	Male 41~50	June 30, 2020	3 years	June 29, 2017	39,000	0.07	41,147	0.07	12,909	0.02	0	0.00	Manager, senior manager and deputy general manager of Yuanchuang Chair's special assistant at ITRI Engineer at Institute of Computer and Communications Engineering of ITRI (EMBA from NCKU) (Master of Electronic and Computer Engineering from NTUST)	General manager of Yuanchuang Director (legal representative) of WORLD KNOWN PRECISION INDUSTRY CO.,LTD. Director (legal representative) of HONG-WEI ELECTRICAL INDUSTRY & CO., LTD. Independent (member of remuneration committee) director of BioLASCO Taiwan Co., Ltd.	-	-	-	-
Independent director	Republic of China	HUI FEN, LIN	Female 51~60	June 30, 2020	3 years	June 29, 2017	0	0.00	0	0.00	0	0.00	0	0.00	CPA exam passed CFA three exams passed Land administration agent exam passed CSIA exam passed Security broker for Higher Way Electronic Co., Ltd's OTC application (Accounting PhD from NCKU) (Master of Finance from University of Iowa)	The company's audit committee member (convener) The company's remuneration committee member (convener) Accountant of Weyong International CPAs & Co. Independent director and member of remuneration committee of Otsuka Independent director and member of remuneration committee of POWER TIP IMAGE CORP. Independent director and member of remuneration committee of LIN HORN TECHNOLOGY CO., LTD.	-	-	-	-
Independent director	Republic of China	SHENG YIH, HSIEH	Male 71~80	June 30, 2020	3 years	June 29, 2015	0	0.00	0	0.00	0	0.00	0	0.00	MUST ROTC (PhD of Political Science from NDU)	The company's audit committee member The company's remuneration committee member (convener) Associate professor of MUST	-	-	-	-
Independent director	Republic of China	IOU MING, WANG	Male 51~70	June 30, 2020	3 years	June 29, 2016	0	0.00	0	0.00	0	0.00	0	0.00	Providence University (PhD of Business Administration from National Chiayi University) (EMBA from Armstrong University)	The company's audit committee member The company's remuneration committee member Assistant professor of Providence University Director of SHIH HWA BIO-TECH CO., LTD.	-	-	-	-

(Note): The name of the legal person shareholder and representative shall be listed separately (if it is a representative of a legal person shareholder, the name of the legal person shareholder shall be indicated), and the following Table 1 shall be filled out.

Table 1 : Controlling Corporate Shareholders

March,31,2023

Name of Corporate Shareholders (note 1)	Name of Controlling Shareholders (note 2)
Fengyi Investment Ltd.	SHIH-WEI CHEN (100% shareholding)

Note 1: If directors and supervisors are the corporate shareholders, the name of whom should be filled in.

Note 2: Fill in the name of the controlling shareholder of corporate shareholder (whose shareholding ratio accounts for the top ten) and the shareholding ratio. If its controllings hareholder is a corporate shareholder, it should be listed below.

Table 2 : Controlling shareholder of corporate shareholders with a juridical person as its major shareholder : None

Information on Directors 2

(1) Professional knowledge and independence check matrix of directors :

Name \ Qualifications	Professional qualifications and experiences (Note 1)	Independence attribute (Note 2)	Concurrent independent director position in other publicly traded companies
Fengyi Investment Ltd. Rep.: SHIH-WEI CHEN (director)	(1) Currently the chairman of the company with more than 20 years of experience in the bicycle industry as well as professional experience in operation and management. (2) None of the items listed in Article 30 of the Company Act.	Not applicable	0
Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN (director)	(1) Currently the general manager of the company with more than 10 years of work and professional experience in the bicycle industry; experienced in marketing and fluent in English. (2) None of the items listed in Article 30 of the Company Act.	Not applicable	0
Fengyi Investment Ltd. Rep.: CHEN HSIAO HEN (director)	(1) Currently the production chief office, doubling as purchasing chief officer, of the company with more than 10 years of work and professional experience in the bicycle industry; experienced in purchasing and production management. (2) None of the items listed in Article 30 of the Company Act.	Not applicable	0
MING CHIEH CHEN (director)	(1) Deputy general manager of Yuanchuang with experience in commerce and corporation. (2) None of the items listed in Article 30 of the Company Act.	Not applicable	1
HUI FEN, LIN (Independent director) (Audit committee member)	(1) Accountants or other professional and technical personnel who have passed the national examination required by the company's business and obtained a certificate. (2) None of the items listed in Article 30 of the Company Act.	The three independent directors listed on the left: 1. All have the independent qualifications of independent directors. 2. In full compliance with the independence attribute:	2

SHENG YIH, HSIEH (Independent director) (Audit committee member)	(1) Lecturers or above with experience in legal affairs or the company's businesses at the relevant departments of public and private colleges and universities, and being good at law and other fields. (2) None of the items listed in Article 30 of the Company Act.	(1) The person, their spouse, and relatives within the second degree are not directors, supervisors, or employees of the company or other affiliated companies. (2) The person, their spouse, and relatives within the second degree do not hold shares in the company. (3) Not serving as a director or supervisor of a company that has a specific relationship with the company (refer to Article 6, Item 1, Item 5-8 of the Regulations on the Establishment and Exercise of Functions and Powers of the Company's Salary and Remuneration Committee that is listed on the stock market or traded at the business place of a securities firm) or employees. (4) No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliated companies in the past two years.	0
IOU MING, WANG (Independent director) (Audit committee member)	(1) Lecturers or above with experience in legal affairs or the company's businesses at the relevant departments of public and private colleges and universities, and being good at commerce and other fields. (2) None of the items listed in Article 30 of the Company Act.	(3) Not serving as a director or supervisor of a company that has a specific relationship with the company (refer to Article 6, Item 1, Item 5-8 of the Regulations on the Establishment and Exercise of Functions and Powers of the Company's Salary and Remuneration Committee that is listed on the stock market or traded at the business place of a securities firm) or employees. (4) No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliated companies in the past two years.	0

(Note 1): Professional qualifications and experience: state the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, they should state their accounting or financial background and work experience. State whether there is any circumstance under Article 30 of the Company Act.

(Note 2): Independent directors should state the conditions of independence, including but not limited to whether the person, spouse, and relatives within the second degree are directors, supervisors, or employees of the company or its affiliated companies; state the number and proportion of the company's shares held by relatives within the same rank (or in the name of others); Whether or not are directors, supervisors, or employees of companies with specific relationships with the company (referring to Article 3, Item 1, Items 5-8 of the Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed); The amount of remuneration received by the company or its affiliated companies for providing business, legal, financial, accounting and other services in the last two years.

Name	Independence Attribute (Note 3)											
	1	2	3	4	5	6	7	8	9	10	11	12
Fengyi Investment Ltd. Rep.: SHIH-WEI CHEN	-	-	-	-	-	-	-	-	✓	-	✓	-
Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN	-	-	-	-	-	✓	✓	✓	✓	-	✓	-
Fengyi Investment Ltd. Rep.: CHEN HSIAO CHEN	-	-	-	-	-	✓	✓	✓	✓	-	✓	-
MING CHIEH, CHEN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HUI FEN, LIN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SHENG YIH, HSIEH	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IOU MING, WANG	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

(Notes): The Directors comply with the following conditions from two years before being elected and appointed, and during his tenure in office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a nature-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under other's names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager in the preceding first subparagraphs, or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, or any of the above persons in the preceding second and third subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, or ranks as one of its top five shareholders, or being appointed based on subparagraph 1 or 2 of Article 27 of the Corporate Law. Not applicable in cases where the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (6) Not a director of the Company or a director, supervisor, office holding half or more of the share that controlled by one person. (Not applicable in cases where the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (7) Not the same person or spouse that designated as directors (directors), supervisors (supervisors) or equivalent position of the company, or as other company's chairman, general manager and employees. Not applicable in cases where the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the specified company or institution holding more than 20% but less than 50% of the share, and the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing, commercial, legal, financial, accounting services or consultation to the Company that received remuneration more than NT\$50,000 or to any affiliate of the Company, or a spouse thereof. Not applicable in cases where the person is member of Compensation committee or, Public Tender Offer Committee, or Business Mergers and Acquisitions, that exercise related regulations according to Securities and Exchange Act or M&A Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its Representative as defined in Article 27 of the Company Law.

(2) Diversity within the members of the Board of Directors: :

① Diversity :

The company has formulated the "Corporate Governance Practical Principles" to regulate the structure of the board to take into account diversity, and the relevant norms have been disclosed on the company's website and Market Observation Post System (MOPS).

- A. According to Article 20 of the company's " Corporate Governance Practical Principles ", members of the board of directors should generally have the knowledge, skills, and accomplishments necessary to perform their duties, as well as the diversity and representation of the board of directors, and appropriately take into account the benefits of diversity of board members.

In order to achieve the ideal goal of corporate governance, the board of directors as a whole should have the following capabilities :

- (a) Operational judgment skills ◦
- (b) Accounting and financial analysis skills ◦

- (c) Operational management skills ◦
- (d) Crisis management skills ◦
- (e) Industry knowledge ◦
- (f) Global market view ◦
- (g) Leadership skills ◦
- (h) Decision making skills ◦

B. The specific management objectives and achievement of the company's diversification policy are as follows :

Management Objectives	Achievement
The professional background of directors should cover law, accounting, industry, finance, marketing or technology. Seats in the field target at least 2 people	Achieved
At least one female director seat	Achieved

C. Basic conditions and value:

The company's current board of directors consists of 7 directors, including 4 directors and 3 independent directors. The directors have rich experience and expertise in the fields of industry, law, business and management. The directors are all Taiwanese. The age distribution of the directors includes 3 directors aged 41-50, 2 directors aged 51-60, 1 director aged 61-70 and 1 director aged 71-80. There is a total of 1 female independent directors, which accounts for 14.29% of all directors; male members account for 85.71%, and the average age of all directors is 55 years old. The company has 3 independent directors, and all independent directors have no more than 3 consecutive terms of office.

The composition and professional abilities of the board members:

Position	Name	Gender	Employee	Age			Seniority as Independent Director		Experience and Professional Skills								
				Under 50	50~59	Above 60	Under 3 years	Above 3 years	Operational judgment skills	Accounting and financial analysis skills	Operational management skills	Industry knowledge	Crisis management skills	Global market view	Leadership skills	Decision making skills	
Chair	SHIH-WEI CHEN	Male	✓		✓				✓		✓	✓	✓	✓	✓	✓	✓
Director	SUNG CHUN CHEN	Male	✓	✓					✓		✓	✓	✓	✓	✓	✓	✓
Director	CHEN HSIAO CHEN	Male	✓	✓					✓		✓	✓	✓	✓	✓	✓	✓
Director	MING CHIEH, CHEN	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent director	HUI FEN, LIN	Female			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent director	SHENG YIH, HSIEH	Male				✓		✓	✓		✓	✓	✓	✓	✓	✓	✓
Independent director	IOU MING, WANG	Male				✓		✓	✓		✓	✓	✓	✓	✓	✓	✓

The diversification of board members is based on the continuous implementation of the company's "Corporate Governance Practical Principles". In the future, depending on the operation of the board of directors and the company's development needs, the policy of enhancing the diversity of board members will keep pace with the times, so as to ensure that the members of the board of directors can have the necessary knowledge, skills and accomplishments, to perform their duties.

② Independence of the board :

Among the directors, apart from Chairman SHIH-WEI CHEN, Director Jef Chen, and Director CHEN HSIAO CHEN, who are brothers, there are 3 independent directors (including 1 female independent director), and the number of directors shall not be less than 2 in accordance with Article 14-2 of the Securities Exchange Law. One-fifth of the number of directors is required; directors also have more than half of the seats, and there is no relationship within the spouse or second degree of kinship.

The independent directors of the company are all in compliance with the regulations of the Securities and Futures Bureau of the Financial Supervision and Administration Commission on independent directors, and there is no incident between the directors and independent directors in Items 3 and 4 of Article 26-3 of the Securities Exchange Law, hence independence. For the education background, gender and work experience information of each director, please refer to "Information on Directors " on page 8 of this annual report.

(II) Information on the general manager, deputy general manager, senior managers, heads of departments and branches

March,31,2023 ; unit : number of shares 、%

Title	Nationality	Name	Gender	Inauguration Date (Employment date)	Shareholding		Currently holding shares of spouses and minor children		Shares held in the Name of Others		Main experience (education background)	Concurrent positions in the company and at other companies	Managers who are their spouse or within the second degree			Note
					Number	%	Number	%	Number	%			Title	Name	Relations	
General manager	Republic of China	SUNG CHUN CHEN	Male	Aug. 09 2018 July 01 2002	646,880	1.08	64,050	0.11	0	0.00	The company's sales and marketing, general affairs dept., etc (Bachelor of Mechanical Engineering from University of Salford)	The company's general manager and branches' manager General manager at NOVATECWHEELS (SHENZHEN) CO., LTD. Supervisor at JOY CYCLE PARTS (KUNSHAN) Co.,LTD. Supervisor at JOY PRECISION INDUSTRY (TAIZHOU) CO., LTD	Chief production manager	CHEN HSIAO CHEN	brother	-
Chief R&D officer	Republic of China	CHIEH YUAN TSAI	Male	Sep 1 2018 Mar.27 1995	23,893	0.04	0	0.00	0	0.00	The company's chief R&D officer, R&D director and spokesperson The company's R&D department and general manager office Enginner at FALCONCYCLE TECH. CO., LTD. (Bachelor of mechanical engineering from NCKU)	The group's chief R&D officer	-	-	-	-
CFO	Republic of China	YiYao Chiang	Female	Aug. 09 2018 May 18 2016	0	0.00	0	0.00	0	0.00	The company's CFO, spokesperson, corporate governance supervisor The company's finance and HR department Haiwan International Development Co., Ltd (Bachelor of accounting from FCU) (EMBA from NCHU)	The group's CFO	-	-	-	-
Chief production officer doubling as chief purchasing officer	Republic of China	CHEN HSIAO CHEN	Male	Aug. 09 2018 Dec.01 2009	1,128,888	1.88	9,246	0.02	0	0.00	The company's purchasing, R&D, QA, etc Engineer at Microseal BS of Chemical and Materials Engineering from CGU Bachelor of Materials Science from University of Pittsburgh	The company's chief production officer doubling as chief purchasing officer General manager at JOY INDUSTRIAL(SHENZHEN) CO., LTD. JOY INDUSTRIAL(SHENZHEN) CO., LTD. General manager at JOY CYCLE PARTS (KUNSHAN) Co.,LTD. General manager at JOY PRECISION INDUSTRY (TAIZHOU) CO., LTD Supervisor at NOVATECWHEELS (SHENZHEN) CO., LTD.	General manager	SUNG CHUN CHEN	brother	-

(III) Remuneration paid to Directors, Supervisors and management team in the most recent fiscal year

A. Remuneration of Directors and Independent Directors (2022)

① The remuneration of general directors and independent directors (with names summarized and disclosed according to grades)

Unit: NT\$1000

Title note	Name	Compensation of Directors								Relevant remuneration of part-time personnel								Percent of A, B, C, D, E, F and G to net profit after tax	Is there any remuneration from other invested businesses apart from subsidiaries							
		Remunerations (A)		Retirement allowance (B)		Remuneration from distribution of earnings (C)		Business execution expenses (D)		Percent of A, B, C and D to net profit after tax		Remuneration, money award and special expenses etc. (E)		Retirement allowance (F) (note)		Employee profit sharing (G)										
		The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	The company	All companies within the consolidated financial statement	Cash dividends	stock amount			Cash dividends	stock amount					
Chair	Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN																									
Director	Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN	0	0	0	0	1,380	1,380	66	66	2.99%	2.99%	7,856	13,085	216	216	76	0	76	0							
Director	Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN																									
Director	MING CHIEH, CHEN											0	0	0		0	0	0	0							
Independent director	HUI FEN, LIN																									
Independent director	SHENG YIH, HSIEH	720	720	0	0		122	146	146	2.04%	2.04%	0	0	0	0	0	0	0	0							
Independent director	IOU MING, WANG																									

Note 1: The company's independent director remuneration payment policy, system, standards and structure are handled in accordance with the company's "Directors, Functional Committees and Managers' Remuneration Management Measures" and submitted to the board of directors for approval.\\

Note 2: CHIEH YUAN TSAI resigned as a director on June 29, 2020, and the director's remuneration for 2020 was paid in 2021.

Note 3: In addition to the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a non-employee consultant for the parent company/all companies in the financial report/reinvestment enterprises, etc.): None.

② Range of Remunerations for Directors

Range of remunerations paid to directors	Names of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The company	All companies involved in financial statement (H)	The company	All companies involved in financial statement (I)
Under NT\$1,000,000	Fengyi Investment Ltd.: SHIH-WEI CHEN, SUNG CHUN CHEN, CHEN HSIAO CHEN, Minjei Chen, CHIEH YUAN TSAI, HUI FEN, LIN, SHENG YIH, HSIEH, IOU MING, WANG	Fengyi Investment Ltd.: SHIH-WEI CHEN, SUNG CHUN CHEN, CHEN HSIAO CHEN, Minjei Chen, CHIEH YUAN TSAI, HUI FEN, LIN, SHENG YIH, HSIEH, IOU MING, WANG	HUI FEN, LIN, SHENG YIH, HSIEH, IOU MING, WANG, Minjei Chen, CHIEH YUAN TSAI	HUI FEN, LIN, SHENG YIH, HSIEH, IOU MING, WANG, Minjei Chen
NT\$1,000,000 (included)~ NT\$2,000,000 (excluded)	-	-	-	-
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	-	-	Fengyi Investment Ltd. : SUNG CHUN CHEN, CHEN HSIAO CHEN	Fengyi Investment Ltd.: CHEN HSIAO CHEN
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	-	-	Fengyi Investment Ltd.: SHIH-WEI CHEN	Fengyi Investment Ltd.: SUNG CHUN CHEN
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	-	-	-	Fengyi Investment Ltd.: SHIH-WEI CHEN
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	-	-	-	-
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)	-	-	-	-
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

Note 1: CHIEH YUAN TSAI resigned as a director on June 29, 2020

(2). Remuneration of General Managers and Deputy General Managers (2022)

① The remuneration of general managers and deputy general managers (with names summarized and disclosed according to grades)

Unit : a thousand shares; a thousand dollars

Title	Name	Remunerations (A)		Retirement allowance (B)		Money award and special payment etc. (C)		Earning distribution as dividends for personnel (D)				Rate of total amount of A, B, C and D to pure profits after tax (%)		Remuneration from other invested businesses apart from subsidiaries.
		The company	All companies in the financial statement	The company	All companies in the financial statement	The company	All companies in the financial statement	The company		All companies in the financial statement		The company	All companies in the financial statement	
								Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends			
CEO	SHIH-WEI CHEN	9,000	14,229	324	324	815	815	114	-	114	-	21.17%	31.97%	-
General manager	SUNG CHUN CHEN													
Chief R&D officer	CHIEH YUAN TSAI													
Chief production officer	CHEN HSIAO CHEN													

(Note 1): Mr. SHIH-WEI CHEN resigned as the CEO on August 14, 2022 and became the full-time chairman.

(Note 2): Mr. SUNG CHUN CHEN was appointed as the new general manager on August 15, 2022, concurrently as the chief marketing officer.

② Range of Remunerations

Range of remunerations paid to general managers and deputy general managers	Names of general managers and deputy general managers	
	The company	All companies involved in financial statement
Under NT\$1,000,000	-	-
NT\$1,000,000 (included)~ NT\$2,000,000 (excluded)	-	-
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	CHIEH YUAN TSAI SUNG CHUN CHEN CHEN HSIAO CHEN	CHIEH YUAN TSAI SUNG CHUN CHEN CHEN HSIAO CHEN
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	SHIH-WEI CHEN	
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)		SHIH-WEI CHEN
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000	-	-
Total	4	4

- (3) The names of the management team who received employee remuneration in the most recent year and the distribution situation :

Unit : a thousand dollars ;
%

Title	Name	Stock Dividends	Cash Dividends	Total	Proportion of total amount to net profits after tax (%)
General manager	SUNG CHUN CHEN	-	152	152	0.31%
Chief R&D officer	CHIEH YUAN TSAI				
Chief production officer	CHEN HSIAO CHEN				
CFO	YI YAO CHIANG				

(note) : The company's employee remuneration for 2021 was issued in 2022 .

- (4) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the past two fiscal years
- ① Analysis of the ratio of the total amount of remuneration paid to the company's directors, general manager and deputy general managers in the last two years by the company and all companies in the consolidated statement to the after-tax net profit :

Unit : a thousand dollars ; %

Item \ Year	2021		2022	
	Proportion of total amount to net profit after tax (%)		Proportion of total amount to net profit after tax (%)	
	The company	All companies involved in financial statement	The company	All companies involved in financial statement
Director	12.73%	18.93%	21.85%	32.65%
General Managers and Deputy General Managers	11.91%	18.11%	21.17%	31.97%

Note: The above remuneration includes salary, bonus, traveling expenses, remuneration of directors and supervisors, employee remuneration and other remuneration.

- ② Policy, Standard and Combination of Remuneration:

A. Directors

The remuneration of directors includes traveling expenses, business execution expenses and distribution of directors' remuneration, etc. The remuneration of the directors of the company is in accordance with the company's "Directors and Managers' Salary and Remuneration Measures", and the remuneration committee and the board of directors are determined according to the degree of directors' participation in the company's operations and the value of their contributions and the relevant measures; the distribution standard of directors' remuneration follows the provisions of Article 27 of the company's articles of incorporation: "If the company makes a profit in the year, the employee's remuneration shall be distributed according to the profit status of the current year. Distribution of directors' remuneration shall not exceed 5% of the current year's profit, except when there are still accumulated losses, the losses should be made up first."

B. General managers and deputy general managers

The remuneration of the general manager and deputy general manager includes salary, employee remuneration, etc. The salary level is based on the company's salary management

measures and other related methods of salary assessment and reference to the company's contribution; the distribution standard of employee remuneration follows the company's articles of incorporation.

③ Procedures for determining remuneration:

The remuneration of directors and managers must be reported to the Remuneration Committee by the Human Resources Department according to regulations and must be processed upon the resolution of the Board of Directors.

④ Correlation with business performance:

- A. Directors: Directors' remuneration has taken into account the company's operating objectives, financial status and directors' responsibilities. °
- B. The management team: The management team's remuneration has taken into account his professional ability and the company's operation and financial status, and has assessed the business performance.

⑤ Linkage to future risks:

The important decisions of the company's management team are made after balancing various risk factors. The performance of these important decisions will be reflected on the company's profit situation, and then related to the remuneration of the management; that is, the remuneration of the company's directors, chairman, general manager and deputy general manager is related to the performance of future risk control.

(IV) **Implementation of corporate governance**

(1) Information on implementation of Board of Directors

Five meetings were held by the Board of Directors in the most recent year (Jan 1 2022~Dec31 2022) with their attendance shown as follows: :

Title	Name	Attendance in person B	By proxy	Attendance rate in person (%) 【B/A】	Note
Chairman	Fengyi Investment Ltd. Rep.: SHIH-WEI CHEN	5	0	100%	None
Director	Fengyi Investment Ltd. Rep.: SUNG CHUN CHEN	5	0	100%	None
Director	Fengyi Investment Ltd. Rep.: CHEN HSIAO CHEN	5	0	100%	None
Director	MING CHIEH, CHEN	5	0	100%	None
Independent director	HUI FEN, LIN	5	0	100%	None
Independent director	SHENG YIH, HSIEH	5	0	100%	None
Independent director	IOU MING, WANG	5	0	100%	None

Other matters to be recorded:

A. If any of the following situations occurs in the operation of the board of directors, the date, period, content of the proposal, opinions of all independent directors, and the company's handling of the opinions of independent directors shall be stated: None. °

(a) Matters listed in Article 14-3 of the Securities and Exchange Act

Meeting date	Important resolutions	Independent director's opinions	JOY's handling of the opinions of the independent director
The first Board of Directors Meeting in 2022 Date: 2022.03.31 (9th of the 16th session)	(1) Proposal to the loaning of funds of the Company and its subsidiaries. (2) Proposal to the contract renewal and endorsement guarantee of the financing loan limit of the company and its subsidiaries. (3) Proposal to the Company's 2021 "Declaration of Internal Control System." (4) Proposal to amend the Company's "Assets Acquisition or Disposal Handling Methods." (5) Proposal to amend the Company's Internal Control System, Accounting System and Management Act.	Nil	Nil
The second Board of Directors' Meeting in 2022 Date: 2022.05.13 (10th of the 16th session)	(1) Proposal to the Company's and its subsidiaries' capital loans and audits. (2) Proposal to the Company's Declaration of Internal Control System for the period from April 2021 to March 31, 2022.	Nil	Nil
The third Board of Directors' Meeting in 2022 Date: 2022.08.04 (11th of the 16th session)	(1) Proposal to the loaning of funds of the Company and its subsidiaries. (2) Proposal to the bank to apply for a financing line and provide an endorsement guarantee. (3) Proposal to amend the Company's "Implementation Rules for Internal Auditing."	Nil	Nil

<p>The fourth Board of Directors' Meeting in 2022</p> <p>Date: 2022.09.27 (12th of the 16th session)</p>	<p>(1) Proposal to amend the Company's "Accounting System" and "Internal Control System" sections.</p> <p>(2) Proposal to the loaning of funds of the Company and its subsidiaries.</p> <p>(3) Proposal to adjust the internal audit supervisor's duties of the Company.</p>	<p>Nil</p>	<p>Nil</p>
<p>The fifth Board of Directors' Meeting in 2022</p> <p>Date: 2022.12.07 (13th of the 16th session)</p>	<p>(1) Proposal to appoint a certified public accountant of the Company and to resolve its public expense.</p> <p>(2) Proposal to the loaning of funds of the Company and its subsidiaries.</p> <p>(3) Proposal to approach banks for new applications and renewals of financing facilities of the Company and its subsidiaries.</p> <p>(4) Proposal to amend the "Implementation Rules for Internal Auditing" and "Management Rules for Internal Control System" of the Company.</p>	<p>Nil</p>	<p>Nil</p>

(b) In addition to the above-mentioned matters, other matters resolved by the board of directors for which independent directors have objected or reserved opinions and have records or written statements.

B. Directors' name, content of proposals, reasons for recusal of interests, and participation in voting shall be stated regarding the implementation of directors' recusal of interest-related proposals

On March 31, 2011, the board of directors of the company resolved the assignment of directors, supervisors, representatives, and general managers of subsidiaries. On September 27, 2022, the company's board of directors resolved to issue the company's directors' remuneration. The directors in this case avoided legal interests (directors: SHIH-WEI CHEN, SUNG CHUN CHEN, CHEN HSIAO CHEN, MING CHIEH, CHEN and independent directors: HUI FEN, LIN, SHENG YIH, HSIEH, IOU MING, WANG) one by one and did not participate in discussion and voting, and the chairman (or acting chairman) consulted the remaining directors in presence and passed the proposal without objection. On the same day, the board of directors resolved to issue the employee compensation of the company's management team. The directors in this case also avoided legal interests (managers: SHIH-WEI CHEN, SUNG CHUN CHEN, CHEN HSIAO CHEN, YI YAO CHIANG, etc. did not participate in the discussion or voting) passed the proposal. In addition, on December 7, 2022, the board of directors resolved that the current salary standards and structure of the company's directors and management team would continue to be used in 2023, which was approved upon the chairman (or acting chairman)'s consultation of their directors in accordance with the legal interest avoidance (the parties avoided one by one and did not participate in the discussion or voting). On the same day, the board of directors resolved on the year-end bonus for the management team of the company. This case abided by the law of the legal interest avoidance (the management team avoided the discussion and did not participate in the discussion or voting), and (the acting chairman) consulted the remaining directors in presence and passed it without objection.

C. Publicly traded companies shall disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, and fill in Attachment 2 for the implementation of the board evaluation.

The performance evaluation of the company's board of directors in was conducted in accordance with Article 37 of the company's "Corporate Governance Practice Principles" and the "Measures for Performance Evaluation of the Board of Directors". The implementation of the company in 2022 is shown in Attachment 2.

D. Objectives for strengthening the functions of the board of directors in the current year and the most recent year (such as establishing an audit committee, improving information transparency, etc.) and evaluation of implementation:

1. In order to strengthen the functions of the board of directors, the company has established an audit committee to replace the powers of the supervisor after the re-election of the 2020 annual shareholders meeting.
2. The company formulated the "Board of Directors Performance Evaluation Measures" in 2019 and implemented the performance evaluation of the Board of Directors since 2020.
3. In addition to setting up the audit committee, the company has also set up a corporate governance supervisor and established "standard operating procedures for handling directors' requests", and continuously revises effective and appropriate internal control systems to strengthen the functions of the board of directors.

4. The company complies with relevant legal requirements and establishes a complete information disclosure system to ensure that shareholders can obtain the latest information about the company and enhance information transparency.

2. The Board of Directors Evaluation and Implementation

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation	Evaluation Implementation
Annually	Jan 01, 2022 Dec 31, 2022	Including the performance evaluation of the board of directors, directors and functional committees	Self evaluation of the performance of board of directors, directors and functional committees	<p>(1) Board of Directors: Including participation in operations, quality of decision-making, composition and structure of the board of directors, selection of directors and continuing education, and internal control.</p> <p>(2) Performance evaluation of individual directors: Including the mastery of the company's goals and tasks, awareness of directors' responsibilities, degree of participation in company operations, internal relationship management and communication, directors' professional and continuing education, and internal control.</p> <p>(3) Performance evaluation of functional committees: Including the degree of participation in the company's operations, cognition of the responsibilities of functional committees, decision-making quality of functional committees, composition and selection of members of functional committees, and internal control.</p>	<p>(1) Performance evaluation of the board of directors: The seven current directors (including independent directors) fill out the questionnaire. The self-assessment includes five aspects with a total of 25 indicators accounting for 100 points. The overall average score of the evaluation results is 95.57 points. The considered excellent, showing that the overall operation of the company's board of directors is still sound and meets the requirements of corporate governance.</p> <p>(2) Performance evaluation of individual directors: The seven current directors (including independent directors) fill out the questionnaire. The assessment includes six aspects with a total of 23 indicators, accounting for 100 points. The overall average score of the evaluation results is 93.71 points, The considered excellent, showing that the efficiency and effectiveness of the operation are positively evaluated.</p> <p>(3) Functional Committee Performance Evaluation: The assessment includes five aspects with a total of 24 indicators, accounting for 100 points. The overall average score of the evaluation result is 93 points. The considered excellent, showing that the overall operation of the functional committee of the company is sound and effectively enhances the functions of the board of directors.</p>

(2) Operations of Audit Committee :

① The operations of the Audit Committee

Five meetings were held by the Audit Committee in the most recent year (Jan 1 2022~Dec31 2022) with the attendance of independent directors shown as follows:

Title	Name	Attendance in person B	By proxy	Attendance rate in person (%) 【B/A】	Note
Independent director	HUI FEN, LIN	5	0	100	None
Independent director	SHENG YIH, HSIEH	5	0	100	None
Independent director	IOU MING, WANG	5	0	100	None

Other mentionable items :

A. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, objections, reservations or major advice items, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified :

(a) Matters referred to Article 14-5 of the Securities and Exchange Act.

Meetings of Audit Committee	Important resolutions	Resolution of the Audit Committee	The Company's response to the Audit Committee's Opinion
The first Meeting in 2022 Date: 2022.03.30 (9th of the 16th session)	(1) Proposal to the loaning of funds of the Company and its subsidiaries. (2) Proposal to the contract renewal and endorsement guarantee of the financing loan limit of the company and its subsidiaries. (3) Proposal to the Company's 2021 "Declaration of Internal Control System." (4) Proposal to amend the Company's "Assets Acquisition or Disposal Handling Methods." (5) Proposal to amend the Company's Internal Control System, Accounting System and Management Act.	Passed by all members	Approved by all board members
The second Meeting in 2022 Date: 2022.05.12 (10th of the 16th session)	(1) Proposal to the Company's financial statements for the first quarter of 2022. (2) Proposal to the Company's and its subsidiaries' capital loans and audits. (3) Proposal to the Company's Declaration of Internal Control System for the period from April 2021 to March 31, 2022. °	Passed by all members	Approved by all board members
The third Meeting in 2022 Date: 2022.08.03 (11th of the 16th session)	(1) Proposal to the Company's financial statements for the second quarter of 2022. (2) Proposal to the loaning of funds of the Company and its subsidiaries. (3) Proposal to the bank to apply for a financing line and provide an endorsement guarantee. (4) Proposal to amend the Company's "Implementation Rules for Internal Auditing."	Passed by all members	Approved by all board members
The fourth Meeting in 2022 Date: 2022.09.27 (12th of the 16th session)	(1) Proposal to amend the Company's "Accounting System" and "Internal Control System" sections. (2) Proposal to the loaning of funds of the Company and its subsidiaries. (3) Proposal to adjust the internal audit supervisor's duties of the Company. (4) Proposal to amend the Company's "Seal Management Regulations" and "Vetting Authority Table and Management Regulations."	Passed by all members	Approved by all board members
The fifth Meeting in 2022	(1) Proposal to the Company's 2023 Audit Plan. (2) Proposal to appoint a certified public accountant of the Company and to resolve its public expense.	Passed by all members	Approved by all board members

Date: 2022.12.07 (13th of the 16th session)	(3) Proposal to the loaning of funds of the Company and its subsidiaries. (4) Proposal to approach banks for new applications and renewals of financing facilities of the Company and its subsidiaries. (5) Proposal to amend the "Implementation Rules for Internal Auditing" and "Management Rules for Internal Control System" of the Company.		
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(b) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors : None

B. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes for avoidance and voting should be specified : None

C. Communications between the independent directors, the Company's chief internal auditor and CPAs (including the material items, methods and results of the Company's finance or operations)

(a) Accountant shall Under applicable laws and Auditing Standards of the Republic of China regulations, in addition to checking the financial report matters and the management unit every year, accountant reports to the independent directors on the review method and audit results of the financial statements, and irregular attendance conducts face-to-face communication with the independent directors on related matters.

TERM	Conference Name	contents	The Company's response to the Remuneration Committee's opinion
The first Meeting in 2022 (9th of the 16th session)	Board of Directors	2021 Financial Report Review Results Report	After being reported by the accountants, the board of directors passed by all members
The first Meeting in 2022 (9th of the 1th session)	Audit Committee	2021 Financial Report Review Results Report	After being reported by the accountants, the Audit Committee passed by all members
The third Meeting in 2022 Date: 2022.08.04 (11th of the 1th session)	Audit Committee	2021 Q2 Financial Report Review Results Report	After being reported by the accountants, the Audit Committee passed by all members

(b) The internal auditors have sent the audit reports to the members of the Audit Committee In the month following the completion of the audit project and presented the findings of all audit reports in the meetings of the Audit Committee periodically, and all independent directors can state their opinions and ask the audit supervisor to handle them.

(3) Differences between the corporate governance status and the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies and reasons.

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
1. Does the company set and disclose any corporate governance code of practice in accordance with Corporate Governance Practice for TWSE/ TPEX -Listed Companies?	V		1. The Company has established a corporate governance code of practice, which has been advanced at board meetings, and the rules and regulations have been implemented in accordance with the essence of corporate governance.	No difference.
2. Equity structure and shareholders' rights (1) Has the Company set internal operating procedures to attend to shareholders' proposals, doubts, disputes and litigation matters, and are these procedures implemented accordingly? (2) Does the Company have a list of the majority shareholders with actual control over the Company and the persons with ultimate control over these majority shareholders? (3) Does the Company establish and implement its risk management and firewall mechanism between itself and its affiliates?	V V V V		(1) This Company has designated a spokesperson and deputy spokesperson as a mechanism to attend to shareholders' proposals, doubts and other matters. (2) This Company uses professional stock transfer agents, and has designated personnel exclusively to attend to matters in respect of stock transfer to secure a list of the majority shareholders with actual control over the Company. (3) Any transaction and communication between the Company and affiliates are subject to Regulations Governing the Subsidiaries and Regulations Governing Transactions between the Group and Affiliates and Certain Companies set by the parties, which are audited by the auditors. (4) This Company has set regulations governing material information management and insider trading.	No difference.

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
(4) Has the Company set internal standards to prohibit the use of undisclosed information for trading securities on the market?				
<p>3. Formation and responsibilities of the Board of Directors.</p> <p>(1) Does the Board of Directors set and implement a diversification policy?</p> <p>(2) Does the Company voluntarily establish any functional committees other than the Compensation Committee and Audit Committee?</p> <p>(3) Does the Company set performance assessment rules and methods for the Board of Directors and conduct an evaluation annually?</p> <p>(4) Does the Company appraise the independence of its CPA?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The formation of the board is diversified with three independent directors, and the formation policy has been implemented.</p> <p>(2) This Company has not established any functional committee other than the Compensation Committee.</p> <p>(3) This Company has not set performance assessment rules or any other assessment rules.</p> <p>(4) The CPA appointed by this Company is not affiliated with the Company. Any engagement or termination of any CPA shall be submitted to the approval of the board, and there shall not lack independence.</p>	No difference.
4. Does the TWSE/TPEX listed company have any full-time (part-time) unit or personnel responsible for corporate governance affairs (including but not limited to providing information required for the director's and supervisor's operations, convening board and	V		<p>(1) This Company has personnel from the finance and accounting department to attend to corporate governance affairs.</p> <p>(2) The company follows the laws and regulations and has been approved by the board of directors to set up and appoint a corporate governance supervisor.</p>	No difference.

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
shareholders' meetings in compliance with the law, applying for business registration and registration amendments, and preparing board and shareholders' meeting minutes)?				
5. Does the Company establish any communication channel for stakeholders (including but not limited to shareholders, employees, clients and suppliers) and a webpage on the corporate website exclusively for them, and properly respond to significant CSR issues concerning them?	V		This company has appointed a spokesperson and deputy spokesperson as a communication channel for stakeholders.	No difference.
6. Does the Company engage any professional stock transfer agent for affairs in respect of shareholders' meetings?	V		This Company has engaged professional stock transfer agents to attend to affairs in respect of shareholders' meetings.	No difference.
7. Information disclosure (1) Does the Company set up a website to disclose information on financial operations and corporate governance? (2) Does the Company adopt any other measures (such as setting up an English website, designating a person to take responsibility for information collection and disclosure, implementing the spokesperson system, or making the legal entity's	V V		(1) This Company has disclosed information of financial operations and corporate governance on the corporate website and Market Observation Post System. (2) This Company discloses information on Market Observation Post System in accordance with the regulatory requirements, and designates a spokesperson and deputy spokesperson with knowledge of the Company's comprehensive operations, finance and sales to make any statement uniformly and any disclosure promptly.	No difference. No difference.

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
<p>announcements available on the corporate website) to disclose information?</p> <p>(3) Does the company announce and file the annual financial report within two months after the end of the fiscal year, and announce and file the first, second, and third quarter financial reports and the operating conditions of each month before the prescribed deadline?</p>		V	<p>(3) The Company shall submit the annual financial report within four months after the end of each fiscal year and the second quarter financial report within 45 days after the end of the second quarter of each fiscal year according to the list of matters to be done by Emerging Stock Board Company .</p>	<p>The company is a listed company at the emerging stock market. The Company will adhere to any regulation amended from this date forward.</p>
<p>8. Does the Company have other material information that will help with understand its corporate governance system (including but not limited to employees' rights and interests, employee care, relations with investors, relations with suppliers, interested parties' rights, directors' and supervisors' continuing education, execution of risk management policies and risk evaluation standards, execution of customer policies, liability insurance for the directors and supervisors)?</p>	V		<p>(1) Employee rights and interests: This Company has established working rules pursuant to labor law and ensures the employees' rights in accordance with the Labor Standard Act.</p> <p>(2) Employee care: This Company has set an employee benefit committee, distributes welfare funds, and pays attention to employees' benefits.</p> <p>(3) Relations with investors, suppliers and stakeholders' rights: based on the concept of cooperation, this Company has maintained a great relation with investors and suppliers for a long time in terms of communication and information transfer in order for the Company to develop for the long term.</p> <p>(4) Relations with suppliers: This Company has set a code of ethics, a code of operating in good faith,</p>	<p>No difference.</p>

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
			<p>regulations governing information of finance or non-finance, etc.</p> <p>(5) Rights of stakeholders: This Company has designated a spokesperson and deputy spokesperson as a communication channel with stakeholders.</p> <p>(6) Continuing education of directors: The Company arranges with the new board members about attending internal seminars, and informs independent directors of taking the 3-hours course of company governance. The directors' attendances at board meetings remain great, and in the event of any potential interest involving the directors on any listed motions, they shall not take the vote.</p> <p>(7) Implementation of risk management policies and risk evaluation standards: The Company has set a stringent internal control system as a reference for risk control and assessment, and an audit unit to review the assessment occasionally.</p> <p>(8) Implementation of customer policies: The Company has established complaint handling procedure, which stipulates the procedure for handling clients' appeals, complaints and dissatisfaction.</p> <p>(9) Liability insurance for directors and supervisors: The Company has been buying insurance for directors and supervisors since 2013.</p>	

Item to Be Evaluated	Implementation Status			Differences from Corporate Governance Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
			(10) In order to strengthen corporate governance, the company established an audit committee to replace the powers of supervisors after the re-election of the shareholders' meeting on June 30, 2020.	
9. Please specify improvements produced, primary matters and measures to be improved in accordance with the recent governance review released by Taiwan Stock Exchange's Corporate Governance Center. (This Company has not been listed, hence, not applicable.)				

Note 1: Criteria for assessing the independence of accountants

Evaluation Item	Results	Whether or not in compliance with independence
1. Whether the accountant has a direct or significant indirect financial interest in the company.	No	Yes
2. Whether the accountant has financing or assurance activities with the company or the directors of the company.	No	Yes
3. Whether the accountant has a close business relationship and potential employment relationship with the company.	No	Yes
4. Whether the accountants and their audit team members hold positions in the company that have a significant impact on the audit work during the audit period.	No	Yes
5. Whether the accountants provide the company with non-audit service items that may directly affect the audit work.	No	Yes
6. Whether the accountant holds stocks or other securities issued by the company.	No	Yes
7. Whether the accountant acts as the company's defender or coordinates conflicts with other third parties on behalf of the company.	No	Yes
8. Whether the accountant has a family relationship with the company's directors, managers, or personnel with positions that have a significant impact on the audit work.	No	Yes
9. Whether the accountants and their audit team members have received gifts or gifts of great value from the directors and managers of the company.	No	Yes
10. Whether the company has not obtained an independent statement from an accountant.	No	Yes

(4) Formation, responsibilities and operation status of the Remuneration Committee:

① Background information of the members of the Remuneration Committee

Identity	Qualifications Name	Professional Qualifications and Experience	Independence Status	Concurrent director position in other publicly listed companies
Independent director (convener)	SHENG YIH, HSIEH	(1) Accountants or other professional and technical personnel who have passed the national examination required by the company's business and obtained a certificate. (2) Having more than 20 years of working experience. (3) No occurrence of any matter stated in Article 30 of the Company Act.	The three independent directors listed on the left: 1. All have the independent qualifications of independent directors. 2. In full compliance with the independence attribute: (1) The person, their spouse, and relatives within the second degree are not directors, supervisors, or employees of the company or other affiliated companies. (2) The person, their spouse, and relatives within the second degree do not hold shares in the company. (3) Not serving as a director or supervisor of a company that has a specific relationship with the company (refer to Article 6, Item 1, Item 5-8 of the Regulations on the Establishment and Exercise of Functions and Powers of the Company's Salary and Remuneration Committee that is listed on the stock market or traded at the business place of a securities firm) or employees. (4) No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliated companies in the past two years.	0
Independent director	Huifeng Lin	(1) Lecturers or above with experience in legal affairs or the company's businesses at the relevant departments of public and private colleges and universities, and being good at law and other fields. (2) Having more than 20 years of working experience. (3) No occurrence of any matter stated in Article 30 of the Company Act.		2
Independent director	IOU MING, WANG	(1) Lecturers or above with experience in legal affairs or the company's businesses at the relevant departments of public and private colleges and universities, and being good at commerce and other fields. (2) Having more than 20 years of working experience. (3) No occurrence of any matter stated in Article 30 of the Company Act.		0

Note: please refer to the relevant contents of Directors' Information (1) on page 8 for the relevant work experience of the independent directors.

② Information on the operation of the remuneration committee

- A. The company's remuneration committee consists of 3 members
- B. The current term of office: from June 30, 2020 to June 29, 2023, the most recent year (2022.01.01~2022.12.31)
The Salary and Remuneration Committee held 3 meetings

(A). The qualifications and attendance of the members are as follows:

Title	Name	Attendance in person B	By proxy	Attendance rate in person (%) 【B/A】	Note
Convener	SHENG-YIH, HSIEH	3	0	100%	None
Member	HUI FEN, LIN	3	0	100%	
Member	IOU MING, WANG	3	0	100%	
Other noteworthy matters: 1. The Board of Directors does not accept or amend Remunerations Committee's suggestions: None. 2. The resolutions of the Remunerations Committee which Committee member has oppositions or reservations: None.					

3、Discussion subjects and resolutions of Remunerations Committee: :

Date of Remunerations Committee	Subject	Resolution
The first Meeting in 2022 Date: 2022.03.29 (5th of the 3th session)	(1) The Company's 2021 employees' and directors' remuneration Plan	Passed by all members unanimously.
	(2) Distribution of the Company's 2021 employees' remuneration and directors' remuneration.	Passed by all members unanimously.
	(3) Adjustment of allowances for factory managers stationed by the company in mainland China	return revise
The second Meeting in 2022 Date: 2022.09.06 (6th of the 3th session)	(1) Amend the organization chart, rank table and salary management measures for ranks	Passed by all members unanimously.
	(2) Revision of the Employee Remuneration Payment Method - Second Edition	Passed by all members unanimously.
	(3) Proposal on the employee remuneration of directors of the Company.	Passed by all members unanimously.
	(4) Proposal on the employee remuneration of the Company's managerial officers.	Passed by all members unanimously.
	(5) Proposal on the salary adjustment of the Company's managerial officer - Chen Sung-Chun.	Passed by all members unanimously.
The third Meeting in 2022 Date: 2022.12.06 (7th of the 3th session)	(1) The current salary standard and structure of the directors of the company is planned to be continued in 2023	Passed by all members unanimously.
	(2) The current salary standard and structure of the company's managers will continue to be used in 2023	Passed by all members unanimously.
	(3) Proposal on the year-end bonus for the Company's managerial officers.	Passed by all members unanimously.

(5) Performance of Social Responsibilities, and differences to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and rationale.

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established a governance structure to promote sustainable development, set up a dedicated (part-time) unit to promote sustainable development, has the Board of Directors authorized senior management to handle the matter, and what is the Board of Directors' supervision status? (TWSE/TPEX-Listed Companies should fill in the implementation status, not follow or explain.)	V		<p>Following the vision and mission of the Company's ESG policy, the ESG Task Force was established in 2021 and the "Sustainable Development Committee" was approved by the Board of Directors in 2023, which is the highest-level decision center for sustainable development within the Company, chaired by the chairman and works with a number of senior executives from different fields to review the Company's core operating capabilities and set medium- and long-term sustainable development plans.</p> <p>The "Sustainable Development Committee" serves as a cross-departmental communication platform that integrates up and down and connects horizontally. Through each meeting and issue-based task force, we identify sustainable issues related to the company's operations and stakeholders, develop strategies and work directions, plan and implement annual programs and ensure the implementation of sustainable development strategies.</p> <p>The Chair of the "Sustainable Development Committee" reports annually to the Board on the results of the sustainable development implementation and future work plans. The Board of Directors receives reports from the management team and the management must propose corporate strategies to the Board of Directors. The Board of Directors must evaluate the likelihood of success of these strategies and urge the management team to make adjustments, if necessary.</p>	No significant difference

<p>II. Does the Company follow the principle of materiality in assessing the environmental, social, and corporate governance risks related to its operations, and map out related risk management policies or strategies? (TWSE/TPEX-Listed Companies should fill in the implementation status, not follow or explain.)</p>	<p>V</p>	<p>1. This disclosure covers the Company's sustainable development performance in key locations from January to December 2022. The risk assessment boundary is mainly based on the Company and the subsidiaries JOY Industrial (SHENZHEN) Co., Ltd. and Taizhou JOY Precision Industry Co., Ltd. have not been included in the scope based on their relevance to the operations of the business and the degree of impact on the material subject.</p> <p>2. The “Sustainable Development Committee” conducts analysis based on the materiality principle of the sustainability report, communicates with internal and external stakeholders and evaluates ESG issues of materiality by reviewing literature and integrating assessment information from various departments and formulates risk management policies for effective identification, measurement, evaluation, monitoring and control, and takes specific action plans to reduce the impact of related risks.</p> <p>3. Based on the assessed risks, the relevant risk management policies or strategies are formulated as follows:</p>	<p>Our company has not prepared ESG report yet and will follow the law and actual situation in the future.</p>															
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III. Environmental Issues (I) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry?	V		Our company follows the ISO14001 environmental management system and is certified by the Occupational Health and Safety Management System (TOSHMS) and we have labor safety and health personnel to supervise and manage the environmental protection business.	No significant difference															
(II) Has the Company made efforts for the efficient use of energy and used renewable materials for mitigating the impact on the environment?	V		Our company actively promotes various energy reduction measures and uses equipment with high energy efficiency and energy-saving design to reduce corporate and product energy consumption. Our company uses raw materials in accordance with international standards, reduces unnecessary waste of resources and seeks waste reduction and waste oil recycling, etc., in order to preserve the earth's resources and protect environmental hygiene and uses recycled paper to reduce the burden on the environment.	No significant difference															
(III) Has the Company assessed the potential risks or opportunities deriving from climate change and its effect on the Company at present and in the future, and mapped out a response to climate related issues?	V		If there is a risk of inadequate disaster resistance, our company will conduct appropriate diagnostic assessments, repair and reinforcement to reduce the risk of disaster damage. Strengthen the ability to adapt to the impact of climate change and return to normal operations as soon as possible after a disaster. Strengthen emergency response measures in case of water shortage and conduct evacuation planning and drills to minimize damage from disasters.	No significant difference															
(IV) Has the Company kept statistics on the greenhouse gas emission volume, water consumption volume, and total weight of waste over the last 2 years, and mapped out the policies for managing the reduction of carbon and greenhouse gas emissions, water consumption, and the generation of waste?	V		<p>(1) Greenhouse gas emissions for the recent two years: Units: Metric tons CO₂e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Category 1</td> <td>68.09/year (6.07%)</td> <td>428.79 (14.2%)</td> </tr> <tr> <td>Category 2</td> <td>1054.42/year (93.93%)</td> <td>1068.33 (35.5%)</td> </tr> <tr> <td>Category 3</td> <td>-</td> <td>1512.53 (50.3%)</td> </tr> <tr> <td>Total emissions</td> <td>1,122.51/year (100%)</td> <td>1497.12 (49.7%)</td> </tr> </tbody> </table> <p>Note: The carbon emission calculator (http://pj.ftis.org.tw/CFC/CFC/Index) provided by [the Bureau of Industry, Ministry of Economic Affairs (MOEA)] is used for simple carbon emission projections based on existing data (not verified).</p>	Year	2021	2022	Category 1	68.09/year (6.07%)	428.79 (14.2%)	Category 2	1054.42/year (93.93%)	1068.33 (35.5%)	Category 3	-	1512.53 (50.3%)	Total emissions	1,122.51/year (100%)	1497.12 (49.7%)	
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IV. Social Issues (1) Has the Company established related management policies and procedures in accordance with applicable laws and the international human rights conventions?	V		<p>In accordance with labor-related laws and regulations, the company handles various work rules and personnel rules for employees to ensure their labor rights. In order to establish gender equality in the workplace, our company implements a system of childcare leave without pay, provides family care leave and menstrual leave for colleagues, refers to international human rights conventions and the concept of respecting equality between men and women and formulates regulations on gender work equality and sexual harassment prevention measures in work rules.</p>	No significant difference															

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Has the Company established and pursued reasonable welfare policies for the employees (including remuneration, holidays, and other benefits), and reflected the performance or results of operations in the remunerations to the employees?	V		In addition to the labor and health insurance, pension, parental leave, menstrual leave and special leave required by the law, our company's employee welfare policy allows employees to apply for leave without pay or family care in case of serious injury or illness, annual health checkups, three holiday gift certificates, birthday gift certificates, employee trips, two annual dinners, wedding and funeral sympathy, festive events, annual meetings and rewards for achieving goals. Our company also allocates and pays employees according to profitability, which is reflected in employee compensation.	No significant difference
(III) Has the Company provided a safe and healthy work environment for employees, and education on occupational safety and health for employees at regular intervals?	V		<p>Our company has obtained ISO45001 certification and takes disaster prevention as the core concept to achieve the goal of zero disaster in the workplace. We attach great importance and requirements to the safety and health of our employees when they are working and we provide warnings or protective equipment to high-risk environments or facilities. In addition to regular employee health checkups, we also implement education and training on safety and health issues and arrange nursing staff to conduct health interviews to improve employee health management-related knowledge in order to comply with the Occupational Safety and Health Act and respect the requirements of relevant stakeholder groups on occupational safety and health to create a healthy and happy workplace.</p> <p>In 2022, the frequency of disability injury was 1.86, which was an improvement from 9.48 in 2021 and there was one occupational accident with one person (0.06% of the total number of employees at the end of 2022), which did not reach the target of zero.</p> <p>After a thorough review of the improvement measures, our company immediately revised the automatic inspection items, checked the safety interlocking components of the machine, reiterated the company's safety and life-saving provisions and activated the supervisor's care to pay attention to the physical and mental state of colleagues to ensure the safety of colleagues during their work. In order to protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, labor environment monitoring is carried out twice a year to gradually understand the exposure of workers.</p>	No significant difference

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Has the Company established a plan for the training of effective career development and planning of employees?	V		Our company attaches great importance to employee training and in strengthening professional skills. The Human Resources Department plans education and training programs, including newcomer training, core functions, professional functions, management functions, etc., to provide diverse learning channels to assist employees in continuous learning and growth. In 2022, a total of 258 people were trained and the total training hours reached 425 hours. In addition, our company provides online learning resources and the number of employees studying independently reached 89, with a total of 1,274 hours.	No significant difference
(V) Has the Company complied with applicable legal rules and international standards in the marketing and labeling of products and services for the health, safety, and privacy of customers, and mapped out policies for the protection of consumer rights, and procedures for complaint?	V		In accordance with ISO and other regulations, our company has established relevant measures, such as ISOS205 Customer Complaint Handling Management Regulations, to specify the process for handling customer complaints, grievances, proposals or dissatisfaction with products in order to resolve customer problems. To meet the product quality and delivery of customers, we implement customer satisfaction surveys, product warranties and insurance policies to ensure the rights of consumers.	No significant difference
(VI) Has the Company established a supplier management policy to demand suppliers to observe applicable rules and regulations governing environmental protection, occupational safety and health, or labor rights, and the state of implementation?	V		Our company operates with honesty and integrity and has requirements for the quality, quantity and delivery time of products provided by suppliers and executes payments to suppliers in accordance with payment contracts; our company also establishes the Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct to regulate the transaction behavior of both parties. Our company implements environmental safety and health training from time to time to help suppliers comply with regulations and company standards and improve public safety and health performance. Our company has established the Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct. If a supplier is involved in a violation of its corporate social responsibility policy and the environment and has a significant impact on the environment and society, the company may terminate or cancel the contract at any time if no improvement is made after notification. In addition, our company thanks our partners at the annual meeting every year and recognizes our excellent suppliers.	No significant difference
V. Does the Company refer to universal standards or guidelines for report preparation when preparing for Sustainability Report and other non-financial disclosure		V	Our company discloses its social responsibility measures and fulfillment of social responsibility on the Market Observation Post System and the company's website. Our company have not yet completed the preparation of reports disclosing non-financial information of the company, such as sustainable reports, by referring to internationally accepted standards or guidelines for the preparation of reports.	The ESG report has not been prepared yet and will be planned according to the law and actual situation in the future.

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
reports? Is the aforementioned report subject to the validation or guarantee by a third-party accreditor?				
<p>VI. If the Company has established integrity management principles in accordance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the Best Practice Principles:</p> <p>On March 31, 2022, the board of directors of our company approved the revision of the code of practice for sustainable development and voluntarily compiled a corporate social responsibility report to promote corporate social responsibility policies, comply with the laws and regulations and comply with the trend of corporate sustainable development. There are no major differences in the overall operation of our company itself and the group companies to promote various corporate social activities.</p>				
<p>VII. Other important information for the implementation of sustainable development:</p> <ol style="list-style-type: none"> (1) From time to time, our company organizes activities such as donation of invoices and used clothes, coin box donations, street and mountain litter picking and battery recycling donations. (2) The company has implemented the epidemic prevention policy and distributed a total of 10,224 doses of fast screening reagents to employees and donated the fast-screening warehouse of Taichung Municipal Government (3) The company invites underprivileged groups to perform at its annual party and uses sheltered factory products for its annual gifts. (4) The company and the Employee Welfare Committee jointly holds a blood donation event to contribute to public welfare and make a small contribution to the community. (5) The company Implements environmental greening and the use of electronic forms such as printing applications. (6) The company supports the Melting Greenland Public Welfare Screening Program and uses the documentary "Melting Greenland" as an environmental education material. (7) For the sustainable re-use of the environment, the plastic bag of the product flower drum packaging material is replaced by honeycomb wrap paper packaging. The carbon emission of a plastic bag is about 0.06 kg, and the reduction of 40,000 plastic bags is about 2,400 kg of carbon emission. The re-use of waste products will scrap the wheel to make a dining table. (8) For information on the Company's CSR operations, please refer to the Company's website: http://www.joytech.com.tw and the Market Observation Post System (http://mops.twse.com.tw) by clicking on CSR-related information under Corporate Governance. 				

(6) Climate-related information on OTC listing: Not applicable

(7) The situation and reasons for the performance of integrity management and the differences from the code of integrity management of listed OTC companies

Item	Implementation Status			Difference from Principles of Operating in Good Faith for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Description	
<p>1. Establishment of policies and protocols of operating in good faith</p> <p>(1) Does the Company specify its policy, practice of operating in good faith, and the board and management's covenant of actively implementing the operating policy?</p> <p>(2) Does the Company establish any protocol to avoid dishonest behavior, and stipulate operating procedure, behavioral guidelines, punishment and appeal system in other protocols, and properly implement it?</p> <p>(3) Does the Company adopt any prevention mechanism in respect of Article 7 (2) of the Practice Principles of Operating in Good Faith for TWSE/TPEX Listed Companies or other activities with higher risks of dishonest behavior for other business operations?</p>	V		<p>(1) The Company established principle of operating in good faith was reviewed by the board and passed on March 3rd, 2014.</p> <p>(2) The Company has provided for protocols to prevent dishonest behavior in the principles of operating in good faith, specified the operating procedure, behavioral guidelines, and punishment and appeal system in each protocol, and announced the importance of honest behavior on the internal website.</p> <p>(3) The Company has established its code of conduct and principles of operating in good faith as a behavioral standard of business activities.</p>	No significant difference.

<p>2. Practice of operating in good faith</p> <p>(1) Does the Company evaluate the credit records of the parties it make transactions with and stipulate a clause of operating in good faith in the agreement entered into with such parties?</p> <p>(2) Does the Company establish any special unit (or part time unit) affiliated with the board to advance operating in good faith and report to the board regularly on the implantation status?</p> <p>(3) Does the Company establish any policy to prevent conflicts of interest, provide a proper channel for representations, and properly implement it?</p> <p>(4) Has the Company built an effective accounting system and internal auditing system, and is it audited by the audit unit, or does the Company engage accountants to conduct audits?</p> <p>(5) Does the Company periodically conduct internal and external training courses on operating in good faith?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has evaluation mechanisms applied to the clients and suppliers we make transactions with. All parties' liabilities are set forth in the agreements and remain confidential upon signing thereof.</p> <p>(2) The auditing unit has been appointed to promote operating in good faith. Each department endeavors to fulfill CSR in relation to its functions and duties.</p> <p>(3) The Company provides reporting persons with channels to make representations, which is set forth in the principles of operating in good faith, and such persons and representations shall remain confidential.</p> <p>(4) The Company has set up an internal audit plan, each item of which is conducted by the auditing unit.</p> <p>(5) The Company has conducted internal training sessions on operating in good faith.</p>	<p>The Company will develop training policies going forward in accordance with the requirement of the laws and actual situation.</p>
<p>3. The implantation status of the corporate reporting system</p> <p>(1) Does the Company establish a specified</p>	<p>V</p>		<p>(1) The Company has stipulated a reporting</p>	<p>No significant difference.</p>

<p>reporting and rewarding system, an accessible reporting channel, and appoint proper representatives for anyone being reported?</p> <p>(2) Does the Company establish a standard operating procedure and non-disclosure mechanism in respect of reported issues?</p> <p>(3) Does the Company adopt any measure to prevent reporting persons from improper disposal due to their report?</p>	<p>V</p> <p>V</p>		<p>and rewarding system in the principles of operating in good faith and established a reporting channel and report-receiving unit.</p> <p>(2) The Company has stipulated the investigation procedure and non-disclosure mechanism for received reports in the principles of operating in good faith.</p> <p>(3) Measures to prevent reporting persons from improper disposal have been stipulated in the principles of operating in good faith.</p>	
<p>4. Improvement of information disclosure</p> <p>(1) Does the Company disclose its established principles of operating in good faith and promotion results on its website and Market Observation Post System?</p>	<p>V</p>		<p>The Company reveals information on the internal website and Market Observation Post System in accordance with the laws.</p>	<p>No significant difference.</p>
<p>5. If the company has established its own CSR in accordance with the Principles of Operating in Good Faith for TWSE/TPEX-Listed Companies, please specify its implementation and difference from the Principles.</p> <p>The Company obeys the spirit of corporate governance and has implemented corporate governance principles established in accordance with associated regulations, where a resolution has been passed on at the board meeting on March 3rd, 2015 with no material difference.</p>				
<p>6. Other material information that helps with understanding the Company's operations in good faith (such as the Company reviewing and correcting its own principles of operating in good faith):</p> <ol style="list-style-type: none"> 1. The Company abides by the corporate law, security law, principles of operating in good faith or any other order in respect of business conduct so as to implement the principles of operating in good faith and create a sustainable environment. 2. The Company has provided for avoidance of interest in the board meeting protocol. Any interested board member or its legal representative shall specify its interest at each board meeting. In the event of a potential conflict of the Company's interest, such party may not take part in any discussion or vote, nor exercise any other board member's voting right as its representative. 				

(8) In the event that the Company establishes corporate governance principles and associated regulations, an inquiry process shall be revealed: The Company has established its corporate governance principles and associated regulations, where the website to conduct an inquiry is <http://mops.twse.com.tw>.

(9) Other important information sufficient to enhance the understanding of the operation of corporate governance :

1. Other important information sufficient to enhance the understanding of the operation of corporate governance

2. Directors' and managers' advanced training in the latest year(2022) :

job title	Name	Course Title	hours	organizer
President	SHIH-WEI CHEN	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Director	SUNG CHUN, CHEN	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Director	CHEN-HSIAO, CHEN	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Director	CHEN-HSIAO, CHEN	Insider equity publicity briefing	3	OTC
Director	MING CHIEH ,CHEN	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Independent Director	HUI FEN, LIN	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Independent Director	SHENG-YIH, HSIEH	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Independent Director	IOU MING, WANG	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Accounting Supervisor	YI YAO CHIANG	Continuing training courses for accounting executives of issuers, securities firms and stock exchanges	12	Accounting Research Development Foundation
Head of Corporate Governance	YI YAO CHIANG	Corporate Governance and Securities Regulations	3	Securities and Futures Market Development Foundation
Head of Corporate Governance	YI YAO CHIANG	Insider equity publicity briefing	3	OTC
Head of Corporate Governance	YI YAO CHIANG	The development trend of Internet technology and the new thinking of internal auditors	6	Accounting Research Development Foundation

10. The implementation status of the internal control system
(1) Internal control representation

Joy Industrial Co., LTD
Internal Control System Representations

Date: April 11, 2023

The Company has self-evaluated the implementation of its internal control system of 2023, hereby certifying the following:

- A. In the knowledge that the establishment, implementation and maintenance of an internal control system is the responsibility of its board and management, the Company has established the system for the purpose meeting the objectives of the operational effectiveness and efficiency, reporting reliability, promptness, transparency and compliance with any applicable standard and regulation and providing reasonable assurance.
- B. Any internal control systems could be inherently restricted despite the comprehensiveness of its design. An effective internal control system can only offer reasonable assurance to the achievement of three of the forgoing objectives. In addition, due to the changing environment and situation, the effectiveness of the system might change subsequently. Nevertheless, the Company has established a self-monitoring mechanism under the internal control system, where the Company will correct any deficiency upon identification.
- C. The Company has set up items for determining the effectiveness of the design and implementation of the internal control system in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies (“the regulations”). The items adopted by the regulations are in accordance with the process of management control, where the internal control system is divided into 5 components: (i) environment control, (ii) risk assessment, (iii) operation control, (iv) information and communication, and (v) supervision, each of which consists of several items. For the forgoing items, please refer to the regulations.
- D. The Company has applied the forgoing items of the internal control system to assess the effectiveness of the design and implementation of the internal control system
- E. Based on the assessment of the forgoing items, the Company considers the internal control system (including supervision and management of the subsidiaries) implemented as of December 31, 2022 to be effective, including the operational effectiveness and goal achievement, report reliability, promptness and transparency, and the effectiveness of the design and execution of internal control in compliance with any related legal standards and regulations, and reasonably ensures the achievement of the forgoing objectives.
- F. The representations shall constitute a major part of the Company’s annual report and prospectus and be disclosed. Any misrepresentation or concealment in the representations shall be subject to liability arisen from Article 20, 321 171 and 174 of the Securities Exchange Act.
- G. The representations were approved by the board on April 11, 2023, where 7 attendees presented agreed to the representations, and no objection was made.

Joy Industrial Co., LTD
Chairman: SHIH-WEI CHEN
General Manager: SUNG CHUN, CHEN,

- (2) If the company has commissioned external auditors to review the company's internal Control system, the external auditor's report should be disclosed:

<http://mops.twse.com.tw>.

11. Conviction of corporate or employees' wrongdoings, Company's punishment on employee for violation of internal control, major faults and improvements during recent fiscal period and to the publish date of the annual report: None

12. The most recent year and as of the publication date of the annual report , Major Resolutions of Shareholders Meeting and Board of Directors Meeting

(1) Major Resolutions of Shareholders Meeting

Meeting date	Resolution and Implementation status
Shareholders Meeting in 2022 Date 2022.6.28	<p>(1) Approve the Company's 2021 Business Report and Financial Statements.</p> <p>(2) Approve to the Company's distribution of earnings in 2021. Execution situation: October 24, 2022 is set as the distribution base date, and it has been approved in 2022 according to the resolution of the shareholders' meeting</p> <p>(3) Approve the amendment to the "The Articles of Incorporation" Implementation status: On July 11, 2022, it was approved for registration by the Ministry of Economic Affairs, R.O.C.</p> <p>(4) Approve the amendment to the "Rules of Procedure for Shareholders Meetings" Execution status: Announced at the TWSE MOPS (https://mops.twse.com.tw) on June 28, 2022, and amended accordingly after the procedure is handled.</p> <p>(5) Approve the revision of the "Acquisition or Disposal of Assets Management Measures" Execution status: Announced at the TWSE MOPS (https://mops.twse.com.tw) on June 28, 2022, and amended accordingly after the procedure is handled.</p>

(2) Major Resolutions of Board of Directors Meeting

Meeting date	Important resolutions
The first Board of Directors Meeting in 2022 Date: 2022.03.31 (9th of the 16th session)	<p>(1) Proposal to the Company's 2021 Business Report and Financial Statements.</p> <p>(2) Proposal to the Company's distribution of earnings in 2021.</p> <p>(3) Distribution of the Company's 2021 employees' remuneration and directors' remuneration.</p> <p>(4) Proposal to the loaning of funds of the Company and its subsidiaries.</p> <p>(5) Proposal to the contract renewal and endorsement guarantee of the financing loan limit of the company and its subsidiaries.</p> <p>(6) Proposal to the Company's 2021 "Declaration of Internal Control System."</p> <p>(7) Proposal to amend the Company's "Assets Acquisition or Disposal Handling Methods."</p> <p>(8) Proposal to amend the Company's "Articles of Incorporation."</p> <p>(9) Proposal to amend the Company's "Corporate Governance Best Practice Principles".</p> <p>(10) Proposal to amend the Company's "Shareholders Meeting Procedure</p>

	<p>Rules.”</p> <p>(11) Proposal to amend the Company’s “Code of Practice on Corporate Social Responsibility.”</p> <p>(12) Proposal to amend the Company’s Internal Control System, Accounting System and Management Act.</p> <p>(13) Convening of the 2022 general shareholders’ meeting.</p> <p>(14) The Company's ordinary shareholders' meeting will be held to receive proposals from shareholders holding 1% or more of the shares.</p> <p>(15) Proposal to appoint directors, supervisors, representatives and general managers of subsidiaries</p>
<p>The second Board of Directors’ Meeting in 2022</p> <p>Date: 2022.05.13</p> <p>(10th of the 16th session)</p>	<p>(1) Proposal to amend the R.O.C. Budget of 2022.</p> <p>(2) Proposal to amend the Company’s financial projections for the second and third quarters of 2022.</p> <p>(3) Proposal to the Company's financial statements for the first quarter of 2022.</p> <p>(4) Proposal to the Company agrees with the host underwriter for an over-allotment and a specific shareholder pool.</p> <p>(5) Proposal to the Company's and its subsidiaries' capital loans and audits.</p> <p>(6) Proposal to the Company's financial statements is based on an evaluation of the independence and appropriateness of the accountants.</p> <p>(7) Proposal to the Company's Declaration of Internal Control System for the period from April 2021 to March 31, 2022.</p> <p>(8) Proposal to amendment the Company’s “Ethical Corporate Management Best Practice Principles”.</p> <p>(9) Proposal to formulate the Company’s "Integrity Management Operating Procedure and Action Guideline."</p> <p>(10) Proposal to add new items to the annual general meeting report of 2022.</p>
<p>The third Board of Directors’ Meeting in 2022</p> <p>Date: 2022.08.04</p> <p>(11th of the 16th session)</p>	<p>(1) Proposal to the Company's financial statements for the second quarter of 2022.</p> <p>(2) Fix the ex-dividends date and pay cash dividends to the Company.</p> <p>(3) Proposal to the loaning of funds of the Company and its subsidiaries.</p> <p>(4) Proposal to the bank to apply for a financing line and provide an endorsement guarantee.</p> <p>(5) Proposal to amend the Company’s "Implementation Rules for Internal Auditing."</p> <p>(6) Proposal to adjust the Company’s organizational chart.</p> <p>(7) Proposal to change the Company’s general manager and chief executive officer.</p> <p>(8) Proposal to appoint the general manager of the subsidiary company.</p>
<p>The fourth Board of Directors’ Meeting in 2022</p> <p>Date: 2022.09.27</p>	<p>(1) Proposal to amend the Articles of Incorporation of the operating company of the Company's 100% invested subsidiary, Singapore Yongyu Industrial, which is reinvested.</p> <p>(2) Proposal to the subsidiary JOY Industrial (Shenzhen) Co., Ltd’ s issue employee remuneration.</p> <p>(3) Proposal to amend the Company’s "Accounting System" and "Internal Control System" sections.</p>

<p>(12th of the 16th session)</p>	<p>(4) Proposal to amend the Company's "Seal Management Regulations" and "Vetting Authority Table and Management Regulations." (5) Proposal to the loaning of funds of the Company and its subsidiaries. (6) Proposal to adjust the internal audit supervisor's duties of the Company. (7) Proposal to amend the Company's "Regulations Governing the Delegation of Duties and Proxy System." (8) Proposal on the employee remuneration of directors of the Company. (9) Proposal on the employee remuneration of the Company's managerial officers. (10) Proposal on the salary adjustment of the Company's managerial officer - Chen Sung-Chun.</p>
<p>The fifth Board of Directors' Meeting in 2022 Date: 2022.12.07 (13th of the 16th session)</p>	<p>(1) Proposal on the current remuneration standards and structure of the Company's directors are intended to be continued in 2023. (2) Proposal on the current remuneration standards and structure of the Company's managerial officers are intended to be continued in 2023. (3) Proposal on the year-end bonus for the Company's managerial officers. (4) Proposal to the Company's 2023 Audit Plan. (5) The company's 2023 budget. (6) Proposal to appoint a certified public accountant of the Company and to resolve its public expense. (7) Proposal to the Company's financial statements is based on an evaluation of the independence and appropriateness of the accountants. (8) Proposal to the loaning of funds of the Company and its subsidiaries. (9) Proposal to approach banks for new applications and renewals of financing facilities of the Company and its subsidiaries. (10) Proposal to formulate the company's "Measures for the Handling of Important Internal Information and Prevention of Insider Trading." (11) Proposal to amend the "Implementation Rules for Internal Auditing" and "Management Rules for Internal Control System" of the Company.</p>
<p>The first Board of Directors' Meeting in 2023 Date: 2023.03.08 (14th of the 16th session)</p>	<p>(1) Proposal to amend the Company's "Articles of Incorporation." (2) Proposal to amend the Company's "Code of Practice on Sustainable Development." (3) Proposal to amend the Company's "Corporate Governance Best Practice Principles". (4) Proposal to re-elect directors and independent directors of the Company. (5) The Company's directors and their representatives and independent directors are relieved of the prohibition against competing for office during their term of office. (6) It is proposed that shareholder proposals and nominations will be accepted at the Company's 2023 Annual General Meeting of Shareholders. (7) Convening of the 2023 general shareholders' meeting. (8) Proposal to the Company to establish a Sustainable Development Committee and the "Corporate Sustainability Committee Charter."</p>
<p>The second Board of Directors'</p>	<p>(1) Proposal to the Company's 2022 Business Report and Financial Statements. (2) Proposal to the Company's distribution of earnings in 2022.</p>

Meeting in 2023 Date: 2023.04.11 (15th of the 16th session)	(3) Distribution of the Company's 2022 employees' remuneration and directors' remuneration. (4) Proposal to amend the Company's "Meeting Procedure Rules for the Board." (5) Proposal to the Company's 2022 "Declaration of Internal Control System." (6) Proposal to the loaning of funds of the Company and its subsidiaries. (7) Proposal to the contract renewal and endorsement guarantee of the financing loan limit of the company and its subsidiaries. (8) Proposal to adjust the internal audit supervisor's duties of the Company. (9) It is intended to pre-approve the provision of non-certification services to the Company and its subsidiaries by licensed certified public accountants, their firms and firm affiliates. (10) The Board of Directors of the Company nominates and reviews the candidates for director and independent director. (11) The Company's directors and their representatives and independent directors are relieved of the prohibition against competing for office during their term of office.
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13. In the last fiscal period and as of the date this report was printed, the major content of the adverse opinion of the directors or supervisors in the decision over specific motions at the Board Meeting on record or with a written declaration shall be specified: None

14. In the last fiscal period as of the date this report was printed, the resignation and dismissal of the Company's personnel (including chairman, general manager, accounting manager, internal audit manager...etc.) shall be summarized:

Title	Name	Onboard date	Terminate date	The reason of resignation or dismissal
CEO	SHIH-WEI CHEN	2018.08.09	2022.08.14	Job adjustment
Internal auditing officer	I-HUI ,LIU	2017.11.01	2022.09.27	Job adjustment
Internal auditing officer	CHIN-HSIEN YANG	2022.09.27	2023.04.11	Job adjustment/ resignation

(V) Information on the fees for certified public accountants

NTD\$ thousand

CPA Firm	Name of CPA	Inspection period	Audit Fee	Non-Audit Fee	Subtotal	Note
PWC	Wang, Yu-Chuan	111.01.01- 111.12.31	2,750	1,500	4,250	-
	Liu, Mei Lan	111.01.01- 111.12.31				

1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee:
Alter the CPA Firm and the audit fee in altering year is less than that in the previous year:
None.

2. Auditing expenses decreased by 10% in comparison to the previous year, information regarding the amount, percentage and reason for the decrease in auditing expenses shall be disclosed : Not Applicable

(VI) Changing of auditors: : None.

(VII) If the chairman, general manager, finance or accounting manager of the Company has been working in the accounting firm of the CPAs or its affiliates within the last year, the name and title of the personnel and the period of such working relation existing: None.

(VIII) In the last fiscal period and as of the date this report was printed, the status of the transfer of shares or the shares in pledge held by the directors, supervisors, managers or the shareholders with more than 10% of the Company's shares:

1. Transfer of shares held by the directors, supervisors, managers and the major shareholders

Unit: share

Title	Name	2022		Current Year to May 10	
		Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman (Note 1)	FENG I INVESTMENT LTD., SHIH WEI , CHEN	0	0	0	0
Director(General manager) (Note(2))	FENG I INVESTMENT LTD., SUNG CHUN, CHEN	0	0	0	0
Director (Chief production officer)	FENG I INVESTMENT LTD., CHEN-HSIAO, CHEN	86	0	1991	0
Director	MING CHIEH, CHEN	0	0	0	0
Independent Director	HUI FEN, LIN	0	0	0	0
Independent Director	SHENG YIH, HSIEH	0	0	0	0
Independent Director	IOU MING, WANG	0	0	0	0
Chief R&D officer	CHIEH YUAN TSAI	0	0	0	0
CFO	YI YAO CHIANG	0	0	0	0
Shareholders with 10% Shareholdings or More	FENG I INVESTMENT LTD.	0	0	0	0
Shareholders with 10% Shareholdings or More	ZHONG GANG GROUP (HONG KONG)INVESTMENT LIMITED	0	0	0	0

(Note 1): Mr. SHIH-WEI CHEN resigned as the CEO on August 14, 2022 and became the full-time chairman.

(Note 2): Mr. SUNG CHUN CHEN was appointed as the new general manager on August 15, 2022, concurrently as the chief marketing officer.

2. Directors, supervisors, managers and shareholders holding more than 10% of the shares
Shares Trade with Related Party : None

3. Shares Pledge with Related Party : None ◦

(IX) Information Disclosing the Relationship between any of the Company's Top Ten Shareholders :

May 10,2023 Unit: share

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks
	Shares	Shareholding ratio %	Shares	Shareholding ratio %	Shares	Shareholding ratio %	Name	Relation	
Fengyi Investment Ltd.	13,280,000	22.13%	-	-	-	-	SHIH-WEI CHEN	principal	-
ZHONG GANG GROUP (HONG KONG)INVESTMENT LIMITED	6,607,340	11.01	-	-	-	-	-	-	-
Changli International Investment Co., Ltd.	5,212,028	8.69%	-	-	-	-	-	-	-
Changyi International Investment Co., Ltd.	5,212,028	8.69%	-	-	-	-	-	-	-
Jiurong Investment Co., Ltd.	5,156,110	8.59%	-	-	-	-	-	-	-
Jiuhong Investment Co., Ltd.	5,156,110	8.59%	-	-	-	-	-	-	-
Zhaoshun Investment Co., Ltd.	2,759,193	4.60%	-	-	-	-	-	-	-
SHIH-WEI CHEN	1,462,738	2.44%	21,078	0.04%	-	-	Fengyi Investment Ltd CHEN-HSIAO,CHEN	principal brother	-
TZU-HANG,CHIANG	1,303,007	2.17%	-	-	-	-	-	-	-
CHEN-HSIAO,CHEN	1,128,888	1.88%	9,246	0.02%	-	-	SHIH-WEI CHEN	brother	-

(X) The number of shares held by the company's directors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the combined calculation of the comprehensive shareholding ratio :

December .31.2022

Invest in business	The company invests		Directors, managers, and investments in directly or indirectly controlled enterprises		Comprehensive investment	
	number of shares	Shareholding ratio	number of shares	Shareholding ratio	number of shares	Shareholding ratio
JOYTECH INDUSTRIAL CO. PIE. LTD	21,057,104	100%	-	-	21,057,104	100%
NOVATEC EU .s.r.o	-	100%	-	-	-	100%
NOVATEC WHEELS US, INC	-	100%	-	-	-	100%
JOY NOVA INTERNATIONAL CO., LTD	4,726,393	100%	-	-	4,726,393	100%
PRIMA BUSINESS LIMITED	1,000,000	100%	-	-	1,000,000	100%
TOY (H.K.) TRADING CO.,LTD. LIMITED	10,000	100%	-	-	10,000	100%
NOVA INDUSTRIAL CORP	50,000	100%	-	-	50,000	100%
TAIZHOU JOY PRECISION INDUSTRY CO., LTD.	-	100%	-	-	-	100%
JOY INDUSTRIAL (SHEN ZHEN) CO., LTD	-	100%	-	-	-	100%
JOY CYCLE PARTS(KUNSHAN)CO.,LTD	-	100%	-	-	-	100%
NOVATEC WHEELS (SHENZHEN) CO., LTD	-	100%	-	-	-	100%
Coretech Composites technology (Xiamen) Co., LTD	-	83.33%	-	-	-	83.33%

IV. Capital Overview

(I) Capital and Shares

1. Source of Capital

(1) Issued Shares (Share capital formation process) :

May 10, 2023 ; Unit: thousand shares/NTD thousand

Month / Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		number of shares	Amount	number of shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
70.10	10	1,000	10,000	1,000	10,000	Share Capital 10,000	none	台建商新字第 151227 號函
78.09	10	2,800	28,000	2,800	28,000	seasoned equity offering 18,000	none	Construction Hall 78 建三戊字第 360464 號函
85.07	10	5,288	52,880	5,288	52,880	seasoned equity offering 24,880	none	Construction Hall 85 建三庚字第 199015 號函
87.01	10	7,288	72,880	7,288	72,880	seasoned equity offering 20,000	none	Construction Hall 87 建三癸字第 107424 號函
87.06	10	8,038	80,380	8,038	80,380	seasoned equity offering 7,500	none	Construction Hall 87 建三庚字第 183923 號函
90.01	10	11,288	112,880	11,288	112,880	seasoned equity offering 32,500	none	The Ministry of Economic 經授中字第 09001023240 號函
94.12	10	14,388	143,880	14,388	143,880	seasoned equity offering 31,000	none	The Ministry of Economic 經授中字第 09433327650 號函
97.08	10	18,000	180,000	18,000	180,000	seasoned equity offering 36,120	none	The Ministry of Economic 經授中字第 09732880900 號函
100.11	19.5	30,000	300,000	23,000	230,000	seasoned equity offering 50,000千元	none	The Ministry of Economic 經授中字第 10032798950 號函
101.09	10	30,000	300,000	25,300	253,000	capital increase out of earnings 23,000	none	The Ministry of Economic 經授中字第 10132553160 號函
102.12	22	50,000	500,000	30,300	303,000	seasoned equity offering 50,000	none	Economic Development Bureau, Taichung City Government 府授經商字第 10208587960 號函
103.05	22	50,000	500,000	35,300	353,000	seasoned equity offering 50,000	none	Economic Development Bureau, Taichung City Government 府授經商字第 10307491800 號函
106.07	10	50,000	500,000	37,680	376,800	Capital surplus transferred to common stock 23,800	none	Economic Development Bureau, Taichung City Government 府授經商字第 10607337160 號函
107.10	10.12	70,000	700,000	58,000	580,000	seasoned equity offering 203,200	none	The Ministry of Economic 經授商字第 10701122970 號函
110.08	10	70,000	700,000	56,350	563,500	Capital Reduction via Buyback Treasury Stocks Nullifying 16,500	none	The Ministry of Economic 經授商字第 11001147830 號函
110.12	14	80,000	800,000	60,000	600,000	seasoned equity offering 36,500	none	The Ministry of Economic 經授商字第 11001221400 號函

(2) Types of Stock :

May 10,2023 ; Unit: shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
common stock	60,000,000	20,000,000	80,000,000	emerging stock market

(3) The company issues new shares by means of comprehensive declaration : N/A ◦

2. Composition of Shareholders :

As of March 31,2023 ; Unit: share

shareholder structure Number of shareholders	Foreign Institutions & Natural Persons Personsinvest	Other Juridical Persons Personsinvest	Domestic corporate legal person Personsinvest	Financial Institutions Personsinvest	Domestic Natural Person Personsinvest	Total
Number of Shareholders	1	1	6	4	522	534
Shareholding (shares)	6,607,340	1,067	36,775,469	979,975	15,636,149	60,000,000
Percentage	11.012%	0.002%	61.292%	1.633%	26.061%	100.00%

3. Distribution Profile of Share Ownership :

(1) Ordinary share :

March 31,2023 ; Unit: share

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	116	15,255	0.025%
1,000 ~ 5,000	237	521,839	0.870%
5,001 ~ 10,000	51	405,812	0.676%
10,001 ~ 15,000	27	329,894	0.550%
15,001 ~ 20,000	14	255,884	0.427%
20,001 ~ 30,000	25	606,815	1.011%
30,001 ~ 40,000	6	196,292	0.327%
40,001 ~ 50,000	2	83,349	0.139%
50,001 ~ 100,000	23	1,626,548	2.711%
100,001 ~ 200,000	7	1,060,712	1.768%
200,001 ~ 400,000	8	2,202,767	3.671%
400,001 ~ 600,000	3	1,477,029	2.462%
600,001 ~ 800,000	3	2,034,568	3.391%
800,001 ~ 1,000,000	1	838,372	1.397%
1,000,001 以上	11	48,344,864	80.575%
Total	534	60,000,000	100.0000%

(2) Preferred Shares : None ◦

4. Major Shareholders :

March 31,2023 ; Unit: share

Major Shareholders Name	Shares	Percentage
FENG I INVESTMENT LTD.,	13,280,000	22.13%
ZHONG GANG INVESTMENT (HONG KONG LIMITED)	6,607,340	11.01%
CHANG LI INTERNATIONAL INVESTMENT LTD.,	5,212,028	8.69%
CHANG I INVESTMENT LTD.,	5,212,028	8.69%
CHIU JUNG INVESTMENT LTD.,	5,156,110	8.59%
CHIU HUNG INVESTMENT LTD.,	5,156,110	8.59%
CHAO SHUN INVESTMENT LTD.	2,759,193	4.60%
SHIH-WEI CHEN	1,462,738	2.44%
TZUHANG CHING	1,303,007	2.17%
CHEN-HSIAO,CHEN	1,126,897	1.88%

5. Market Price, Net Worth, Earnings, and Dividends per Share :

Unit:NTD

Items	Year	2021	2022	As of March 31,2023	
Market Price per Share	Highest	NA	NA	NA	
	Lowes	NA	NA	NA	
	Average	NA	NA	NA	
Net worth per share	Before distribution	12.04	12.67	-	
	After distribution	11.54	12.27	-	
Earnings per shar	Weighted average quantity of shares(1,000 shares)		56,736	60,000	-
	EPS	1.55	0.81	-	0.81
		1.55	0.81	-	0.81
Dividend per share	Cash Dividends		0.5	0.4(註)	-
	Stock Dividend	-	-	-	-
		-	-	-	-
Accumulated Unpaid dividends		-	0.4	-	
ROI analysis	Price/Earnings ratio		NA	NA	NA
	Price/Dividend ratio(		NA	NA	NA
	Cash dividend yield		NA	NA	NA

Note:Including the dividends amount for fourth quarter of 2022, which were approved by Board of Directors

6. Dividend Policy and Distribution of Earnings :

(1) Dividend policy :

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset against prior years' operating losses and then be distributed as 10% balance of legal reserve is equal to that of Statutory amount and after appropriating or turning back the special surplus reserve in accordance with the law, if there is still a The remaining earnings surplus, may be appropriated along with the accumulated unappropriated earnings according to a resolution proposed by the Board of Directors and resolved by the shareholders' meeting. distribution proposal proposed by the board of directors, in the form of issuing new shares, shall be submitted to the shareholders' meeting for resolution before distribution. According to the company law, the company authorizes the board of directors to distribute dividends and bonuses or the statutory surplus stipulated in the first paragraph of article 241 of the company law with the attendance of more than two thirds of the directors and the resolution of more than half of the directors present. All or part of the reserve and capital reserve shall be distributed in cash and reported to the shareholders' meeting ◦

B. When the Company determines its dividend policy, it takes a balanced approach to consider shareholders' rights and interests, the market competitiveness in the bicycle manufacturing industry, the Company's business plan, investment strategy, and its capital requirement etc. According to the Company's dividend policy, the total dividends distributed shall be no less than 30% of the distributable retained earnings of the current year, unless the current year distributable retained earnings falls below 10% of paid-in capital, then such earnings may be reserved from distribution. In addition, dividend distributions may be paid in either cash or stock, of which cash dividends should be at least 10% of the total dividends distributed.

The company's dividend policy is formulated in line with current and future development plans, considering the investment environment, capital needs, domestic and foreign competition conditions, and capital budgeting, and taking into account shareholders' interests, balanced dividends, and the company's long-term financial planning.

(2) Earnings distribution :

The earnings distribution plan for the 2022 company has been drafted by the board of directors, cash dividend of NT\$0.4 per share will be distributed, and a new dividend base date will be set after it is submitted to the shareholders' meeting.

(3) Summary of significant change on expected dividend policy: None

7. Impact to 2022 business performance and EPS resulting from stock dividend distribution: Not applicabl

8. Remuneration to employees and directors :

- (1) on remuneration to employees and directors as set forth in the Company's Articles of Incorporation:

Company's Article 27: If the company is profitable, it should deduct employee compensation shall not be less than 1% and directors' compensation shall not be more than 5%. when the company still has accumulated losses, the amount of compensation should be retained in advance.

The company may authorize the special reserve as referred in the preceding paragraph in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The resolution of the preceding employees' compensation shall be made by the board of directors whether to issue shares or cash distribution. The issuance of the object contains a certain condition for the subsidiary employees.

- (2) The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The company's estimated employee remuneration and director's remuneration in 2022 are based on the articles of association and the company's current operating scale and profit status.

If there is any change between the actual allotment amount and the estimated amount or the estimated amount and shares

Or there is a difference in the decision of the Shareholders' Meeting, it will be listed as the profit and loss of 2023.

- (3) Information on the distribution of remunerations to employees and directors passed by the Board of Directors

- A. The amount of employee compensation and director compensation distributed in cash or stock, if estimated in relation to the year of recognized expenses. If there are differences in the amount of funds, the differences, reasons, and handling situations should be disclosed

The company's remuneration distribution approved by the board of directors on April 11, 2023 is as follows:

Amount of employee remuneration: NT\$944,256 for appropriation of 1.5%

Amount of remuneration for directors: NT\$944,256 for appropriation of 1.5%

The distribution of employee remuneration and director's remuneration are all paid in cash, and the amount of expenses recognized above is not different from the estimated amount in the 2022 financial report.

B. The ratio of the amount of employee remuneration distributed by stock to the total amount of net profit after tax and total employee remuneration for the current period

(4) Example: The board of directors did not approve the distribution of employee remuneration by stock, so it is not applicable. If there is discrepancy between the distribution of remunerations to employees and directors from the earnings of the last fiscal year

The company has no accumulated outstanding losses in 2021. The profit before deducting the distribution of employee remuneration and director's remuneration is NT\$100,141,245, and the appropriation of 1.5% is NT\$1,502,119 for distribution of employee compensation, As well as appropriating 1.5% of NT\$1,502,119 to distribute directors' remuneration, all of which will be paid in cash. There is no difference between the amount of expenses recognized above and the amount listed in the 2021 annual financial report.

9. Status of the Company repurchasing its own shares: None.

(II) Issuance of corporate bonds: None

(III) Preferred shares: None.

(IV) The issuance of overseas depository receipts: None.

(V) The status of employee stock option plan: None.

(VI) The status of new restricted employee shares: None.

(VII) The status of issuance of new shares in connection with mergers or acquisitions: None.

(VIII) Implementation of the capital allocation plans : None.

V、Operational Highlights

(I) Business content

1. Line of business

(1) Businesses the company mainly operates:

CA03010 Metal Heat Treating
 CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
 CC01080 Electronic Parts and Components Manufacturing
 CD01040 Motor Vehicles and Parts Manufacturing
 CD01050 Bicycles and Parts Manufacturing
 CE01010 Precision Instruments Manufacturing
 CH01010 Sporting and Athletic Articles Manufacturing
 F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
 F113010 Wholesale of Machinery
 F113050 Wholesale of Computing and Business Machinery Equipment
 F113070 Wholesale of Telecom Instruments
 F114020 Wholesale of Motorcycles
 F114030 Wholesale of Motor Vehicle Parts and Supplies
 F114040 Wholesale of Bicycle Parts and Supplies
 F116010 Wholesale of Photographic Equipment
 F119010 Wholesale of Electronic Materials
 F209060 Retail Sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
 F213030 Retail Sale of Computing and Business Machinery Equipment
 F213060 Retail Sale of Telecom Instruments
 F213080 Retail Sale of Machinery and Equipment
 F214020 Retail Sale of Motorcycles
 F214030 Retail Sale of Motor Vehicle Parts and Supplies
 F214040 Retail Sale of Bicycles and Parts
 F216010 Retail Sale of Photographic Equipment
 F219010 Retail Sale of Electronic Materials
 F401010 International Trade
 CD01030 Automobiles and Parts Manufacturing
 F113110 Wholesale of Batteries
 F213110 Retail Sale of Batteries
 F108031 Wholesale of Drugs, Medical Goods

(2) Main product line and percentage of sales revenue:

Unit : thousand of NTD %

Main products	2021		2022	
	Sales Revenue	Percentage (%)	Sales Revenue	Percentage (%)
Hub	1,424,078	90.49	1,281,820	86.93
Wheel	63,070	4.01	114,959	7.80
Others	86,678	5.50	77,678	5.27
Total	1,573,826	100.00	1,474,457	100.00

(3) Current merchandise (services) of the Company:

- Multifunctional hub axle design
- Drivetrain system design integrating convertible drivetrain systems
- Hub appearance design applying carbon fiber and surface treatment
- Mid-range inertial wheel development
- Carbon fiber front fork (external cable routing) new product development

- (f) BB bottom bracket shells new product development
- (4) New products the Company contemplates developing:
 - (a) Hubs with lightweight bearings
 - (b) Carbon fiber hubs
 - (c) Hubs with disc brakes
 - (d) Alloy inertial wheels with high stiffness
 - (e) All-carbon fiber BMX wheels
 - (f) Planetary tooth structure hubs design and development
 - (g) Carbon fiber grips (gravel bike) new product development
 - (h) Carbon fiber spokes design and development
 - (i) Carbon fiber front fork (internal cable routing) new product development
 - (j) Internal variable speed motor

2. Industry overview

(1) Current status and development of the industry

Current status of the industry:

In early 2022, thanks to the impact of the pandemic and the government subsidies for the purchase of bicycles in Europe and the U.S. drove the North American market for Chinese bicycles, the North American market maintained its strong demand for Chinese bicycles, which led to the growing momentum of Chinese bicycle shipments.

However, from March 2022, due to the repeated outbreak of the pandemic in various parts of China and the strict pandemic prevention policy enforced by the Chinese government, some cities remained in lockdown with tight control measures, resulting in the disruption of supply chain and worsening port congestion, which was also un conducive for the bicycle manufacturing plants to maintain production capacity and delivery speed; therefore, the total export amount of China's bicycle manufacturing industry from January to May 2022 had a slight decline compared with the same period in 2021.

From January to August 2022, as some domestic bicycle assembly manufacturers remained fully booked, and high-end (advanced) and E-bikes were especially the main growth drivers, which pushed up the shipment of higher-priced bicycle parts and drove the domestic sales amount of the industry up, while international distributors slowed down the purchase of some bicycle parts in overseas markets due to the increase in inventory levels of middle and low-end bicycles.

In the fourth quarter of 2022, because of the high global inflationary pressure and the ongoing war between Russia and Ukraine, the prices of raw materials and energy remained high, resulting in a decline in the purchasing power of people in Europe and the U.S., which was unfavorable to the willingness to buy bicycles; especially the sales of affordable bicycles have begun to decline, and with the international shortage of labor, materials, and port congestion slowly improving, it is expected that the bicycle channel operators will slow down their purchases of bicycles and parts to reduce the pressure of inventory costs; therefore, the bicycle assembly manufacturers may face the risk of customers cutting orders, which will indirectly reduce the purchase of bicycle parts.

The market demand for bicycles and bicycle performance is indeed higher than before the pandemic, but the overall boom has ended. 2022 marked the end of the peak season, and a

new period is about to start in which bicycles will remain in demand as manufacturers rebuild their inventories in anticipation of environmental issues and the European energy crisis.

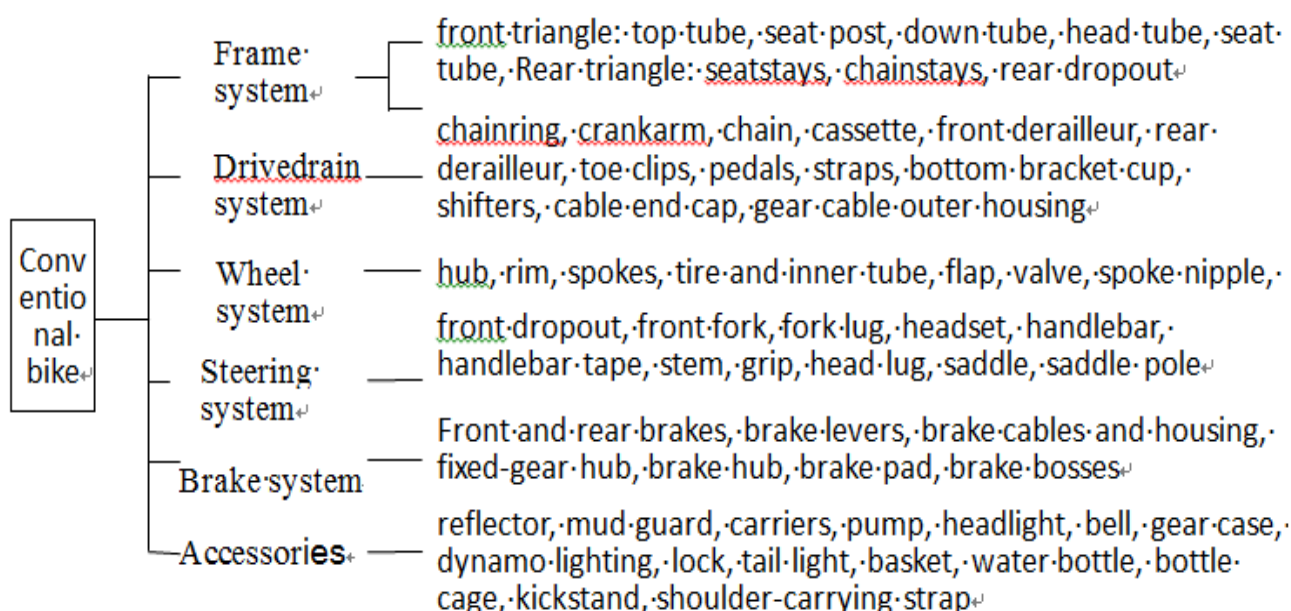
Future development:

In terms of the market condition of the bicycle industry, the demand for E-bikes and high-end bicycles is still strong, and due to the shortage of parts supply, E-bikes and high-end bicycles continue to be in short supply, while the demand for middle-end bicycles remains stable, the demand for low-end bicycles has slowed down along with the pandemic, and the previous shortage of supply has turned to balance. According to the Reportlinker report in July, the global bicycle market is estimated to grow at a compound annual growth rate (CAGR) of 6.0% from 2022 to 2026, where the CAGR of E-bike is 7.6%, which shows there is no change in views on long-term growth of bicycles, due to ① increased global health awareness, ② new product launches, ③ rising fuel and energy prices, ④ bicycles being an environmentally friendly mode of transportation, and ⑤ governments' promotions with infrastructure and subsidy policies

(2) The relation among upstream, midstream and downstream bicycle businesses in the industry

(1) Bicycle supply chain

The frame system includes a top tube, down tube, seat tube ; the drivetrain system includes a front and rear derailleur, cassette and chain; the wheel system includes hubs, rims, inner tubes and tires; the steering system includes a fork, seat stay and handlebar, and a shock or strut for higher tier bikes; and the accessories may include a reflector, a bottle cage, mud guard, and front and rear signal lights. The structure and making of a bicycle are illustrated in below image



(Reference source: Industrial Technology Research Institute · IEK-IT IS plan May 2003)

② Correlations among industries:

Regarding the relationship among upstream, midstream and downstream of the bicycle manufacturing industry, the upstream is raw material manufacturers that provide steel, rubber, paint, etc., and the midstream is bicycle parts plants that provide the required parts, and then the downstream is bicycle central plants that assemble the bicycles.

Each bicycle needs to be assembled from primary and secondary parts such as frame, front fork, transmission, brakes, handlebar/seat tube...etc. Each part is indispensable, and the bicycle industry can be divided into the finished bicycle industry and parts industry because of the large number of parts and the need for inter-industry collaboration in production, which enables the upstream and downstream to establish a close supply relationship.

The manufacturing of bicycle parts involves the use of various materials such as metal, rubber, carbon fiber, and electronic control, etc. Therefore, the technological development and market demand and supply of the bicycle industry can drive the development of the related basic materials industry and the peripheral supply chain, but it is also vulnerable to the interaction of international material market, exchange rate, and transportation factors.

As there is a very fine division of work within the bicycle industry, each part has its own specialized manufacturing plants, plus the fact that the Taiwan Bicycle Association operates well, so the industry has strong cohesion and a central satellite system has been formed with close integration of upstream and downstream and a complete supply chain after decades of development, constituting Taiwan's bicycle industry cluster.

(3) Product development trends

The development trends of the bicycle parts manufacturing industry is towards light weight, longer service life, strongest rigidity, high transmission efficiency, good transmission performance, aesthetics for appearance, and environmental protection, etc., to enable customers to improve the performance of the products. In addition, due to the fierce competition, industry players used to use cheaper products to cope with the competition, but nowadays, most of them are moving towards higher-end products in consideration of durability.

Taiwan's bicycle industry has always had a key position in the global supply chain with the advantages of high quality and quick delivery, and the industry has developed a complete supply chain over the years and is also facilitating cross-industry integration, introducing the Internet of Things and big data, moving in the direction of more intelligence and electrification, with the development of product technology aiming at high value bicycle products, with comfort and popularity as the product design requirements, while the technology of intelligence, electrification and strong functionality and safety is also under continuous development. The bicycle industry will transform in the direction of wisdom, intelligent manufacturing, innovative design to shape a cycling culture.

(4) Business competition

A. Competition of similar products

The nationally established suppliers that produce hubs include JoyTech, Xero, Chosen and Kun Teng. Below are the current competitors:

Suppliers	Description
Joy	<ul style="list-style-type: none">• Founded in 1981. The percentage of parts produced within the company is up to 90%. Thanks to its excellent research and design team, it has gained favor with the big brands for the long term.• JoyTach is created as its fundamental brand, Novatec as the mid-range and high-end brand, and Factor for the high-end aftermarket, altogether to implement market segmentation.• Established subsidiaries and offices in the US and Europe. It also has 30 agencies worldwide to provide regional customer service. Altogether, it enhances sales effectiveness and expands its service network.• Its main clients are assembly companies and trading companies that mainly sell road bikes, BMX, MTB, hubs and carbon wheelsets. The production locations are Taiwan headquarters, Taizou, Shengzen and Xiamen sites.
Xero	<ul style="list-style-type: none">• Founded in 1994. Now it mainly produces BMX, MTB, road bikes, hubs and rims. Its main clients are assembly companies and trading companies. Its production sites are based in Fengzou, Taiwan and China respectively.
Chosen	<ul style="list-style-type: none">• Founded in 2000. Its main clients are assembly companies. It is mostly an OEM. The percentage of self-made parts is low. Its main products are BMX and MTB hubs.
Kun Teng	<ul style="list-style-type: none">• Founded in the 1947, the company's manufacturing bases include Taiwan's Daya factory and China's Huaian factory. The main customer groups are traders and European customers. In recent years, it has started to produce a new dynamo hub system structure, which has increased its customer base for city bikes and recreational bikes

B. Industrial competition

(a) Price competition:

Since there are many small and medium-sized vendors in the bicycle parts industry so the industry is not at all concentrated, most of them are competing fiercely in terms of prices. In terms of export, industry players have to face competition from lower-priced products in China and Southeast Asia; therefore, it is afraid that there will still be great pressure in the future for products with low technical precision in the bicycle parts industry.

(b) Brand image:

Some of the medium and large vendors of bicycle parts already have their own brands, while others indirectly establish their own brands and reputation by leveraging the brand marketing of the downstream bicycle manufacturers; for example, the supply

and demand system of upstream and downstream established by the No. 1 GIANT MANUFACTURING CO., where its parts vendors rise with the GIANT brand.

(c) Cost management:

For many vendors, OEM is still one of the main sources of operating revenue, so if they can reduce their processing costs, they will receive more OEM orders, so cost and inventory management will be crucial for vendors to be competitive.

(d) R&D capability:

As some of the high value-added products of domestic bicycle parts and components are still unable to compare with Japanese products in terms of technology, even though Taiwan has international competitiveness in bicycle, some key parts and components, such as transmission, still need to be imported from Japan. At the same time, some low-priced products are facing competition from Southeast Asia and China, indicating that innovation in R&D of parts and components technology will be the key factor to enhance the competitiveness of vendors.

□3. Overview of technology, research and development

(1) Technology level of the business

The competitors of the Company and its subsidiaries are mainly domestic and foreign branded hubs and wheelset manufacturers, which have certain leading technology in research and development. When the Company was founded, we realized the importance of transportation and hoped to contribute our own efforts. Then the Company invested in the research of Japanese foot brake system and introduced the economic type 301 iron hubs, which were the first hubs for the low-end bicycle in Taiwan and won the award of excellent export performance from the Ministry of Economic Affairs. In 1981, we developed the 211 type iron hubs, which are the standard parts used in the industry.

The Company and its subsidiaries were also the first to introduce cold forging technology into the manufacturing of aluminum alloy hubs in Taiwan, bringing traditional ferrous heavy products to light weight, which is still the mainstream of the domestic bicycle industry. In addition, the Company developed the first set of quick release in Taiwan not only to enable customers for quick disassembly, but also reduce labor costs when assembling wheel rims, and enhances the convenience for consumer to have quick changes. In addition, the Company and its subsidiaries have accumulated years of experience in combining business and art, and launched the first set of carbon fiber hubs in 1995, which was developed jointly with GIANT MANUFACTURING CO., LTD. for the MCR one-piece carbon fiber bicycle, and won the "National Product Image Gold Award" in 1997.

Since 2001, the Company and its subsidiaries have continued to invest in innovative research and development, and the R&D headquarters is located in the new plant in Daya District, Taichung City. The Group's R&D headquarters has professional R&D and testing teams in Taiwan, the United States and China, and has obtained over 100 patents in hubs and wheelsets, processes, and related product applications...etc. In addition to continuous investment in product development, we have established long-term cooperation plans or

strategic alliances with well-known companies to acquire new equipment, raw materials and process technologies. In addition, the Company cooperates with scholars in academic research institutions to enhance the development of R&D talents and the competitive advantage of new products.

As a market leader, the Company and its subsidiaries continue to break new ground and lead the way with the latest technology and have been awarded the GOOD DESIGN AWARD in 2016, the Taiwan Excellence Award for four consecutive years from 2016 to 2019, and the GOLDEN PIN DESIGN AWARD for three consecutive years from 2016 to 2018. By winning these awards, the Company and its subsidiaries have been able to accumulate the motivation for continuous innovation in research and development. In response to the new generation and the promotion of green energy and carbon free life, the Company and its subsidiaries developed E-bikes accessories and polymer material application and invested in innovative research in the field of composite materials and established the Xiamen fiber coating plant in 2019 to get engaged in the production of carbon fiber wheel rims and related products.

Unlike the past when we focused on the innovation and research of parts, and in 2019, we merged our R&D teams in China to form a Greater China R&D team. We are committed to Industry 4.0, using intelligent manufacturing and introducing software such as "MES Production Management System" to facilitate proper scheduling of manufacturing processes and easier traceability of manufacturing quality through data.

(2) R&D of the business

We are focusing on technology development related to our business direction, and we are working on the five core technologies of product development, material development and self manufacturing, surface treatment, and automated equipment and processes as the basis for R&D innovation. The following is an overview of our product research and development strategies and processes:

① Research and development strategic objectives

The objectives of the Company and its subsidiaries' research and development strategies are first based on the Company's business strategies and policies, according to which departmental actions are initiated. Through routine technical and marketing meetings, medium- and long-term new product plans are formulated in accordance with the market and product demand information and technology development trends, which serve as guiding principles for product development, technology and resource investment.

In order to carry out research and development, the Company adopts multiple approaches such as self-development, cooperative R&D, collaborative design, technology introduction and technology implementation, etc. Through the new product development system, we can quickly transfer the technology internally, so that the technology development can be refined and implemented in the production lines. The following is a brief description of each approach:

- A. Self-development: Self-development takes the highest priority in our R&D strategies to encourage technological innovation among engineering researchers and to ensure the Company's technological competitiveness.
- B. Cooperative R&D: We implement cooperative R&D with customers or suppliers, combining marketing and industry information to ensure the accuracy and timeliness of the R&D direction, immediate market entry to meet customer needs, and to share R&D results with customers to indirectly gain market share.
- C. Collaborative design: We implement collaborative design with customers at the early stage of product development to jointly develop products and provide customers with excellent quality solutions as a professional manufacturer of hubs, wheelsets, and carbon fiber applications.
- D. Technology introduction: We cooperate with external organizations to introduce new technologies to ensure that we have an advantage in the market for technologies with high R&D costs or breakthroughs and patents. The Company cooperates with leading academic institutions in Taiwan (such as the Industrial Technology Research Institute) and the industrial organizations (CYCLING & HEALTH TECH INDUSTRY R&D CENTER) for technology introduction.
- E. Develop new intelligent automation technologies and enhance the overall competitiveness of the industry

In order to ensure the steady improvement of product quality, we are actively investing in the improvement of process flow, and we have installed robotic arms and introduced stamping press automation to reduce the production bottleneck of insufficient production personnel. At the same time, construct automatic measurement system and equipment to improve the efficiency of product inspection. In addition, in order to keep track of the production pulse on site in real time, the Company and its subsidiaries have implemented the "SFT servo system" and MES system to improve the transparency and efficiency of operations management.

②Research and development process

The R&D strategies of the Company and its subsidiaries are based on our perception of market information and application orientation to determine the future market demand, combined with the Company's main strategy, to develop medium- and long-term R&D strategies and then based on the annual issues and the strategic plan of the sales department, we form the short-term R&D plan for new products and technologies. The purpose is to develop a product portfolio and pricing that meets customer needs, to maximize the benefits of the Company's long-term and short-term investments, to develop potential markets and to strengthen the competitive position of the Company in the industry.

③ Short-, medium-, and long-term research and development strategies

Timeline	Category	Item and contents
Short-term	Short-term strategy	<p>The R&D strategies of the Company and its subsidiaries are based on our perception of market information and application orientation to determine the future market demand, combined with the Company's main strategy, to develop medium- and long-term R&D strategies and then based on the annual issues and the strategic plan of the sales department, we form the short-term R&D plan for new products and technologies. The purpose is to develop a product portfolio and pricing that meets customer needs, to maximize the benefits of the Company's long-term and short-term investments, to develop potential markets and to strengthen the competitive position of the Company in the industry.</p>
Medium- and long-term	Strengthen technology patents, technology independence	<ul style="list-style-type: none"> ▪ In order to enhance the protection of technology patents and strengthen the Company's technology leadership, we have dedicated personnel in charge of patent applications, regardless of whether the technologies have short-term commercialization value or long-term potential commercialization value. ▪ Projects with longer market lifecycle and higher-end technologies are conducted independently by the Company. ▪ In innovation activities, we focus on our core technical capabilities and work with downstream customers from different industries and academic institutions to develop new technologies or new applications.
	Focus on core competencies and enhance value	<ul style="list-style-type: none"> ▪ Introduce new technologies in a timely manner in line with our competitive strategies to enhance our value. ▪ Pursuing to be a company with "high value-added, high productivity, focus on innovation and service", we constantly absorb technical information, keep abreast of market dynamic, and meet customer needs. ▪ Make good use of project management to improve the quality of innovation activities, and leverage the available internal resources to ensure that technology development projects are quickly transferred to manufacturing units for production.

	Effectively use resources to ensure timeliness	<ul style="list-style-type: none"> ▪ Ensure that innovation results do not become obsolete technologies and control the timing of mass production to create maximum value and profitability. ▪ Rapidly apply product development projects to production to meet market demand and maintain high quality standards and rapid flexibility.
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4. Technology and R&D Overview

(1) R&D expenses invested in the most recent year and the current year up to the date of publication of the Annual Report invested in R&D expenses: Unit: Thousands of NTD; %

Item \ Year	2021 (Note 1)	2022 (Note 1)	As of March 31, 2023 (Note 2)
R&D expenses	45,037	34,893	7,717
Net operating revenue	1,573,826	1,474,457	247,761
Percentage	2.86%	2.37%	3.11%

(note 1) : financial information of year has been checked and verified by accountants or reviewed.

(note 2) : The company's self-concluded financial statements have not been checked, certified or reviewed by Accountants.

(2) Technologies and products successfully developed last year as of the publication: date of the annual report:

Year	Product Name	R&D Results
2013	Bulletproof fiber mountain bike wheel set for all terrains	Honored with 21 st Taiwan Excellence Award
2014	Hand-operated e-tricycle Joy-168+ Hand-operated e-tricycle E-3cycle All-carbon fiber mountain bike wheel set FACTOR21(27.5) Hand-operated e-tricycle wheel set and all-carbon fiber mountain bike wheel set	Honored with China's Most Successful Design Award Honored with Golden Pin Design Award Honored with German iF Design Award 2014 Honored with 2014 Taipei Cycle d&i awards
2015	All-carbon fiber mountain bike wheel set R3 all-carbon fiber road bike wheel set FACTOR 23(26'')	Honored with 23 rd Taiwan Excellence Award Honored with 2015 Taipei Cycle d&i awards
2016	FACTOR 748 wheel set FACTOR 748 wheel set Clutch wheel set	Honored with 2017 Taipei Cycle d&i awards Honored with German iF Design Award 2017 Honored with 25 th Taiwan Excellence Award
2017	Clutch wheel set Carbon fiber wide mountain bike wheel set FACTOR 748 wheel set FACTOR 748 wheel set 727 enduro magnetic clutch carbon fiber wheel set	Honored with 25 th Taiwan Excellence Award Honored with Innovation Award by China Bicycle Association Honored with German iF Design Award 2017 Honored with 2017 Taipei Cycle d&i awards Honored with 2017 Golden Pin Design Award (the best design of the year)
2018	R3-DISC asymmetrical disc brake version of the full carbon fiber road bike wheelsets FACTOR 727 ENDURO full carbon fiber mountain bike wheelsets	Won the Innovation Award in Shanghai Exhibition Won the 26th Taiwan Excellence Award
2019	Asymmetric electric auxiliary mountain bike wheelsets DIABLO XL E-MTB WHEELSET	Won the China Bicycle Association - Innovation Award
2020	Asymmetrical carbon road bike wheel	Unique ultra high performance wheelsets designed for the new generation. With transmission response that enable the wheel rims to be lighter, more comfortable, of low wind resistance and sharp Its features provide riders with extremely stable control, safety and excellent smoothness.
2021	BB bottom bracket shells shaft	Create non-hubs parts to enhance product diversity
	Nylon rope hubs	Add the design for products that can be adapted with other materials
2022	Road bike carbon fiber wheelsets	Passed UCI "Wheel impact test" certification
	Carbon fiber front fork	Passed multiple SGS "Front Fork test" certifications Passed EFBE "Fork test" certification

5. Long-term and short-term business development planning

(1) Long-term plan

Item	Description of contents
Marketing strategy	<ol style="list-style-type: none"> 1. Develop energy-saving and carbon-reducing products, reduce unnecessary environmental waste, and take care of the earth as the goal 2. Continue to upgrade and improve product design to reduce the use and waste of raw materials. 3. Make good use of the design for carbon fiber products to increase market share.
Production plan	<ol style="list-style-type: none"> 1. Increase automated machinery to reduce costs and increase product yields and efficiency. 2. Utilize the advantages of our production bases in China and Taiwan to support each other and differentiate the product levels. 3. Continue to optimize process yields and improve production efficiency by replacing old and new equipment with automated production equipment.
R&D and design development plan	<ol style="list-style-type: none"> 1. Set up R&D center to control R&D operations from product planning, product design, engineering trial to sample production, and enhance development technology capability. 2. Effectuate human resource education and maintain technology leadership to create high value-added products. 3. Develop special materials, combine and apply carbon fiber and iron-aluminum alloy related products, and introduce green energy concept products. 4. Introduce Windchill system to effectively track the progress of development cases and improve the timeliness of research and development.
Management strategy	<ol style="list-style-type: none"> 1. Implement ISO14001, improve management rules and ensure process effectiveness. 2. Develop towards the production of refined products and actively upgrade the technology level of the whole plant, focus on the creation of high value-added products, and strengthen the overall technology level and marketing channels through the dual channels of our own brand marketing and technical cooperation with foreign related products. 3. Utilize the professional equipment and R&D technology of the Group's factories to create value and benefit. 4. Add Bar Code Scan management system to each process equipment unit to improve management efficiency. 5. Continue to develop multi-talented workers, deepen the company culture and provide continuous education and training for human resources.

(2) Short term planning

Item	Description
Marketing strategy	<ol style="list-style-type: none"> 1. Developing new products in response to clients' needs (ODM) and the market demand (OBM). 2. Prioritizing developing stable and quality products. 3. The wheelset undergoing minor or major revisions from time to time to conform to the mainstream trend of the existing market. 4. E-bikes becoming the mainstream due to the awakening of environmental consciousness, hence, continuously developing electric products adaptable to the trends. 5. Actively expanding e-commerce platforms and increasing brand visibility via social media.
Production planning	<ol style="list-style-type: none"> 1. Continuously conducting activities in relation to 3Ts (TPS, TPM and TQM) to reduce costs and consumption, and enhance efficiency and yield.

Item	Description
	<ol style="list-style-type: none"> 2. Strictly controlling costs in each department to ensure the company's competitiveness 3. Implementing TQM and the QC system, where defective products should not be released out of the factories, in order to reinforce acknowledgement of the products in the market. 4. Replacing outdated equipment, shortening the period of time on production and increasing production capacity. 5. Strengthening the supply chain with the procurement staff and processing business partners to ensure compliance with the delivery deadline system. 6. Implementing related SOPs to optimize production.
R&D and design development planning	<ol style="list-style-type: none"> 1. Expanding the design and technology of hubs to that of wheels and targeting the high-end bicycle market. 2. Developing added value products with low-resistance and high-stiffness. 3. Reducing the period of time and costs spent on R&D and enhancing the technical production capabilities. 4. Researching and developing innovative products corresponding to the E-bike market 5. Cultivating talents and strengthening their research and development capabilities.
Management strategy	<ol style="list-style-type: none"> 1. Increasing the development in Asia in addition to the US, Central and South America and Europe. 2. Branding such as through sponsorships. 3. Integrating the sales and R&D capabilities into the market demand during the sample R&D stage. 4. Ensuring product quality, stabilizing the current market and improving delivery precision and efficiency in response to low-volume and diverse sales. 5. Expanding the sales channels by way of resource integration with the affiliates, and new and old suppliers' R&D and collaboration to create higher revenues. 6. Continuously improving KPI and introducing OKR incentive tools to meet the achievement rate and management ability.

(II) Market, production and sales overview

1. Market analysis

(1) Sales regions of main products

Unit: Thousands of NTD; %

Region		Year	2021		2022	
			Sales amount	Percentage	Sales amount	Percentage
Domestic sales	Taiwan		235,805	15%	225,143	15%
	Mainland China		442,510	28%	400,753	27%
	Subtotal		678,315	43%	625,896	42%
Export sales	Taiwan		83,682	5%	83,113	6%
	Mainland China		39,206	3%	17,206	1%
	Europe		553,471	35%	555,969	38%
	Others		219,152	14%	192,273	13%
	Subtotal		895,511	57%	848,561	58%
Total			1,573,826	100.00%	1,474,457	1,474,457

(2) Market share

The main consumer markets for bicycles in the world are the United States, Europe, China and Japan. According to the research of international market research institute Research and Markets, the global sales volume of bicycle in a year is about 120 ~ 130 million units, including about 17 million units in the U.S. market, 20 ~ 21 million units in Europe, and 25 million units in China, and the Company shipped about 10.28 million pieces of the main product (hubs) in 2022, and the estimated global market share is 8% to 9.5%.

(3) Future market supply and demand and growth potential

The European and American governments continue to promote green policies, alleviate urban traffic congestion and air pollution, actively build bicycle lanes and other related infrastructure, and encourage people to use bicycles as a tool for leisure sports, short-distance commuting, and logistics services, all of which will help maintain a steady pull of demand for the industry from overseas.

The Company and its subsidiaries have been working on the bicycle part hubs for more than 40 years, and have excellent R&D, innovation ability and strict production quality, which are favored by famous overseas customers. In response to the market trend, Joy Industrial Co., Ltd. is sponsoring foreign cycling teams to enhance Novatec's brand awareness and improve the durability and functionality of its products. In addition, we have set up branches in Europe, the United States and Asia to provide global customers with zero time difference services, and have expanded our global representation in 30 countries for localized brand promotion and after-sales services, all of which will contribute to future sales growth.

(4) Competitive niche

① Design advantage and continuous investment in R&D and upgrading

The Company and its subsidiaries have excellent research and development teams and prepare annual research and development budgets to enable them to have continuous design capabilities. Professional services are required for customers with different requirements on appearance (form) and material. Compared with standard products, the development and design of pattern design, logo laser engraving, mold development, etc.

require higher integration of development technology to meet the comprehensive needs of customers. In addition, we have been increasing the revenue share of our own brands (JOYTECH, NOVATEC, and FACTOR), which means that the market is increasingly accepting the added value of our brands and products as well as our professional service quality.

② Product advantages

The products and brands of the Company and its subsidiaries provide a full range of hubs products to meet the needs of different vehicle types, including mountain bikes, road racing bikes, single speed bikes, strollers, electric assisted bikes, folding bikes, sport bikes, touring bikes, lorries, and indoor fitness equipment drives, etc. In addition, several production bases have been set up in Taiwan and China to supply different price levels (e.g., motorcycles) according to market demand. In addition, we have established several production bases in Taiwan and China to supply products at different price levels (high price, medium price and low price) according to market demand.

③ Manufacturing advantages

The Company and its subsidiaries continue to focus on the market in China, making full use of the manufacturing resources of each plant on both sides of the Taiwan Strait to maximize the competitive advantage of the model with division of production and sales. In addition to leveraging the supply chain of each plant to forge a strong competitive force, we are also actively investing in automated equipment to increase output quantity and stabilize quality.

④ Marketing strategy

The Company and its subsidiaries have adopted a marketing strategy that emphasizes both ODM and OBM, and on the one hand, we design and manufacture for global brands, and on the other hand, we have established a global marketing network for our own brands (JOYTECH, NOVATEC, and FACTOR), and through sponsoring cycling teams and athletes to participate in internationally renowned competitions and continuously participating in internationally renowned exhibitions, we have increased our brand awareness and brand image. In addition, we are actively developing a global marketing and service network and currently have agents in China, Japan, Indonesia, Malaysia, Singapore, Thailand, Australia, Germany, the Netherlands, Poland, Hungary, Slovakia, Chile, Peru, Uruguay, Ukraine, Romania, and the United States, and have established a complete after-sales service system through a global marketing network in our European and American subsidiaries.

⑤ Diversified and small-volume order-based production

The Company and its subsidiaries have established a complete supply chain by diversified labor division and differentiated product grades and proprietary production bases to build a complete and coordinated production support system to meet customer orders quickly in response to short lead times and to achieve effective control and inventory reduction.

(5) Favorable and unfavorable factors of development prospect and countermeasures

① Favorable factors

- A. The demand for high-end and E-bikes is still growing due to the health and leisure trend, and the demand in Europe and the U.S. is still growing steadily, which is expected to be extended to emerging markets in the future.
- B. We have been striving for product technology and market for many years and have reached a mutual assistance model with our customers, which will increase our chances of obtaining OEM and OBM orders.
- C. We provide a full range of hubs products to meet the needs of different vehicle types, including mountain bikes, road racing bikes, single speed bikes, strollers, electric bikes, folding bikes, sport bikes, touring bikes, etc. In addition, several production bases have been set up in Taiwan and China to supply different price levels (e.g., motorcycles) according to market demand. In addition, we have established several production bases in Taiwan and China to supply products at different price levels (high price, medium price and low price) according to market demand.
- D. The production bases are located in Southern China and Central China respectively, so that we can fully utilize the manufacturing resources of each plant to maximize our competitive advantage through the division of work in production and sales, and make use of the supply chain of each plant to form a strong competitive edge.
- E. We have adopted a marketing strategy that emphasizes both ODM and OBM, and on the one hand, we design and manufacture for global brands, and on the other hand, we have established a global marketing network for our own brands (Novatec, Joytech) and through sponsoring cycling teams and athletes to participate in internationally renowned competitions and continuously participating in internationally renowned exhibitions, we have increased our brand awareness and brand image and established good market interaction.
- F. From product development, manufacturing, sales and after-sales service, we have strict management processes in place. We also complement the management of cross-organizational suppliers and the management of supporting activities to build a complete and rigorous product process management operation system to achieve performance targets, with "customer satisfaction" as the ultimate goal.

② Unfavorable factors and countermeasures

I: Exchange rate, since the main currency of foreign sales is USD, fluctuations in the exchange rate will affect the Company's gross profit margin. Countermeasures :In addition to trading in the local currency, if the exchange rate fluctuates beyond

tolerance, we shall immediately reach a reasonable exchange rate consensus with customers and adjust the quotation to mitigate exchange rate risk, and regularly monitor the exchange rate fluctuation to prevent exchange rate risk in advance.

II :Talent gap, the bicycle industry in the key processing such as welding, forging, mold making and other technical levels lack of training new blood inheritance, resulting in the current talent in addition to the gap and loss.

Countermeasures : Through industry-academia collaborative recruitment, we can enhance young people's understanding of the industry and their willingness to join. In addition, we will strengthen internal education and training to pass on technical processes through e-learning platforms, and enhance employees' recognition of the company through KPI and OKR reward systems and tools.

III: Tariff barriers, Although global trade barriers continue to be imposed on China in particular, Taiwan is still unable to obtain free trade tariff preferences from other governments to strengthen its competitiveness.

Countermeasures: Utilize the Group's production resources to respond to customers' needs, interact closely with important customers, and set long-term policies, goals, and investment adjustments for the Company in a timely manner; in addition, for innovative products and unique processes, the Company applies for design and innovation patents to make products with unique differentiation and high added value to meet customers' needs .

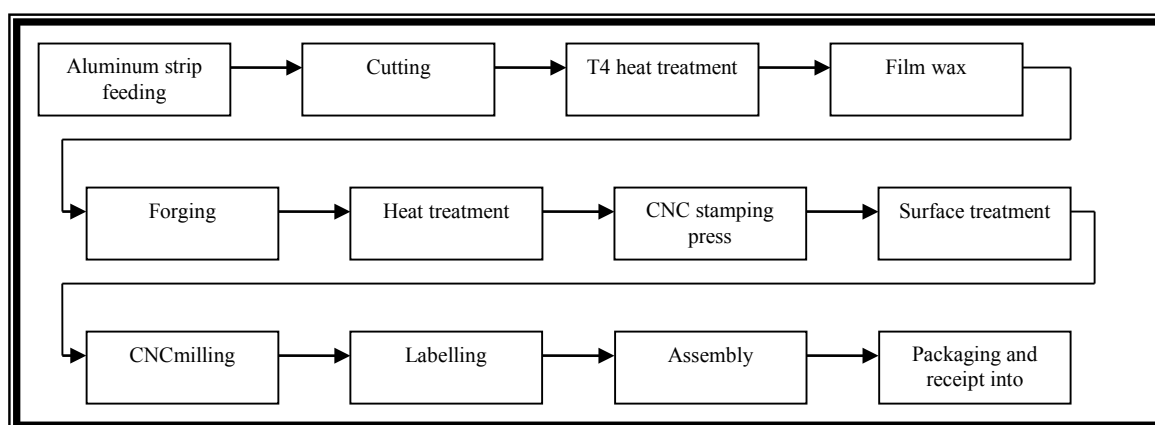
2. Important applications and production processes of main products

(1) Important applications of main products

Main products	Important applications
Bicycle hubs	The main part that makes up the wheels of a bicycle. To support the static and dynamic load on the wheels. To make the wheels rotate smoothly and gently.
Bicycle wheelsets	Mainly to bear the load and compressive force of the rider when the bicycle is rotating.
Carbon fiber front fork	The main part that makes up the wheels of a bicycle. The front fork is mounted on the frame and connected to the grips, lightweight and rigid
Carbon fiber grips	The main part that makes up the wheels of a bicycle. Mounted on the front fork for directional control Lightweight, good shock absorption

(2) Manufacturing process of main products

The manufacturing process starts from the aluminum strip feeding, then cutting and then through high-temperature quenching heat treatment, and paste the film wax, in order to facilitate the hydraulic forging film stripping, forging into the shape with film stripping and then through the heat treatment for hardening, followed by CNC stamping press, turning, etc., and then surface baking paint anodizing, and then the second milling and finish turning, and finally labeling, assembly and packaging and receipt into warehouse. At present, the main equipment is installed with hydraulic forging machine, turning, stamping press set and milling set, etc.



3. Supply status of main raw materials

The Company currently purchases from the following suppliers:

Main raw materials	Supply source	Supply status
Aluminum strip	A01、A10	Good
Forging	A02	Good
Sleeve forging	A03	Good
Iron plate, iron tube	A04	Good
Casing	A05	Good
Nut	A06	Good
Bearing	A07	Good
Quick release	A08	Good
Hollow tube	A09	Good

4. The names of suppliers and customers who accounted for more than 10% of the total purchases (sales) in any of the most recent 2 years, their purchases (sales) amount and percentage.

(1) Purchase vendors:

Unit: Thousands of NTD

Item	2021				2022				2023 up to the first quarter			
	Name	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the current year up to the first quarter (%)	Relationship with the issuer
1	A01	104,481	12.64	None	Others	737,866	100%	None	-	-	-	None
2	Others	721,867	87.36	None	-	-	-	-	-	-	-	None
3	-	-	-	-	-	-	-	-	-	-	-	None
Net purchases		541,253	100%	None	Net urchases	737,866	100%	None	-	-	-	None

Note: In 2022, there was no manufacturer whose purchases accounted for more than 10% of the total purchases.

(2) Sales customers:

Customers who accounted for more than 10% of the total sales in any of the most recent 2 years

Unit: Thousands of NTD

Item	2021				2022				2023 up to the first quarter			
	Name	Amount	As a percentage of net sales for the whole year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the whole year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the current year up to the first quarter (%)	Relationship with the issuer
1	Decathlon	253,913	16.13	None	Decathlon	190,409	12.91	None	-	-	-	None
2	Others	1,319,913	83.87	None	Others	1,284,048	87.09	None	-	-	-	None
	Net sales	1,573,826	100%	None	Net sales	1,474,457	100.00	None	-	-	-	None

5. Production volume and value for the most recent 2 years

Unit: Thousands of PCS;
Thousands of NTD

Production volume and value	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products							
Hubs		Note	15,171	1,104,377	Note	10,277	1,047,639
Wheelsets	24		47,945	38		88,552	
Others	12,371		54,118	7,663		42,406	
Total	27,566		1,206,440	17,978		1,178,597	

Note: The Company adopts the highly customized make-to-order production mode, with a wide range of products and different stock keeping units, so the total production volume cannot be shown.

6. Sales volume and value for the most recent 2 years

Unit: Thousands of PCS;

Thousands of NTD

Sales volume and value	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products									
Hubs		5,545	597,019	9,625	827,059	4,167	526,979	6,110	754,841
Wheelsets		11	33,394	14	29,676	14	54,927	24	60,032
Others		1,592	47,903	10,779	38,775	969	43,990	6,694	33,688
Total		7,148	678,316	20,418	895,510	5,150	625,896	12,828	848,561

Note: Domestic sales refer to the sales to the customers in the localities where the Group's production plants are resided. That is, sales from the Taiwan headquarters to local customers in Taiwan and sales from Mainland's subsidiary to local customers in China.

(III) Information on employees for the most recent two years and the current year up to the date of publication of the Annual Report

Unit: People; Year; %

Year		2021	2022	As of March 10, 2023
Number of employees	Management	43	61	61
	Direct labors	352	262	257
	Indirect labors	267	231	221
	Total	662	554	539
Average age		40	39.19	39.04
Average years of service		5.82	5.73	5.81
Education distribution	Doctorate	0.00%	0.00%	0.00%
	Master	2.00%	2.17%	1.86%
	University and college	20.39%	24.19%	25.05%
	Senior high school	25.50%	28.16%	28.20%
	Below senior high school	52.11%	45.49%	44.90%

(IV) Information on environmental protection expenditures

- For the most recent year and for the current year up to the date of publication of the Annual Report, the amount of loss due to environmental pollution (including compensation and environmental protection audit results of violations of environmental protection laws and regulations, the penalty date, the penalty number, the provisions of the regulation violated, the content of the regulation violated, and the penalty content should be stated) and the estimated amount of current and potential future losses and countermeasures. If the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.
- Current pollution situation, improvement, and its impact on the Company's earnings, competitive position and capital expenditures, and the expected significant environmental capital expenditure for the next two years: None.

(V) Labor relations

- The Company's employee welfare measures, continuing education, training, retirement systems and their implementation status, as well as labor-management agreements and various employee rights protection measures:

(1) Employee welfare measures

The Company attaches importance to employee welfare and has established an employee welfare committee to promote various welfare measures and holds the following activities on a regular basis:

- ① Employee travel: To relieve the daily work pressure of employees and promote the friendship among colleagues, we hold annual travel.
- ② Social activities: Staff dinners twice a year, year-end party and annual meetings, and other festive events.
- ③ Year-end party raffle: We provide gifts and cash awards at the end of each year to comfort our employees for their hard work throughout the year.
- ④ Health checkups: In addition to annual health checkups, nurses and doctors are appointed to take the initiative to care for and promote employee health management.
- ⑤ Employees' birthday celebration: monthly gift certificates are given to the birthday girl to encourage employees' morale.
- ⑥ Gift certificates for three festivals: Gift certificates are issued for Labor Day, Dragon Boat Festival and Mid-Autumn Festival.
- ⑦ Clothing welfares: We provide employees with uniforms to show their vigor and corporate spirit.
- ⑧ Women's welfare: We provide nursing rooms and equipment for the exclusive use of women with babies and physiological leave for women.
- ⑨ Meal subsidies: The company provides meals so that each employee can feel at home and identify with the Company.
- ⑩ Cultural and recreation center: We provide ball games and activities so that employees can have a place to relax and unwind.
- ⑪ Proprietary parking : Provide parking spaces for motorcycles to make it more convenient for each employee to park their motorcycles.
- ⑫ Group insurance : Insure employees with group insurance to provide more protection.

(2) Employee continuing development and training system

The more well-defined division of work in society is becoming the trend, so the demand for specialized talents is becoming more imperative. In order to develop the talents required for the company's operation and development, the Company provides comprehensive education and training as well as excellent benefits, together with a sound evaluation system, to cultivate personal functions and improve the quality of employees, in the hope that human resources can be used to the best effect. The following is a description of the system of continuing development and training of the Company and its subsidiaries:

- ① Education and training for new employees:

On the day the employees report to work, they are introduced to the company's culture, quality policy, and management philosophy, so that they can understand the relevant regulations of the company and are led to visit various departments to enhance their understanding of the company's overall environment and products, and are provided with employee handbooks.
- ② Education and training for in-service employees:
 - B. The education and training programs are arranged based on the principle of achieving the company's goals and assisting employees' growth. Every year, according to the company's development policy and employees' needs, education

and training are held from management skills, safety and health training, and self-enlightenment to improve human quality.

- C. We emphasize on hierarchical, functional, planned and continuous training, and provide employees with opportunities for continuous self-growth and development through a complete education and training system.
- D. We promote employee education and training in a comprehensive manner. In addition to pre-employment training, professional skills training by function, management training by level, and self-enlightenment-related knowledge training, we also emphasize the promotion and implementation of internal training instructor system and on-the-job training within the department.
- E. Self-initiated training: We provide learning platforms and other resources for employees to study and further their studies during off-duty or leisure time.

(3) Retirement system and its implementation status

In accordance with the "Labor Standards Act", the Company has a defined benefit pension plan that applies to all regular employees' years of service prior to the implementation of the "Labor Pension Act" on July 1, 2005, and to employees who choose to continue to be subject to the Labor Standards Act after the implementation of the "Labor Pension Act". For employees who are eligible to retire under the old scheme, pension payments are based on the years of service and the average salary for the six months prior to retirement, with two bases for each year of service up to 15 years (inclusive) and one base for each year of service in excess of 15 years, subject to a maximum accumulation of 45 bases. The Company appropriates 2% of salaries and wages monthly to a pension fund, which is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve.

Effective July 1, 2005, the Company has established a defined contribution pension plan in accordance with the Labor Pension Act, which is applicable to domestic employees of the Company. The Company contributes 6% of the employees' salaries to the employees' personal accounts at the Bureau of Labor Insurance each month for the employees who choose to apply the new labor pension scheme under the Labor Pension Act. Employees can be paid in the form of monthly pensions or lump-sum pensions, in accordance with the amount of the employees' personal pension accounts and accumulated earnings. The Company's subsidiary in Mainland China contributes to social insurance (including medical, maternity, pension, occupational injury, and unemployment) and pension provisions for employees in accordance with the Social Insurance Law of the People's Republic of China. Subsidiaries outside of Taiwan and Mainland China also follow the labor-related laws and regulations of the places where they operate.

(4) Agreements between employees and management and measures to protect employees' rights and interests

Our labor-management agreements are based on the Labor Standards Act and the Labor Incident Act and our management rules and regulations are formulated in accordance with various labor laws and regulations and with reference to international human rights conventions to ensure the rights of employees. In addition, in order to protect employees from occupational injuries, the Company has passed the ISO 45001:2018 occupational

safety and health management system certification standard in 2020, providing workers with a safe and healthy working environment that meets the system requirements Through communication, motivation, service, and education, the Company meets the needs of its employees in a timely manner to enhance their motivation and job satisfaction, so that they are willing to contribute more to the Company and create more contributions and values for the Company.

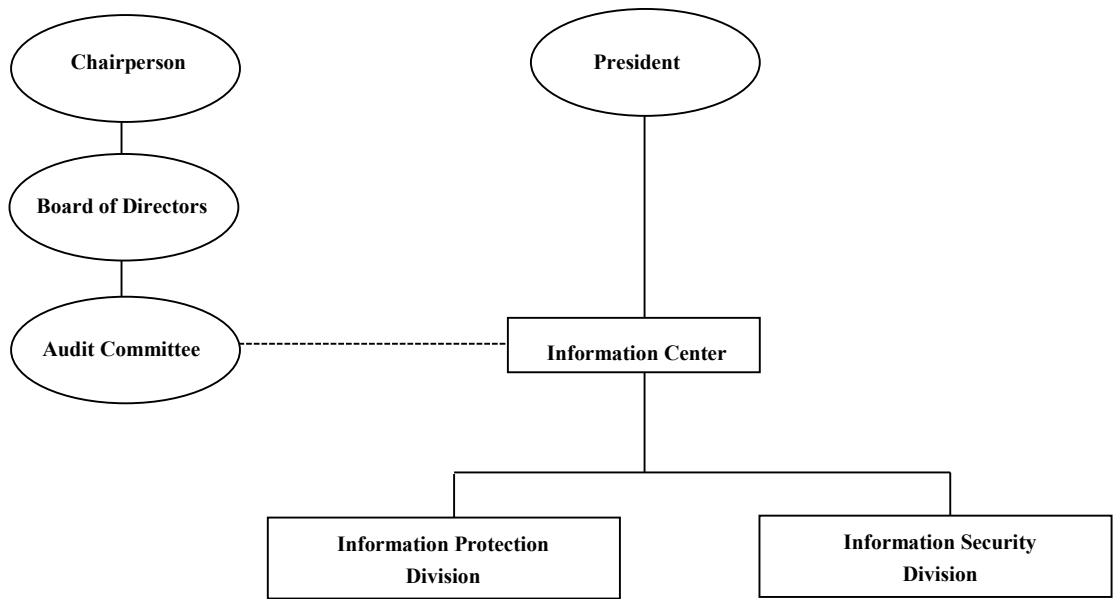
2. For the most recent year and for the current year up to the date of publication of the Annual Report, the amount of loss due to labor disputes (including labor inspection results of violations of the labor standards act, the penalty date, the penalty number, the provisions of the regulation violated, the content of the regulation violated, and the penalty content should be stated) and the estimated amount of current and potential future losses and countermeasures should be disclosed and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

(VI). Cybersecurity management

1. Information security risk management framework

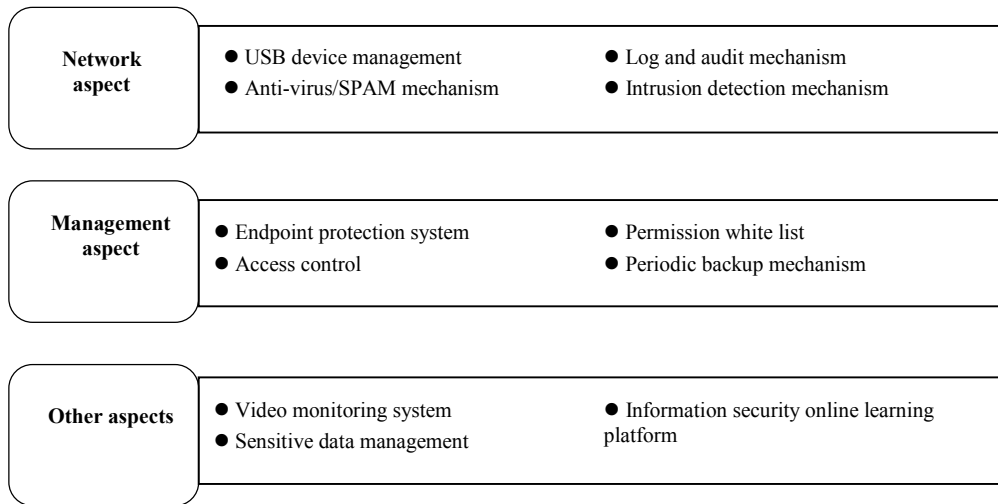
In order to enhance information security management to assist the Group's business units in the promotion of information security-related work, information security incident handling and auditing of information security work execution, the Group has built up a comprehensive information security guard capability from the perspective of risk control, and continuously raised the awareness of information security among employees.

The responsible unit of the Company's information security is the Information Center, which is responsible for planning, implementing and promoting information security management, and designing information management systems in line with the Company's business strategies and models. The operating mode is PDCA (Plan-Do-Check-Act) cycle management to ensure the achievement of the reliability target and continuous improvement.



2. Cybersecurity policy

To ensure the confidentiality, integrity, and availability of the Company's information systems, in order to provide the environment and structure necessary for the Company's business operations, to reduce corporate information security threats from the network, management, and other aspects, and to establish confidential information protection services that meet the Company's needs and high standards.



3. Specific management programs for cybersecurity

- ① Instant communication software management.
- ② Portable storage device management.
- ③ Computer network management.
- ④ E-mail management
- ⑤ Offsite backup
- ⑥ Computer equipment security management.
- ⑦ Network security management.

4. Resources invested for cybersecurity management

We continue to invest resources in information security every year, including strengthening information security defense equipment, improving information security management system and education training, etc. We implement the overall management and technical aspects to improve information security capabilities, and regularly perform off-site backups of important system data, which are included in the information security routine operations. The resources invested are as follows:

- ① Network hardware equipment such as firewall, spam filtering, malicious URL filtering, etc.
- ② Software systems such as endpoint protection system, backup management software, VPN authentication, etc.
- ③ Investments in manpower such as: daily status check of each system, regular backup and off-site backup implementation, regular information system disaster recovery implementation exercises, etc.

5. Major cybersecurity incidents

For the most recent year, the amount of loss and possible impacts from major cybersecurity incidents and countermeasures and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

(VII) Important contracts

The parties to the purchases and sales contracts, technical cooperation contracts, construction contracts, long-term loan contracts and other contracts of material importance to shareholders' equity that were in effect as of the publication date of the Annual Report and that expired in the most recent year, their principal contents, restrictive clauses and dates of commencement and expiration of the contracts:

Nature of the contracts	The parties to the contracts	commencement and expiration of the contracts	Main contents	Restrictive clauses
Maintenance contract	Webplus Technology Co., Ltd.	2022/01/17~ 2023/1/16	Server room network software and hardware security maintenance	None
License maintenance contract	Data Systems Consulting Co., Ltd.	2022/01/01~ 2023/12/31	Microsoft software license and maintenance contract for its ERP software	None
Borrowing contract	First Commercial Bank	2021/07/09~ 2026/11/09	Long-term borrowing	None
Borrowing contract	Taiwan Cooperative Bank	2017/04/24~ 2035/04/24	Long-term borrowing	None
Borrowing contract	Chang Hwa Commercial Bank	2022/09/16~ 2023/09/01	Secured loan	None
Lease contract	Joy Industrial (K.S.) Co., Ltd.	2020/06/09~ 2025/06/08	Lease of main plant facilities (including dormitory)	None

VI · Financial Position

(I) Most Recent 5-Year Concise Balance Sheet and Consolidated Income Statement

1. Condensed Balance Sheet-IFRS

Consolidated financial report

Unit: NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information (Note1) (Note2)					1Q2023 Financial Information
		2018	2019	2020	2021	2022	
Current Assets		817,568	676,271	803,187	942,226	884,831	N/A
Property Plant and Equipment		957,089	974,981	963,348	971,040	968,509	
Intangible Assets		11,021	8,198	5,510	3,324	1,222	
Other Assets		139,210	133,264	158,116	155,806	171,838	
Total Assets		1,924,888	1,792,714	1,930,161	2,072,396	2,026,400	
Current Liability	Before Distribution	859,227	771,079	862,190	876,977	828,154	
	After Distribution	862,856	771,079	892,929	906,977	852,154	
Noncurrent Liabilities		454,981	443,236	442,980	468,200	430,286	
Total Liabilities	Before Distribution	1,314,208	1,214,315	1,305,170	1,345,177	1,258,440	
	After Distribution	1,317,837	1,214,315	1,335,909	1,375,177	1,282,440	
Equity Attributable to Shareholders of the Parent		610,680	574,373	622,092	722,503	760,195	
Capital Stock		580,000	580,000	580,000	600,000	600,000	
Additional Paid In Capital		38,026	38,026	38,026	54,439	54,439	
Retained Earnings	Before Distribution	50,549	40,320	81,096	137,488	157,498	
	After Distribution	46,920	40,320	50,357	107,488	133,498	
Others Equity		(42,860)	(68,938)	(61,995)	(69,424)	(51,742)	
Treasury shares		(15,035)	(15,035)	(15,035)	-	-	
No controlling interest		-	4,026	2,899	4,716	7,765	
Total Equity	Before Distribution	610,680	578,399	624,991	727,219	767,960	
	After Distribution	607,051	578,399	594,252	697,219	743,960	

(Note1) : The above-mentioned financial information of each year has been checked and verified by accountants or reviewed.

(Note2) : 2022The annual surplus distribution proposal was passed by the resolution of the board of directors.

2. Concise and Consolidated Income Statement - IFRS

Consolidated financial report

Unit: NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information (Note1)(Note2)					1Q2023 Financial Information
		2018	2019	2020	2021	2022	
Operating revenue		1,287,387	1,103,904	1,114,862	1,573,826	1,474,457	N/A
Gross Profit		280,954	255,924	240,962	367,386	295,860	
Operating income(loss)		48,882	(4,423)	33,051	97,979	54,085	
Non-operating income and expenses		(7,768)	(2,494)	(184)	(1,530)	26,463	
Profit before tax		41,114	(6,917)	32,867	96,449	80,548	
Net Income (loss)		28,494	(11,098)	36,175	89,662	51,413	
Other Comprehensive Income for the Year, Net of Income Tax		(14,265)	(21,899)	10,417	(8,143)	19,328	
Total Comprehensive Income for the Year		14,229	(32,997)	46,592	81,519	70,741	
Net Income (Loss) Attributable to: Shareholders of the Parent		28,494	(10,808)	37,772	87,825	48,424	
Net Income (Loss) Attributable to: No controlling Interests		-	(290)	(1,597)	1,837	2,989	
Total Comprehensive Income (Loss) Attributable to: Shareholders of the Parent		14,229	(32,678)	47,719	79,702	67,692	
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests		-	(319)	(1,127)	1,817	3,049	
Basic Earnings Per Share (NT\$ Dollar)		0.67	(0.19)	0.67	1.55	0.81	

(note): The above-mentioned financial information of each year has been checked and verified by accountants or reviewed.

3. Condensed Balance Sheet -IFRS

Unconsolidated financial report

Unit: NT\$ thousand

Item		Year	Most Recent 5-Year Financial Information (Note1) (Note2)				
			2018	2019	2020	2021	2022
Current Assets			278,594	210,982	281,792	379,557	403,123
Property Plant and Equipment			659,435	651,523	622,716	606,884	595,936
Intangible Assets			11,015	8,196	5,510	3,324	1,221
Other Assets			677,217	686,288	729,859	767,129	769,710
Total Assets			1,626,261	1,556,989	1,639,877	1,756,894	1,769,990
Current Liability	Before Distribution		564,838	549,890	585,159	571,688	592,027
	After Distribution		568,467	549,890	615,898	601,688	616,027
Noncurrent Liabilities			450,743	432,726	432,626	462,703	417,768
Total Liabilities	Before Distribution		1,015,581	982,616	1,017,785	1,034,391	1,009,795
	After Distribution		1,019,210	982,616	1,048,524	1,064,391	1,033,795
Capital Stock			580,000	580,000	580,000	600,000	600,000
Additional Paid In Capital			38,026	38,026	38,026	54,439	54,439
Retained Earnings	Before Distribution		50,549	40,320	81,096	137,488	157,498
	After Distribution		46,920	40,320	50,357	107,488	133,498
Others Equity			(42,860)	(68,938)	(61,995)	(69,424)	(51,742)
Treasury shares			(15,035)	(15,035)	(15,035)	-	-
Total Equity	Before Distribution		610,680	574,373	622,092	722,503	760,195
	After Distribution		607,051	574,373	591,353	692,503	736,195

(Note1) : The above-mentioned financial information of each year has been checked and verified by accountants or reviewed.

(Note2) : 2022The annual surplus distribution proposal was passed by the resolution of the board of directors.

4. Concise and Consolidated Income Statement - IFRS

Unconsolidated financial report

Unit: NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information (Note)				
		2018	2019	2020	2021	2022
Operating revenue		503,589	430,619	424,030	580,926	604,825
Gross Profit		146,284	115,568	107,849	177,093	183,058
Operating income(loss)		42,143	9,389	14,189	76,547	70,281
Non-operating income and expenses		(6,964)	(18,344)	23,038	20,590	(9,219)
Profit before tax		35,179	(8,955)	37,227	97,137	61,062
Net Income (loss)		28,494	(10,808)	37,772	87,825	48,424
Other Comprehensive Income for the Year, Net of Income Tax		(14,265)	(21,870)	9,947	(8,123)	19,268
Total Comprehensive Income for the Yea		14,229	(32,678)	47,719	79,702	67,692
Profit for the year		28,494	(10,808)	37,772	87,825	48,424
Basic Earnings Per Share (NT\$ Dollar)		0.67	(0.19)	0.67	1.55	0.81

(note): The above-mentioned financial information of each year has been checked and verified by accountants or reviewed..

5. Auditors' name and Opinions from Most Recent 5-Year Financial

Year	CPA Firm	CPA	Audit Opinion
2018	PricewaterhouseCoopers	Wang, Yu-Chuan & HUNG, SHU-HUA	An Unmodified Opinion
2019	PricewaterhouseCoopers	Wang, Yu-Chuan & Liu, Mei Lan	An Unmodified Opinion
2020	PricewaterhouseCoopers	Wang, Yu-Chuan & Liu, Mei Lan	An Unmodified Opinion
2021	PricewaterhouseCoopers	Wang, Yu-Chuan & Liu, Mei Lan	An Unmodified Opinion
2022	PricewaterhouseCoopers	Wang, Yu-Chuan & Liu, Mei Lan	An Unmodified Opinion

note : Due to the change of certified accountants in line with the internal organization adjustment of Pricewaterhouse Coopers CPA Firm, since the fourth quarter of 2010, the certified certified accountants of the company's financial statements have been changed from Wang, Yu-Chuan, HUNG, SHU-HUA accountants to Wang, Yu-Chuan, Liu, Mei Lan Accountant

(II) Most Recent 5-Year Financial Analysis

1. Financial Analysis from 2018 to 2022 - (Consolidated financial report)

analysis Item (Note2)		Year (Note1)					1Q2023 Financial Information
		Most Recent 5-Year Financial Information					
		2018	2019	2020	2021	2022	
Financial structure (%)	Liabilities to assets ratio	68.27	67.74	67.62	64.91	62.10	N/A
	Long-term capital to real estate, plants, and equipment ratio	111.34	104.79	110.86	123.11	123.72	
Ability to repay debts (%)	Current ratio	95.15	87.70	93.16	107.44	106.84	
	Quick ratio	69.31	60.85	66.39	70.1	62.96	
	Times interest earned(times)	3.21	0.62	3.07	7.36	5.77	
Utility	Receivables turnover	3.36	3.65	3.78	4.3	4.19	
	Average days for cash receipt	109	100	97	85	87	
	Inventory turnover	5.56	4.97	5.18	5.47	3.91	
	Payables turnover	3.04	3.00	3.32	4.10	4.10	
	Average days of sales	66	74	70	67	93	
	Real estate, plants, and equipment turnover	1.35	1.14	1.15	1.63	1.52	
	Total assets turnover	0.67	0.59	0.60	0.79	0.72	
Profitability	ROA	2.45	0.38	2.80	5.24	3.33	
	ROE	5.61	(1.87)	6.01	13.26	6.88	
	Pre-tax Income to Paid-in Capital Ratio (%)	7.09	(1.19)	5.67	16.07	13.42	
	Net margin	2.21	(1.01)	3.24	5.7	3.49	
	EPS(NT\$ Dollar)	0.67	(0.19)	0.67	1.55	0.81	
Cash flow	Cash flow ratio	15.77	5.24	14.01	5.38	16.76	
	Cash flow adequacy ratio	49.38	66.47	66.46	64.70	85.91	
	Cash reinvestment ratio	8.01	2.27	7.30	0.91	5.92	
Leverage	Operation leverage	2.41	(12.93)	3.05	1.74	2.30	
	Financial leverage	161.60	19.60	192.2	118.33	145.33	
Please explain the reasons for the changes in the financial ratios in the last two years ° (If the change of increase or decrease does not reach 20%, the analysis can be exempted)							
Various financial ratios have changed by more than 20% , analyse as below :							
1. Times interest earned : The change was mainly due to the decrease in pre-tax profit.							
2. Inventory turnover : Due to the slowing down of stocking in advance.							
3. Average days of sales : The number of sales days increases due to the slowdown of detoxification.							
4.ROA : The reason for the change is mainly due to the decrease in net profit in the current period.							
5.ROE : The reason for the change is mainly due to the decrease in net profit in the current period.							
6. Net margin : The reason for the change is mainly due to the decrease in net profit in the current period. 7.EPS : due to the decrease in revenue in 2022. °							
8. Cash flow ratio : Due to the increase in cash inflow from operating activities and the decrease in current liabilities in 2022.							
9. Cash flow adequacy ratio : The reason for the change is mainly due to the increase in cash inflow from operating activities.							
10. Cash reinvestment ratio : The reason for the change is mainly due to the decrease in investment activities expenditure compared with the previous year.							
11. Operation leverage : It refers to the reduction of operating leverage due to the decrease of gross profit.							
12. Financial leverage : The reason for the change is mainly due to the decrease in financial leverage due to the decrease in surplus.							

(Note1) : The above-mentioned financial information of each year has been audited by the accountant.

(Note2) : This table uses the calculation formula on page 99.

2. Financial analysis - Unconsolidated financial report

Year(Note1) analysis Item (Note2)		Most Recent 5-Year Financial Information				
		2018	2019	2020	2021	2022
Financial structure (%)	Liabilities to assets ratio	62.45	63.11	62.06	58.88	57.05
	Long-term capital to real estate, plants, and equipment ratio	160.96	154.58	169.37	195.29	197.67
Ability to repay debts (%)	Current ratio	49.32	38.37	48.16	66.39	68.09
	Quick ratio	34.52	24.50	36.68	42.17	32.35
	Times interest earned(times)	3.07	0.49	3.58	8.17	5.10
Utility	Receivables turnover	3.85	4.27	4.90	5.05	4.77
	Average days for cash receipt	95	85	74	72	77
	Inventory turnover	4.98	4.06	4.56	4.05	2.45
	Payables turnover	3.25	3.23	3.12	3.69	3.83
	Average days of sales	73	90	80	90	149
	Real estate, plants, and equipment turnover	0.75	0.66	0.67	0.94	1.01
	Total assets turnover	0.31	0.27	0.27	0.34	0.34
Profitability	ROA	2.84	0.43	3.27	5.97	3.59
	ROE	5.61	(1.82)	6.31	13.06	6.53
	Pre-tax Income to Paid-in Capital Ratio (%)	6.07	(1.54)	6.42	16.19	10.18
	Net margin	5.66	(2.51)	8.91	15.12	8.01
	EPS(NT\$ Dollar)	0.67	(0.19)	0.67	1.55	0.81
Cash flow	Cash flow ratio	7.65	8.91	11.71	4.20	4.40
	Cash flow adequacy ratio	9.30	30.93	98.51	196.56	(80.71)
	Cash reinvestment ratio	3.45	3.70	6.33	(0.56)	(0.27)
Leverage	Operation leverage	1.78	4.86	3.51	1.39	1.51
	Financial leverage	167.66	(113.65)	(5,721.37)	121.5	126.93

Please explain the reasons for the changes in the financial ratios in the last two years. (If the change of increase or decrease does not reach 20%, the analysis can be exempted)

Various financial ratios have changed by more than 20%, analyse as below :

- 1 Quick ratio : Due to the decrease in revenue in 2022.
2. Times interest earned : The change was mainly due to the decrease in pre-tax profit.
- 3 Inventory turnover : The reason for the change is mainly due to the high inventory in the current period, resulting in a decrease in the inventory turnover rate.
4. Average days of sales : Mainly due to the decrease in revenue in the current period, the inventory turnover resulted in a decrease in the inventory turnover rate, which in turn affected the increase in the sales days.
5. ROA : The reason for the change is mainly due to the decrease in net profit in the current period.
6. ROE : The reason for the change is mainly due to the decrease in net profit in the current period.
7. Pre-tax Income to Paid-in Capital Ratio (%) : the reason for the change is mainly due to the decrease in net profit for the current period.
8. Net margin : The reason for the change is mainly due to the decrease in net profit in the current period.
9. EPS : The reason for the change is mainly due to the decrease in net profit for the period.
10. Cash flow adequacy ratio : The reason for the change is mainly due to the increase in inventory in 2022
11. Cash reinvestment ratio : due to dividend policy.

(Note1) : The above-mentioned financial information of each year has been audited by the accountant.

(Note2) : This table uses the calculation formula on page 99.

1. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets
- (2) Long-term capital to real estate, plants, and equipment ratio = (total equity + non-current liabilities)/net value of real estate, plants, and equipment

2. Ability to repay debts

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventory – prepayments)/current liabilities
- (3) Times interest earned ratio = net income before tax and interest expense/interest expense in current period

3. Operating ability

- (1) Receivables (including account receivables and note receivables deriving from business operation) turnover = net sales/the average receivable balance in each period (including account receivables and note receivables deriving from business operation)
- (2) Days sales in account receivable = 365/account receivable turnover
- (3) Inventory turnover = cost of goods sold/average inventory
- (4) Payables (including account payables and note payables deriving from business operations) turnover = cost of goods sold/average payable balance in each period (including account payables and note payables deriving from business operation)
- (5) Average days in sales = 365/inventory turnover
- (6) Real estate, plants, and equipment turnover = net sales/net value of real estate, plants, and equipment
- (7) Total assets turnover = net sales/average total assets

4. Profitability

- (1) Ratio or return on total assets = [Corporate earnings + interest expense x (1 - tax rate)]/average total assets
- (2) Ratio or return on shareholder's equity = Corporate earnings / average total equity
- (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
- (4) Profit ratio = Corporate earnings / net sales
- (5) Earnings per share = (Earnings attributable to the owners of parent – preferred stock dividend) / weighted average quantity of outstanding shares (Note 1)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operation/current liabilities
- (2) Net cash flow adequacy ratio = net cash flow from operation in the last 5 years / (capital expenditure + increase in inventory + cash dividend) in the last 5 years
- (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) / gross real estate, plants, and equipment + long-term investment + other non-current assets + working capital (Note 2)

6. Leverage

- (1) Operation leverage = (net sales – cost of goods sold and expenses) / operating income (Note 3)
- (2) Financial leverage = operating income / (operation income – interest expenses)

(Note 1) : The formula for calculating earnings per share above should pay special attention to the following items when measuring :

1. Based on the weighted average number of common shares, not the number of shares outstanding at the end of the year.
2. Anyone who has cash capital increase or treasury stock trading should consider its circulation period and calculate the weighted average number of shares.
3. For those who have turned surplus into capital increase or capital reserve into capital increase, when calculating the earnings per share of previous years and semi-annual years, they should be retrospectively adjusted according to the proportion of capital increase. It is not necessary to consider the issuance period of the capital increase.
4. If the preferred stock is non-convertible cumulative preferred stock, its current annual dividend (whether paid or not) shall be deducted from the after-tax net profit or increased after tax net loss. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend should be deducted from the net profit after tax; if it is a loss, it is not necessary Adjustment.

(Note 2) : Cash flow analysis should pay special attention to the following matters when measuring :

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross real estate, plant and equipment refers to the total amount of real property, plant and equipment before deducting accumulated depreciation.

(Note 3) : Issuers should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their rationality and

maintain consistency.

(Note 4) : If the company's stock has no par value or the par value of each share is not NT\$10, the calculation of the ratio of paid-in capital stated above shall be calculated based on the ratio of equity attributable to the owners of the parent company on the balance sheet.

(III) The audit committee review report of the most recent annual financial report

Audit Committee's Review Report

The Board of Directors of Merida prepared the Business Report, Financial Statements, Earnings Distribution among other motions in 2022. The Financial Statements were audited by the accountant Yujun Wang and the accountant Meilan Liu from PwC Taiwan. No noncompliance is found after the above-mentioned report and business report are checked by the Audit Committee. It is hereby reported as above in accordance with Article 14.4 of Security Exchange Law and the Company Law and Article 219 of Company Act for checking.

Yours Faithfully,

2023 Annual Shareholders' Meeting

Joy Industrial Co., LTD

Chairman of the Audit Committee : HUI FEN, LIN

April 11, 2023

- (IV) 、 The consolidated financial report approved by the accountant for the most recent year Please refer to pages 121 to 193 of the annual report.
- (V) 、 Unconsolidated Financial Statements and Independent Auditors' Report for the most Recent year Please refer to pages 194 to 270 of the annual report.
- (VI) 、 The Company should disclose the financial impact if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this Annual Report : None.

VII ▾ Review of Financial Conditions, Financial Performance, and Risk Management

(I) Analysis of Financial Status

IFRS - Consolidated financial report

- The main reasons and impacts of major changes in consolidated assets, liabilities and equity in the last two years :

Unit: NT\$ thousands

Item	Year		Difference	
	2021	2022	Amount	%
Current Assets	942,226	884,831	(57,395)	(6.09%)
Non-current financial assets at fair value through profit or loss	340	5,138	4,798	1,411.18%
Property Plant and Equipment	971,040	968,509	(2,531)	(0.26%)
Right-of-use asset	86,944	87,788	844	0.97%
Investment Property	16,224	13,533	(2,691)	(16.59%)
Intangible Assets	3,324	1,222	(2,102)	(63.24%)
Deferred income tax assets	10,616	20,735	10,119	95.32%
Other Assets	41,682	44,644	2,962	7.11%
Total Assets	2,072,396	2,026,400	(45,996)	(2.22%)
Current Liability	876,977	828,154	(48,823)	(5.57%)
Noncurrent Liabilities	468,200	430,286	(37,914)	(8.10%)
Total Liabilities	1,345,177	1,258,440	(86,737)	(6.45%)
Equity Attributable to Shareholders of the Parent	722,503	760,195	37,692	5.22%
Capital Stock	600,000	600,000	0	0.00%
Additional Paid In Capital	54,439	54,439	0	0.00%
Retained Earnings	137,488	157,498	20,010	14.55%
Others Equity	(69,424)	(51,742)	17,682	(25.47%)
Treasury shares	0	0	0	0.00%
No controlling interest	4,716	7,765	3,049	64.65%
Total Stockholders' Equity	727,219	767,960	(57,395)	(7.89%)
Analysis of changes in financial ratios (For changes up to 20%, and the amount of change reaching NT\$10 million).				
1. Deferred income tax assets : Due to the increase in inventory, the provision for price reduction and sluggish loss increase.				
2. Other Assets : adjustment of foreign currency conversion differences due to evaluation.				

- Effect of changes on the company's financial condition:** The Company's financial condition has not changed significantly.
- Future response actions:** In response to the expansion of business scale, properly plan the capital expenditure budget and the control of working capital.

(II) Analysis of Financial Performance

- The major reasons for the significant changes in consolidated operating revenue, net operating profit and net profit before tax for the last two years and their effects.

Unit: NT\$ thousands

Item	Year	2021	2022	Difference	
				Amount	%
Net Sales		1,573,826	1,474,457	(99,369)	(6.31%)
Cost of Sales		1,206,440	1,178,597	(27,843)	(2.31%)
Gross Profit		367,386	295,860	(71,526)	(19.47%)
Operating Expenses		269,407	241,775	(27,632)	(10.26%)
Operating Income		97,979	54,085	(43,894)	(44.80%)
Non-operating Income and Gains Expenses and Losses		(1,530)	26,463	27,993	(1,829.61%)
Income Before Tax		96,449	80,548	(15,901)	(16.49%)
tax income (expense)		(6,787)	(29,135)	(22,348)	329.28%
Net Income		89,662	51,413	(38,249)	(42.66%)
Analysis of changes in financial ratios:(For changes up to 20%, and the amount of change reaching NT\$10 million).					
1. Operating Income: Due to the decrease in revenue and the increase in operating costs in 2022.					
2. Non-operating Income and Gains Expenses and Losses: Due to changes in international exchange rates and interest rates.					
3. tax income (expense) :Due to changes in income tax rates.					
4. Net Income: Due to decrease in revenue and increase in income tax.					

- Estimated sales volume and the estimation basis: Please refer to One. Letter to Shareholders.
- The possible impact on the Company's future finance and business matters and the corresponding plan.

The estimated sales volume in 2023 is based on the overall production capacity in 2022, estimated contracts and customer orders on hand. In addition, the Company and its subsidiaries will continue to invest in research and development resources to enhance technological capabilities, continuously improve product quality and technology, satisfy customers and maintain good cooperative relationships with suppliers, so as to make forward-looking and cost-competitive products, and contribute to the Company's future revenue and profit growth.

(III) Cash flows

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

Unit: Thousands of NTD

Item \ Year	2021	2022	Change in amount	Change in percentage
Net cash inflows from operating activities	47,546	138,804	91,647	194.34%
Net cash outflows from investing activities	(72,958)	(49,136)	23,433	(32.29%)
Net cash inflows (outflows) from financing activities	13,265	(55,179)	(68,444)	(515.97%)

Description:

A. Operating activities:

Analysis of change is that the recovered amount of accounts receivable in 2022 increased by NT\$134,448 thousand compared with 2021, the increase in inventory decreased by NT\$50,527 thousand compared with 2021, and the recovered amount of prepayments increased by NT\$37,141 thousand compared with 2021, resulting in the Operating cash flow in this period increased.

B. Investing activities:

Analysis of change is that the amount of fixed assets obtained in 2022 decreased by NT\$22,731 thousand compared to the cash expenditure in 2021 in the current period.

C. Financing activities:

The main reason is that there was no cash capital increase in the current period, and the repayments of short-term loans resulted in a decrease in the net cash inflow from financing activities in the current period compared with the previous period..

1. Improvement plan for lack of liquidity: The cash flows generated from the Company's activities are normal and therefore this is not applicable.

2. Analysis of cash flows for the coming year (2023).

Unit: Thousands of NTD

Cash Balance at the beginning of the period (1)	Net cash flows from operating activities for the whole year (2)	Net cash flows from other activities for the whole year (3)	Cash surplus (shortage) (1)+(2)+(3)	Remedies for cash shortage	
				Investing plan	Financing plan
269,123	135,833	-27,395	377,561	NA	NA

1. Analysis of the changes in cash flows for the whole year.

(1) Operating activities: The estimated cash inflow from operating activities in 2023 is NT\$192,379 thousand.

(2) Investment activities: The capital expenditure in 2023 was NT\$56,546 thousand .

(3) Financing activities: In 2023, additional loan of 2,605 thousand.and cash dividend of NT\$30,000 thousand .

2. Remedial measures and liquidity analysis for expected insufficient cash flow:

The estimated cash outflow for the next year is mainly due to the need for operating funds and shareholder cash dividend expenses, divided by cash inflows from operating activities.

When the cash balance is insufficient, short-term financing is adjusted based on the actual demand flexibility of each factory to reduce capital costs.

- (IV) Impact of significant capital expenditures on finance and business matters in recent years
3. Coordinate with the future development needs of the company and its subsidiaries, The above-mentioned capital expenditure is the update of the automation equipment of each plant to be invested in phases, The company will not face the risk of insufficient funds due to the expansion of factory buildings due to the combination of its own funds and the amount of financing obtained through consultation with financial institutions, As a result will have not adverse effect on our financial .
 4. Estimated potential benefits
In the future, automation equipment will be introduced to increase production capacity to achieve effective division of labor. It is expected that new production capacity, equipment, new product development and corporate brand image shaping will drive overall growth.

(V) Investment policy for the most recent year, the major reasons for gain or loss, improvement plan and investment plan for the coming year

December 31, 2022 Unit: Thousands of NTD

Item	Description	Investment gain or loss for the period	Investment policy	Reasons for gain or loss	Improvement plan	Investment plan for the coming year
JOYTECH INDUSTRIAL CO. PTE. LTD		(13,644)	Subsidiary directly invested and 100% held by the Company	1. Overseas investment holding 2. The Company holds 100% of JOY NOVA, PRIMA, NOVATEC (SHENZHEN) and TAIZHOU NOVATEC with indirect investment through JOYTECH.	None	-
JOY NOVA INTERNATIONAL CO., LTD.		4,523	Overseas investment holding	Investee 100% held by the Company with indirect investment through JOYTECH.	None	-
NOVATECEU S.R.O.		3,286	Subsidiary directly invested and 100% held by the Company	European subsidiary invested in 2011 and 100% held by the Company for brand promotion and sales in Europe.	1. Actively participate in trade shows and increase advertising in professional magazines and media to attract consumers' attention. 2. Cooperate proactively with local distributors to increase the sales of wheel rim sets in order to enhance revenue and profitability.	-

Item	Description	Investment gain or loss for the period	Investment policy	Reasons for gain or loss	Improvement plan	Investment plan for the coming year
	NOVATEC WHEEL US, INC	131	Subsidiary directly invested and 100% held by the Company	US subsidiary invested in 2012 and 100% held by the Company for brand promotion, sales and repair market in Americas.	<ol style="list-style-type: none"> 1. Continue to search for local distributors and agencies to expand channels to increase sales. 2. Actively participate in trade shows and increase advertising in professional magazines and media to attract consumers' attention. 3. Explore markets outside the U.S. (such as Canada, Central and South America, etc.), to expand the product sales market. 	-
	JOY INDUSTRIAL (SHENZHEN) CO., LTD	27,147	Manufacturing and sale of bicycles, automobiles and traffic equipment parts and accessories	JOY (SHENZHEN) supplies the China market, and the profit is the investment income generated by long-term equity investment.	<ol style="list-style-type: none"> 1. Continue to strengthen cooperation with local assembly plants 2. Enhance consumers' recognition of the brand through sponsorship of local large-scale bicycle races. 3. Strengthen cooperation with the world's major vehicle makers to win new orders. 4. Continue to invest in R&D and improve products. 	-
	Coretech Composites technology (Xiamen) Co., LTD	(2,010)	Design, development, and production of carbon fiber clad molds, production and trading of thermoformed bicycles and related accessories	Coretech Composites technology (Xiamen) 徐 JOY (SHENZHEN) invest in October 2019 is mainly engaged in the manufacture and sales of carbon fiber wheel sets.		
	TAIZHOU JOY PRECISION INDUSTRY CO., LTD	(22,753)	Manufacturing and sale of bicycles, automobiles and traffic equipment parts and accessories			
	NOVATEC WHEELS (SHENZHEN) CO., LTD.	(7,152)	Production and trading of bicycle hubs, hardware products, traffic equipment motors, controllers and other parts	Continue to expand distributor and agency channels		

Item	Description	Investment gain or loss for the period	Investment policy	Reasons for gain or loss	Improvement plan	Investment plan for the coming year
	JOY CYCLE PARTS(KUNSHAN)CO.,LTD	5,272	Production and trading of precision stamping dies, molds, bicycle hubs, flywheels, transmission and other parts	Transform to factory lease		
	NOVA INDUSTRIAL CORP.	2,312	Overseas investment holding	1. JOY NOVA invested in and holds 100% of TOY and NOVA.	None	
	TOY (H.K.) TRADING CO., LIMITED	2,211	Overseas investment holding	2. JOY NOVA invested in and holds 100% of JOY (KUNSHAN) through TOY (48.89%) and NOVA (51.11%)		-
	PRIMA BUSINESS LIMITED	(5,965)	Overseas investment holding	3. PRIMA invested in and holds 100% of NOVATEC (SHENZHEN)		

(VI) Risks and assessment for last year and for the current year up to the date of publication of the Annual Report

1. The impact of change in interest rate, exchange rate and inflation on the Company's profit or loss and future countermeasures.

(1) Change in interest rate:

A. Impact on profit or loss of the Company and its subsidiaries:

Unit: Thousands of NTD; %

Item/Year	2021	2022
Interest income	402	422
Interest expense	15,175	16,870
Net operating revenue	1,573,826	1,474,457
(Interest expense - interest income)/net operating revenue (%)	0.94%	1.12%

Source: Financial statements audited and attested by CPAs

The Company's interest income for 2021 and 2022 was not significant as a percentage of revenue and the operating capital was well controlled, so the change in interest rate did not a significant impact on the profit or loss of the Company and its subsidiaries.

B. Future countermeasures

The Company and its subsidiaries regularly evaluate the interest rates on bank loans and maintain close relationships with banks to obtain more favorable interest rate terms in order to reduce interest expense. The Company and its subsidiaries keeps a close eye on the trend of interest rate

changes in the market from time to time and make good use of various financing instruments to reduce the impact of interest rate change on the Company's profit or loss.

(2) Change in exchange rate:

A. Impact on profit or loss of the Company and its subsidiaries:

Unit: Thousands of NTD; %

Item/Year	2021	2022
Net exchange (loss) gain	(4,898)	23,530
Net operating revenue	1,573,826	1,474,457
Net exchange (loss) gain/net operating revenue (%)	(0.31%)	1.60%

Source: Financial statements audited and attested by CPAs

The Company and its subsidiaries are mainly engaged in export businesses, and most of them are quoted and paid in USD. Therefore, change in the exchange rate between the TWD and USD shall have a certain impact on the profit or loss of the Company and its subsidiaries. Basically, when TWD depreciates against USD, it is more profitable for exporters, and when TWD appreciates against USD, it is more profitable for importation of parts. The Company's Finance Department is responsible for identifying, evaluating and hedging financial risks by working closely with the Company's sales department to ensure that the maximum possible loss is within the limit set by management.

B. Future countermeasures:

Sales revenue of the Company and its subsidiaries is mainly denominated in USD and the purchase of major raw materials is mainly in NTD and RMB, so the degree of natural hedge of foreign currency revenue and expenses is limited. In order to effectively reduce the impact of exchange rate fluctuations on the overall profitability, the Company and its subsidiaries have the following specific countermeasures:

- ① Maintain close contact with financial institutions and keep abreast of exchange rate changes to appropriately adjust foreign currency asset positions to reduce exchange rate risk.
- ② Continue to observe the movements of USD and RMB to fully keep pace with the market information, and estimate the long-term and short-term exchange rate movements; in case of large changes in exchange rate, appropriately renegotiate the transaction price with customers or suppliers in order to mitigate the impact of exchange rate fluctuations on the revenue and profitability of the Company and its subsidiaries.
- ③ The Company has established foreign exchange hedging regulations in the "Regulations Governing the Acquisition or Disposal of Assets", which stipulates the Company should use the trading instruments mainly to hedge the risks arising from the Company's business operations, and the responsible officer should take appropriate hedging actions and strictly control the hedging positions to reduce the risk of exchange rate fluctuations.

C. The impact of Inflation on the Company's profit or loss and future countermeasures:

According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the Consumer Price Index (CPI) for December 2022 was 108.27, up 2.71% from 105.41 in the same

month of 2021, and up 2.95% on average for the whole year. The Wholesale Price Index (WPI) for December 2022 was 114.37, up 7.14% from 106.75 in the same month of 2021, and up 12.43% on average for the whole year. In the future, the Company and its subsidiaries will closely observe the changes in the price index and pay attention to the fluctuation of market prices, maintain good interaction with customers and suppliers, and adjust the selling prices of products in a timely manner to reflect the increase in costs, depending on the impact of inflation on the Company, so as to alleviate the pressure of inflation borne by the Company and its subsidiaries.

2. Policies on high-risk, high-leverage investments, lending funds to others, endorsement and guarantee, and derivative transactions, major reasons for gain or loss, and future countermeasures:
 - (1) The Company and its subsidiaries did not engage in high-risk, high-leverage investments and derivative transactions in 2022 and in the current year up to the date of publication of the Annual Report. If the Company engages in such transactions in the future, it will follow the "Regulations Governing the Acquisition or Disposal of Assets" approved by the shareholders' meeting and announce the information immediately in accordance with the law.
 - (2) The Company and its subsidiaries lend funds to others and provide endorsement and guarantee mainly due to the operational needs of the Company and its subordinate companies, which are handled in accordance with the "Regulations Governing the Lending of Funds to Others" and "Regulations Governing Endorsement and Guarantee" established by the Company. For related information, please refer to the Market Observation Post System (<http://mops.twse.com.tw>), and click on "Lending of Funds and Endorsement and Guarantee".
 - (3) Future countermeasures:

In accordance with the Company's Regulations Governing the Lending of Funds to Others, the lending of funds to companies or firms with which the Company has business dealings shall be limited to one year, and may be extended for a period of up to two years (inclusive) with the approval of the Board of Directors if the actual situation requires. For the rest of the companies or firms with short-term financing needs as determined by the Board of Directors, the period of lending of funds shall not exceed one year or one business cycle (whichever is longer). The Company's related operations are governed by the "Regulations Governing the Lending of Funds to Others" resolved by the shareholders' meeting. The amount of funds lent to the borrowing companies may be gradually reduced in the future depending on its operating condition and scale.
3. Future research and development plans and estimated investment in R&D expenses:

The R&D plans of the Company and its subsidiaries are based on our perception of market information and application orientation to determine the future market demand, combined with the Company's main strategy, to develop medium- and long-term R&D and innovation direction and then based on the annual management meeting and the strategic plan of the sales department, we form the short-term R&D plan for new products and technologies to meet the needs of customers and to provide a suitable product mix and pricing for target customers and potential customers, with long-term and short-term investment benefits of the Company, the growth of the potential

market, and strengthening of our competitive position in the industry taken into account. Therefore, we adopt high standards for the timeliness of product development, the quality of product manufacturing, and the accuracy of delivery, and we also maintain a conscientious attitude toward strengthening the product design and development capabilities of our R&D staff, and the integration of electrical and mechanical capabilities, and constantly demand for improvement, as well as increase the number of outstanding talents in related technical fields to enhance the R&D capabilities of the Company and its subsidiaries. In addition, the Company and its subsidiaries will expand its current hub and wheelset technologies and foray into the electric energy field of bicycle to increase our competitiveness in domestic green energy industry and expand the corporate landscape to enter the international arena.

- (1) Future development direction of the R&D plan of the Company and its subsidiaries:
 - A. Carbon fiber products and electric vehicle hubs and wheelsets
 - B. Design transmission systems for the green industry and design or produce products with Green Mark
 - C. Invest in R&D of bicycle parts and components in response to trend, and develop related products with lighter weight and better quality.
 - D. Accelerate the launch of self-developed wheelsets and develop branded products with higher gross profit and advanced technology.
 - E. Continue to integrate the wheelsets and hub series to optimize costs and launch more competitive products in the market.
 - F. Promote ESG zero carbon and implement 6R policy (Recycling, Replacing, Reducing, Repurposing, Recovering, Renewal) for innovative R&D products.

- (2) Estimated investment in R&D expenses:

The Company and its subsidiaries invested NT\$34,893 thousand in R&D 2022, down NT\$10,144 thousand from NT\$45,037 thousand in 2021, which was mainly due to the fact that the new equipment in the laboratory of the Quality Assurance Department of the Taiwan Plant did not incur expenses for machine relocation, renovation, and calibration compared to the previous period, as well as the start-up of the Taizhou Plant, which incurred machine testing costs and employee salaries. The future planning will focus on the development of major core technologies and R&D project operations, and the total investment is estimated to be at least 1% of the consolidated revenue. Based on the target strategy and solid technical capability, the R&D team will develop innovative, unique and high-quality hubs and carbon fiber wheelsets in line with the market demand, and continue to optimize each stage of products.

4. The impact of important domestic and international policy and legal changes on the Company's finance and business matters and the countermeasures:

The Company and its subsidiaries have not been affected by important domestic or foreign policy and legal changes in recent years in terms of the Company's finance and business matters. In the future, the management of the Company will keep track of important domestic and international policy and legal changes and propose timely and proactive countermeasures.

5. The impact of technological changes and industrial changes on the Company's finance and business matters and the countermeasures:

The Company and its subsidiaries produce bicycle parts. At this stage, technological changes and industrial changes have no significant impact on the Company and its subsidiaries' finance and business matters, and the Company and its subsidiaries continue to pay attention to changes in the bicycle industry and technological advances, and invest in the development of product technology and adjust relevant countermeasures in a timely manner so as to effectively avoid possible impacts of technological changes and industrial changes.

6. The impact of corporate image change on corporate crisis management and the countermeasures.

The core value of the Company and its subsidiaries is the brand image, with the management philosophy of humanism, health, innovation and service. In the future, we will continue to operate and develop our business in order to give back to the public. The Company and its subsidiaries have not been significantly affected by corporate crisis due to corporate image change in last year and in the current year up to the date of publication of the Annual Report.

7. The expected benefits and possible risks of merger and acquisition and the countermeasures:

The Company and its subsidiaries had no plans to acquire other companies in last year and in the current year up to the date of publication of the Annual Report. If there is any merger and acquisition plan in the future, the Company will adopt a prudent assessment attitude and fully consider the effectiveness of the merger and acquisition to ensure the shareholders' rights and interests.

8. The expected benefits and possible risks of plant expansion and the countermeasures:

(1) The expected benefits of plant expansion: The Company is building a plant in Taizhou City, Jiangsu Province, China. It is expected that the new plant will contribute to revenue and profitability after it is put into operations. The main purpose of the new plant is to produce bicycle parts and accessories.

(2) The possible risks and countermeasures: The Company and its subsidiaries will focus on market development, and the main risk of the new plant is insufficient capacity utilization. The Company will move towards automated and electronic management, and will make production for the next quarter, with quick delivery and low inventory to build up its strength and competitiveness and will focus on the China market, supplemented by the international market, to minimize the risk of market and production impact.

9. The risks of concentrations of purchases or sales and the countermeasures:

(1) Concentration of purchases:

For the most recent year and the current year up to the date of publication of the Annual Report, no single supplier accounted for 20% or more of the total purchase amount so as to result in the risk of concentration of purchases. The Company and its subsidiaries maintain

good relationships with suppliers for the flexibility of supply, and actively develop and coach suppliers to build a complete supply chain to reduce the risk of concentration of purchases.

(2) Concentration of sales:

The products of the Company and its subsidiaries are mainly sold to bicycle assembly plants and in the after market (AM) for parts, with sales to customers in Europe, the Americas, the Middle East and Asia, etc. For the most recent year and the current year up to the date of publication of the Annual Report, no single customer accounted for more than 20% of the total sales, so there is no risk of concentration of sales.

10. The impact on the Company in the event of a substantial transfer or change in the shareholding of directors, supervisors or major shareholders with 10% stake or more, risks and countermeasures:

For the most recent year and the current year up to the date of publication of the Annual Report, there was no transfer of shareholding of directors, supervisors or major shareholders with 10% stake or more of the Company and its subsidiaries.

11. The impact of change in the management right on the Company, risks and countermeasures: There was no change in the management right of the Company and its subsidiaries in the latest year and the current year up to the date of publication of the Annual Report.

12. For litigation or non-litigation events, if the Company, its directors, supervisors, presidents, de facto persons in charge, major shareholders with more than 10% stake, or subordinate companies have been convicted by final and binding judgments or are still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices, the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved and the handling of the case as of the date of publication of the Annual Report shall be disclosed: No such situation.

13. Other significant risks and countermeasures:

Information security risks will interfere with corporate operations, such as hacking, ransomware, and leakage of confidential corporate information, etc. The Company takes appropriate control measures and regularly tests the functioning of the firewall. The Company has appropriate protection for files containing internal material information when they are transmitted in writing. Files transmitted by e-mail or other electronic means shall be handled with appropriate security technology such as encryption or electronic signature, and files containing internal material information shall be backed up and kept in a secure location.

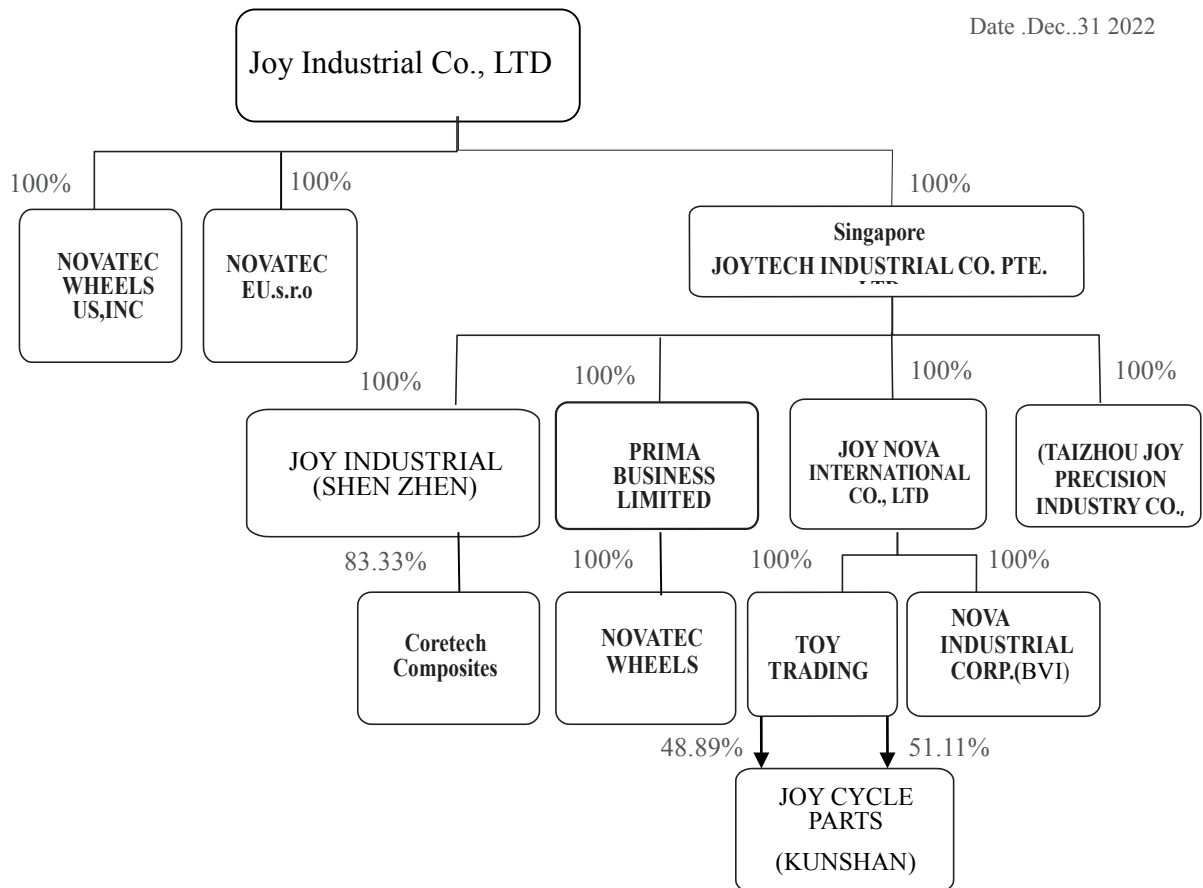
(VII) Other important matters: None.

VIII 、 Special Disclosur

(I) Relevant information of related enterprises

1. Information on the Company's Associates

(1) Summary of Associates



(2) Summary of Affiliated Companies

Date .Dec..31 2022 Unit: NT\$ thousands

Company name	Name or the Representative	Shareholding		Actual paid-in capital
		Shares	%	
JOYTECH INDUSTRIAL CO. PTE. LTD	The company holds 100% of the subsidiaries	21,057,104	100%	616,491
NOVATEC EU .s.r.o	The company holds 100% of the subsidiaries	-	100%	10,121
NOVATEC WHEELS US, INC.	The company holds 100% of the subsidiaries	-	100%	8,685
JOY NOVA INTERNATIONAL CO., LTD.	The company holds 100% of the subsidiaries	4,726,393	100%	66,971
PRIMA BUSINESS LIMITED	The company indirectly holds 100% of the reinvestment company	1,000,000	100%	110,000
TOY (H.K.) TRADING CO., LIMITED	The company indirectly holds 100% of the reinvestment company	10,000	100%	30,380
NOVA INDUSTRIAL CORP.	The company indirectly holds 100% of the reinvestment company	50,000	100%	36,591
JOY INDUSTRIAL (SHEN ZHEN) CO., LTD	The company indirectly holds 100% of the reinvestment company	-	100%	190,737
NOVATEC WHEELS (SHENZHEN) CO., LTD.	The company indirectly holds 100% of the reinvestment company	-	100%	3,747
JOY CYCLE PARTS(KUNSHAN)CO.,LTD	The company indirectly holds 100% of the reinvestment company	-	100%	24,415
TAIZHOU JOY PRECISION INDUSTRY CO., LTD	The company indirectly holds 100% of the reinvestment company	-	100%	309,069
Coretech Composites technology (Xiamen) Co., LTD	The company indirectly holds 100% of the reinvestment company	-	83.33%	28,595

(3) Summary of Affiliated Companies name, establishment date, address, paid-in capital

Unit: NT\$ thousands

Company name	Date of Incorporation	Location	Actual paid-in capital
JOYTECH INDUSTRIAL CO. PTE. LTD	1998/07	Registered place: Singapore	SGD23,109
JOY NOVA INTERNATIONAL CO., LTD.	2013/04	Registered place: British Anquila archipelago	USD 4,580
PRIMA BUSINESS LIMITED	2014/12	Registered place: British Anquila archipelago	USD 3,610
TOY (H.K.) TRADING CO., LIMITED	2014/12	Registered place: Hong Kong	USD 963
NOVA INDUSTRIAL CORP.	2014/12	Registered place: British Virgin Group island	USD 1,007
NOVATEC WHEELS US, INC	2011/11	Registered place: United States	USD 279
NOVATEC EU .s.r.o	2013/04	Registration place: Slovakia	EUR 268
JOY INDUSTRIAL (SHENZHEN) CO., LTD.	1993/8	Registration place:China Guangdong	HKD 50,000
NOVATEC WHEELS (SHENZHEN) CO., LTD.	2014/12	Registration place:China Guangdong	USD 3,610
JOY CYCLE PARTS(KUNSHAN)CO.,LTD	2014/12	Registration place:China Jiangsu	USD1,970
TAIZHOU JOY PRECISION INDUSTRY CO., LTD	2016/05 2020/11	Registration place:China Jiangsu	USD 10,295
Coretech Composites technology (Xiamen) Co., LTD	2019/10	Registration place:China Fujian	CNY5,500

(4) Summary of Affiliated Companies industries covered by the business operations

Company name	Primary business
JOYTECH INDUSTRIAL CO. PTE. LTD	Holding company
JOY NOVA INTERNATIONAL CO.,LTD.	Holding company
NOVATEC EU .s.r.o	Trading of bicycle and motorcycle parts
NOVATEC WHEELS US, INC	Trading of bicycle and motorcycle parts
PRIMA BUSINESS LIMITED	Holding company
TOY (H.K.) TRADING CO., LIMITED	Holding company
NOVA INDUSTRIAL CORP.	Holding company

JOY INDUSTRIAL (SHEN ZHEN) CO., LTD	Mainly manufacturing and tradin of bicycle and motorcycle parts
NOVATEC WHEELS (SHENZHEN) CO., LT	Mainly manufacturing and trading of bicycle and motorcycle parts
JOY CYCLE PARTS(KUNSHAN)CO.,LTD	Mainly manufacturing and trading of bicycle and motorcycle parts (now:Plant for rent)
TAIZHOU JOY PRECISION INDUSTRY CO., LTD	Mainly manufacturing and tradin of bicycle and motorcycle parts
Coretech Composites technology (Xiamen) Co., LTD	Carbon fiber and other fiber-reinforced resin-based composite materials and products, etc.

(5) Information on directors, supervisors, and presidents of associates

Date .March.31 2023

Company Name	job title	name or representative	Shareholding	
			Shares	%
JOY INDUSTRIAL (SHEN ZHEN) CO., LTD	Legal representative	SHIH-WEI CHEN	-	-
	Executive Director	SHIH-WEI CHEN	-	-
	General Manager	CHEN-HSIAO,CHEN	-	-
	Supervisor	CHIEN-CHENG, WANG	-	-
NOVATEC WHEELS (SHENZHEN) CO., LT	Legal representative	SHIH-WEI CHEN	-	-
	Executive Director	SHIH-WEI CHEN	-	-
	General Manager	SUNG CHUN, CHEN	-	-
	Supervisor	CHEN-HSIAO,CHEN	-	-
JOY CYCLE PARTS(KUNSHAN)CO.,LTD	Legal representative	SHIH-WEI CHEN	-	-
	Executive Director	SHIH-WEI CHEN	-	-
	General Manager	CHEN-HSIAO,CHEN	-	-
	Supervisor	SUNG CHUN, CHEN	-	-
TAIZHOU JOY PRECISION INDUSTRY CO., LTD	Legal representative	SHIH-WEI CHEN	-	-
	Executive Director	SHIH-WEI CHEN	-	-
	General Manager	CHEN-HSIAO,CHEN	-	-
	Supervisor	SUNG CHUN, CHEN	-	-
Coretech Composites technology (Xiamen) Co, LTD	Legal representative	SHIH-WEI CHEN	-	-
	Executive Director	SHIH-WEI CHEN	-	-
	General Manager	FA JUNGCHANG	-	-
	Supervisor	CHIEN CHENG WANG	-	-

(6) Overview of business operations of associates

Date .Dec..31 2022 Unit: NT\$ thousands

Name of Company	Actual paid-in capital	Total asset value	Total liabilities	Net Value	Operating revenue	Operating profit	Net Profit (Loss)
JOYINDUSTRIAL (SHEN ZHEN) CO., LTD	190,737	643,843	234,538	409,305	899,331	4,210	24,938
NOVATEC WHEELS (SHENZHEN) CO., LTD.	3,747	89,682	20,547	69,135	39,618	(6,467)	(5,965)
JOY CYCLE PARTS(KUNSHAN) CO.,LTD	24,415	39,485	8,156	31,329	0	(6,024)	4,524
TAIZHOU JOY PRECISION INDUSTRY CO.,LTD	309,069	335,511	94,430	241,081	31,450	(24,099)	(23,990)
Coretech Compositestechnology (Xiamen) Co., LTD	28,595	75,579	28,988	46,591	111,694	23,965	17,936

2. Consolidated Financial Statements of Affiliated Enterprises

In the 2022 year of the Republic of China (from January 1 to December 31, 2022), the company should be included in the preparation of the consolidated financial statements of related companies in accordance with the "Compilation Guidelines for Consolidated Business Reports of Affiliated Enterprises Consolidated Financial Statements and Relationship Reports of Affiliated Enterprises" It is the same as the company that should be included in the preparation of the parent-subsidiary consolidated financial statements in accordance with International Accounting Standards No. 27, and the relevant information that should be disclosed in the parent-subsidiary consolidated financial statements has been disclosed in the previously disclosed parent-subsidiary consolidated financial statements, and will not be prepared separately Consolidated Financial Statements of Affiliated Enterprises.

3. Affiliation Report: None

(II) Private Placement of Securities (in the most recent fiscal year and up to the issue date of this Annual Report) : None.

(III) The Shares in the Company Held or Disposed of by , or Held by Subsidiaries (in the most

recent fiscal year and up to the issue date of this Annual Report) : None.

(IV) Other Supplementary Disclosure : None.

(V) If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or durrent the current fiscal year up to the date of printing of the annual report, such situations shall listed : None.

Appendix

**JOY INDUSTRIAL CO, LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions may exist, the Chinese-language auditors' report and financial statements shall prevail.

JOYINDUSTRIAL. CO, LTD. AND

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entities required to be included in the consolidated financial statements of affiliates are the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. As the information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, Joy Industrial Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

JOYINDUSTRIALCO, LTD.

President: Mr. Shih-Wei (Tate) Chen

April 11, 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Joy Industrial Co., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Joy Industrial Co., Ltd. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission Publish and take effect.

the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Cut-off of sales revenue recognition

Description

For the accounting policy of revenue recognition, please refer to Note 4(27); and for details of operating revenue, please refer to Note 6(17). The Group is primarily engaged in manufacturing and trading bicycle parts. Sale revenue is recognized when the control over the goods was transferred under the transaction terms.

The sales revenue recognition involves the use of several manual judgements and procedures. As a result, the timing of sales revenue recognition may be inappropriate. Therefore, we included the cut-off of sales revenue recognition as one of the key areas of focus for this year.

How our audit addressed the matter:

Our audit procedures in relation to the above key audit matter included:

- (1) Understanding and evaluating the operating procedures and internal controls over sales revenue, and assessing the effectiveness on how the management controls the timing of recognizing sales revenue.
- (2) Confirm its integrity and carry out the cut-off test in the form of spot check, including confirming the transaction conditions, checking the transaction documents and confirming that the sales transaction records are in that transactions had been recorded in the proper period for a certain period around the balance sheet date.

Assessment of allowance for inventory and loss for slow-moving inventories

Description

For the accounting policy of inventory assessment, please refer to Note 4(12); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for details of allowance for inventory valuation losses, please refer to Note 6(4). The Group is primarily engaged in manufacturing and trading bicycle parts. Sale revenue is recognized when the control over the goods was transferred under the transaction terms.

As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses were NT\$ 335,027 thousand and NT\$55,660 thousand, respectively.

The Group is primarily engaged in manufacturing and trading bicycle parts. Inventories that are over a certain age and separately recognized as impaired inventories are stated at the lower of cost and net realizable value. Identify the reasonable net realizable value of each inventory item number item by item, so as valuation losses. Considering that the Group's inventories were material to its financial statements, and the determination of net realizable value as at balance sheet date involved judgements and estimates, we identified the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter:

Our audit procedures in relation to the above key audit matter included:

1. Assessed the reasonableness of provision policies in the inventory valuation
2. Reviewed the Company's annual counting plan and conducted their physical counts on inventories to evaluate the control effectiveness on inventory classification.
3. Obtained the net realizable value statement of each inventory, Verified the integrity of the statements and test the correctness of the net realizable value and related calculations, and recalculated and evaluated the reasonableness of the inventory valuation.
4. Obtained the Company's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorization of inventory aging report in accordance with the Company's policy.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Joy Industrial Co., LTD. as at and for the year ended December 31, 2022. We have also audited and expressed an unqualified opinion on the parent company only financial statements of Joy Industrial Co., LTD., with another matter paragraph, as at and for the year ended December 31, 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's 2022 consolidated financial statements 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.

Wang, Yu-Chuan

Liu, Mei Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

April 11, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		NOTES	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 269,123	13	\$ 236,192	11
1150	Notes receivable, net	6(3)	9,368	1	16,058	1
1170	Accounts receivable, net	6(3)	294,266	15	378,870	18
1200	Other receivables		4,174	-	12,034	-
130X	Inventories	6(4)	279,367	14	240,124	12
1410	Prepayments		28,423	1	58,891	3
1479	Other current assets-other		110	-	57	-
11XX	Total current assets		<u>884,831</u>	<u>44</u>	<u>942,226</u>	<u>45</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(2)and 12(2)	5,138	-	340	-
1600	Property, plant and equipment	6(5)and 8	968,509	48	971,040	47
1755	Right-of-use assets	6(6)and 8	87,788	4	86,944	4
1760	Investment property, net	6(7)	13,533	1	16,224	1
1780	Intangible assets		1,222	-	3,324	-
1840	Deferred income tax assets	6(24)	20,735	1	10,616	1
1990	Other non-current assets	6(11)	44,644	2	41,682	2
15XX	Total non-current assets		<u>1,141,569</u>	<u>56</u>	<u>1,130,170</u>	<u>55</u>
1XXX	Total assets		<u>\$ 2,026,400</u>	<u>100</u>	<u>\$ 2,072,396</u>	<u>100</u>

(Continued)

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE

DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	NOTES	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(8)and8	\$ 376,751	19	\$ 354,517	17
2130	Current contract liabilities	6(17)	12,009	1	16,419	1
2150	Notes payable		84,282	4	87,655	4
2170	Accounts payable		154,081	8	240,766	12
2200	Other payables	6(9)	113,902	6	109,253	5
2230	Current income tax liabilities		27,707	1	7,700	-
2280	Lease liabilities - current		3,510	-	4,042	-
2320	Long-term liabilities, current portion	6(10)	48,718	2	50,331	3
2399	Other current liabilities		7,194	-	6,294	-
21XX	Total current liabilities		<u>828,154</u>	<u>41</u>	<u>876,977</u>	<u>42</u>
Non-current liabilities						
2540	Long-term borrowings	6(10)and8	377,121	19	417,761	20
2570	Deferred income tax liabilities	6(24)	46,585	2	46,134	3
2580	Non-current lease liabilities		3,834	-	1,598	-
2670	Other non-current liabilities		2,746	-	2,707	-
25XX	Total non-current liabilities		<u>430,286</u>	<u>21</u>	<u>468,200</u>	<u>23</u>
2XXX	Total Liabilities		<u>1,258,440</u>	<u>62</u>	<u>1,345,177</u>	<u>65</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(13)	600,000	30	600,000	29
Capital surplus						
3200	Capital surplus	6(14)	54,439	3	54,439	3
Retained earnings						
3310	Legal reserve	6(15)	16,189	1	7,476	-
3320	Special reserve		50,307	2	42,860	2
3350	Unappropriated retained earnings		91,002	5	87,152	4
Other equity interest						
3400	Other equity interest	6(16)	(51,742)	(3)	(69,424)	(3)
3500	Treasury shares	6(13)	-	-	-	-
31XX	Equity attributable to owners of the parent		<u>760,195</u>	<u>38</u>	<u>722,503</u>	<u>35</u>
36XX	Non-controlling interest		<u>7,765</u>	<u>-</u>	<u>4,716</u>	<u>-</u>
3XXX	Total equity		<u>767,960</u>	<u>38</u>	<u>727,219</u>	<u>35</u>
Contingent Liabilities and Commitments						
9						
QZ990	Total liabilities and equity		<u>\$ 2,026,400</u>	<u>100</u>	<u>\$ 2,072,396</u>	<u>100</u>

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share)

Item	NOTES	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17)	\$ 1,474,457	100	\$ 1,573,826	100
5000	Operating costs	6(4)(22)				
		(23)	(1,178,597)	(80)	(1,206,440)	(77)
5900	operating margin		295,860	20	367,386	23
	Operating expenses	6(22)				
		(23)				
6100	Selling expenses		(69,825)	(5)	(91,196)	(6)
6200	General and administrative expenses		(133,830)	(9)	(133,189)	(8)
6300	Research and development expenses		(34,893)	(2)	(45,037)	(3)
6450	Expected credit losses	12(2)	(3,227)	-	15	-
6000	Total operating expenses		(241,775)	(16)	(269,407)	(17)
6900	Operating profit		54,085	4	97,979	6
	Non-operating income and expenses					
7100	Interest income	6(18)	422	-	402	-
7010	Other income Other income	6(19)	21,579	2	19,790	1
7020	Other gains and losses	6(20)	21,332	1	(6,547)	-
7050	Finance costs	6(21)	(16,870)	(1)	(15,175)	(1)
7000	Total non-operating income and expenses		26,463	2	(1,530)	-
7900	Profit before income tax		80,548	6	96,449	6
7950	Income tax expense	6(24)	(29,135)	(2)	(6,787)	-
8200	Profit for the year		\$ 51,413	4	\$ 89,662	6
	other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans	6(11)	\$ 1,983	-	(\$ 867)	-
8316	Unrealized (loss) gain on valuation of investments in equity instruments measured at fair value through other comprehensive income		4,798	-	-	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(24)	(397)	-	173	-
8310	Components of other comprehensive income that will be reclassified to profit or loss		6,384	-	(694)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		12,944	1	(7,449)	(1)
8300	Total other comprehensive (loss) income for the year		\$ 19,328	1	(\$ 8,143)	(1)
8500	Total comprehensive income for the year		\$ 70,741	5	\$ 81,519	5
	Profit attributable to:					
8610	Owners of the parent		\$ 48,424	4	\$ 87,825	6
8620	Non-controlling interest		2,989	-	1,837	-
	Total		\$ 51,413	4	\$ 89,662	6
	Comprehensive income attributable to:					
8710	owners of the parent		\$ 67,692	5	\$ 79,702	5
8720	Non-controlling interest		3,049	-	1,817	-
	Total		\$ 70,741	5	\$ 81,519	5
	Earnings per share (in dollars)	6(25)				
9750	Basic earnings per share		\$ 0.81		\$ 1.55	
9850	Diluted earnings per share		\$ 0.81		\$ 1.55	

JOY INDUSTRIAL, CO, LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											
		Share capital - common stock	Capital surplus		Retained earnings			Other equity interest			Treasury stocks	Total	Non-controlling interest	Total equity
			Other	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income					
<u>Year 2021</u>													
Balance at January 1, 2021		\$ 580,000	\$ 38,026	\$ -	\$ 4,059	\$ 42,860	\$ 34,177	(\$ 60,735)	(\$ 1,260)	(\$ 15,035)	\$ 622,092	\$ 2,899	\$ 624,991
Net profit after tax 2021		-	-	-	-	-	87,825	-	-	-	87,825	1,837	89,662
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	(694)	(7,429)	-	-	(8,123)	(20)	(8,143)	
Total comprehensive income (loss) for the year		-	-	-	-	87,131	(7,429)	-	-	79,702	1,817	81,519	
Appropriation and distribution of 2020 earnings													
Legal reserve	6(15)	-	-	-	3,417	(3,417)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(30,739)	-	-	-	(30,739)	-	(30,739)	
Share basis payment transactions	6(12)	-	-	348	-	-	-	-	-	348	-	348	
Cash capital increase	6(13)	36,500	14,600	-	-	-	-	-	-	51,100	-	51,100	
Treasury stock transactions	6(13)	(16,500)	(1,082)	2,547	-	-	-	-	15,035	-	-	-	
Balance at December 31, 2021		\$ 600,000	\$ 51,544	\$ 2,895	\$ 7,476	\$ 42,860	\$ 87,152	(\$ 68,164)	(\$ 1,260)	\$ -	\$ 722,503	\$ 4,716	\$ 727,219
<u>Year 2022</u>													
Balance at January 1, 2022		\$ 600,000	\$ 51,544	\$ 2,895	\$ 7,476	\$ 42,860	\$ 87,152	(\$ 68,164)	(\$ 1,260)	\$ -	\$ 722,503	\$ 4,716	\$ 727,219
Net profit after tax 2022		-	-	-	-	-	48,424	-	-	-	48,424	2,989	51,413
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	1,586	12,884	4,798	-	19,268	60	19,328	
Total comprehensive income (loss) for the year		-	-	-	-	50,010	12,884	4,798	-	67,692	3,049	70,741	
Appropriation and distribution of 2021 earnings													
Legal reserve	6(15)	-	-	-	8,713	(8,713)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	7,447	(7,447)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(30,000)	-	-	-	(30,000)	-	(30,000)	
Balance at December 31, 2022		\$ 600,000	\$ 51,544	\$ 2,895	\$ 16,189	\$ 50,307	\$ 91,002	(\$ 55,280)	\$ 3,538	\$ -	\$ 760,195	\$ 7,765	\$ 767,960

JOY INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Year ended December 31		
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 80,548	\$ 96,449
Adjustments			
Adjustments to reconcile profit (loss)			
Amortization expenses	12(2)	3,227	(15)
Depreciation expense	6(5)(22)	58,496	57,652
Depreciation expense - right-of-use assets	6(6)(22)	5,277	7,223
Depreciation on investment property	6(7)(22)	2,910	2,918
Gain on disposal of property, plant and equipment	6(20)	(356)	718
Non-financial assets impairment loss	6(20)	1,000	-
Amortization expenses	6(22)	3,537	4,987
Finance costs	6(21)	16,669	14,986
Finance costs - lease liabilities	6(5)(20)	201	189
Share basis payment	6(12)	-	348
Interest income	6(18)	(422)	(402)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,690	(6,752)
Accounts receivable		81,367	(53,081)
Other receivables		7,860	370
Inventories		(39,243)	(89,770)
Prepayments		30,468	(6,673)
Other current assets		(53)	(38)
Net defined benefit assets		(93)	860
Other non-current assets		525	(389)
Changes in operating liabilities			
Contract liabilities -current		(4,410)	5,020
Notes payable		(3,373)	1,795
Accounts payable		(86,685)	20,101
Other payables		3,961	14,601
Other current liabilities		900	2,030
Other non-current liabilities		39	(4,333)
Cash inflow generated from operations		169,040	68,794
Interest received		422	402
Interest paid		(16,217)	(15,115)
Income taxes paid		(14,441)	(6,924)
Net cash flows from operating activities		138,804	47,157

(Continued)

JOY INDUSTRIAL CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
Notes	2022	2021	
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(51,919)	(74,650)
Gain on disposal of property, plant and equipment		4,137	5,138
Acquisition of intangible assets		(1,435)	(2,801)
Increase in refundable deposits		81	(256)
Net cash flows used in investing activities		(49,136)	(72,569)
<u>CASH FLOWS FROM FINANCING</u>			
<u>ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	116,791	132,949
Decrease in short-term borrowings	6(27)	(94,801)	(169,249)
Repayment of principal portion of lease liabilities	6(27)	(4,872)	(5,481)
Proceeds from long-term borrowings	6(27)	8,550	89,454
Payment of lease liabilities	6(27)	(50,847)	(54,769)
Cash capital increase	6(13)	-	51,100
Cash dividends paid	6(15)	(30,000)	(30,739)
Net cash flows used in financing activities		(55,179)	13,265
Effect of exchange rate changes on cash and cash equivalents		(1,558)	(4,778)
Net decrease in cash and cash equivalents		32,931	(16,925)
Cash and cash equivalents at beginning of year		236,192	253,117
Cash and cash equivalents at end of year		<u>\$ 269,123</u>	<u>\$ 236,192</u>

JOYINDUSTRIALCO, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

JOYINDUSTRIALCO LTD. (the “Company”) was incorporated in October 1981. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research and development, manufacture, sales, and import/export of bicycle parts, as well as operating related businesses.

2. The Date of Authorizations for Issuance of the Financial Statements and Procedures for Authorizations

These consolidated financial statements were authorized for issuance by the Board of Directors on April 11, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standard Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set forth below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared on the historical cost basis:
- (a) Financial assets measured at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognized on the net amount of the fair value of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent company's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	Ownership (%)		Description
			December 31,	December 31,	
Company	Company	Activities	2022	2021	
The Company	NOVATEC EU S.R.O.	Mainly trading the same products as the Company	100.00%	100.00%	
The Company	NOVATEC WHEELS US INC.	Mainly trading the same products as our company	100.00%	100.00%	
The Company	JOYTECH INDUSTRIAL CO. PTE. LTD. (“JOYTECH INDUSTRIAL”)	Holding company	100.00%	100.00%	
JOYTECH INDUSTRIAL	JOY NOVA INTERNATIONAL CO., LTD. (“JOY NOVA”)	Holding company	100.00%	100.00%	
JOYTECH INDUSTRIAL	JOY INDUSTRIAL (SHENZHEN) CO., LTD. (“JOY INDUSTRIAL”)	Mainly manufacturing and trading the same products as the Company	100.00%	100.00%	
JOYTECH INDUSTRIAL	PRIMA BUSINESS LIMITED	Holding company	100.00%	100.00%	
PRIMA	NOVATEC WHEELS (SHENZHEN) CO., LTD.	Mainly manufacturing and trading the same products as the Company	100.00%	100.00%	
JOY NOVA	TOY(H.K.) TRADING CO.,LIMITED (“TOY(HK)”)	Holding company	100.00%	100.00%	
JOY NOVA	NOVA INDUSTRIAL CORP.(NOVA INDUSTRIAL)	Holding company	100.00%	100.00%	
TOY(HK) & NOVA INDUSTRIAL	JOY CYCLE PARTS (KUNSHAN) CO., LTD.	Mainly manufacturing and trading the same products as the Company	100.00%	100.00%	Note
JOYTECH INDUSTRIAL	JOY PRECISION INDUSTRY (TAI ZHOU) CO., LTD.	Mainly manufacturing and trading the same products as the Company	100.00%	100.00%	Note
JOY INDUSTRIAL	XIAMEN FENGDA SPORTS TECHNOLOGY CO., LTD.	Mainly manufacturing and trading the same products as the Company	83.33%	83.33%	

Note: JOYTECH INDUSTRIAL's indirectly held subsidiary, JOY CYCLE PARTS (KUNSHAN) CO., LTD., was approved by the Company's board of directors on August 6, 2021 to reduce its share capital of US\$1,000,000 (equivalent to NT\$27,835,000) to JOYTECH INDUSTRIAL on December 20, 2021. JOYTECH INDUSTRIAL then wired the said fund to increase the share capital of JOY PRECISION by USD 1,000,000 (equivalent to NTD 27,810,000) on December 22, 2021. The shareholding ratio of JOY PRECISION remained unchanged.

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

E. Significant restrictions

None.

F. Subsidiaries that have non-controlling interests that are material to the Group

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the counterparty's option be settled by the issuance of equity instruments, do not affect its classification.

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. All regular way purchase or sales of financial assets are recognized and derecognized on a trade date basis.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently re-measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and not reclassified to profit or loss following the de-recognition of the investment. Dividends are recognized as income when the right to receive payment is established, future economic benefits associated with the dividends will flow to the Group, and the amount of the dividends can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for the 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information including forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs.

Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land being non-depreciable, other property, plant and equipment items are measured at cost basis and depreciated straight-line to allocate their costs over their estimated useful lives. Each component of an item of property, plant, and equipment with a cost significant in relation to the total cost of the said asset item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	5~ 13 years
Transportation equipment	3~ 10 years
Office equipment	3 ~ 8 years
Miscellaneous equipment (other)	3 ~ 15 years

(14) Leasing arrangements (lessee)—right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is premeasured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is re-measured, such re-measurement is recognized as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Other than land, buildings and structures are depreciated on a straight-line basis over its estimated useful life of 5~20 years.

(16) Intangible assets

A. Patents.

Obtained separately patents is stated at cost. Patents acquired due to business combinations are recognized at fair value on the acquisition date. Patents are assets with a useful life and amortized on a straight-line basis over its estimated useful life of 7 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid for the establishment of credit lines, when it is probable that part or all of the lines will be withdrawn, these fees shall be recognized as transaction costs of the borrowings and deferred as the adjustment of the effective interest rate of the borrowings. On the other hand, when part or all of the credit lines is unlikely to be withdrawn, the related establishment fees are recognized as prepayment and amortized over the borrowing period.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Provisions

Provisions (including warranty) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

(b) Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are benefits provided when the employment of an employee is terminated before the normal retirement date or when the employee decides to accept the company's offer of benefits in exchange for termination of employment. The Company recognizes expenses when the offer of termination benefits can no longer be withdrawn or when the associated restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date should be discounted.

- D. Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee Share-based Payment Transactions

Equity-settled share-based payment agreements are recognized as employee services obtained by measuring the fair value of equity instruments provision date and within the receipt period of such compensation, and the relative equity is increased. The remuneration cost recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. The amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities can offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an

intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, expenditures of research and development, and equity investments to the extent that it is very likely to utilize such tax credits against future taxable profit.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such treasury shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

- A. The Group manufactures and sells bicycle parts and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The sales usually are made with a credit term of 30 to 120 days after the transfer of control date, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the customer's payment does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are transferred of control as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The identified chief operating decision maker of the Group is the Board of Directors.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

- (1) Critical judgements in applying the Group's accounting policies None.
- (2) Critical accounting estimates and assumptions Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid changes in technology, the Group assesses the amount of inventories due to normal wear and tear, obsolescence or no market sales value on the balance sheet date, and writes down the cost of inventories to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, thus there may be significant changes. As of December 31, 2022, the carrying amount of inventories was \$279,367 thousand.

6. Details of Significant Accounts

- (1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 1,064	\$ 686
Checking accounts and demand deposits	268,059	235,506
	<u>\$ 269,123</u>	<u>\$ 236,192</u>

- A. In order to disperse credit risk, the Group transacts with a variety of financial institutions all having great credit ratings. Therefore, the probability of counterparty default is deemed remote.
- B. The Group has not pledged its cash as collateral.

- (2) Financial assets at fair value through other comprehensive income-non-current

Item	December 31, 2022	December 31, 2021
Non-current items:		
Unlisted and unemerging stocks	\$ 340	\$ 340
Valuation adjustment	4,798	-
	<u>\$ 5,138</u>	<u>\$ 340</u>

A. The Company has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$5,138 thousand and \$340 thousand as at December 31, 2022, and 2021, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive loss	\$ 4,798	\$ -

C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 9,368	\$ 16,058
Accounts receivable	\$ 298,215	\$ 379,582
Less: Allowance for bad debts	(3,949)	(712)
	\$ 294,266	\$ 378,870

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired were as follows:

	December 31, 2022		December 31, 2021	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes receivable</u>
Not past due	\$ 267,106	\$ 9,368	\$ 309,645	\$ 15,603
Up to 30 days	16,599	-	59,366	455
31 to 90	14,287	-	10,418	-
91 to 180 days	233	-	150	-
Over 181 days	-	-	3	-
	\$ 298,215	\$ 9,368	\$ 379,582	\$ 16,058

The above ageing analysis was based on past due date.

B. As of December 31 2022, December 31 2021 and January 1, 2021, the balance of accounts receivable (including notes receivable) from contracts with customers amounted to \$303,634 thousand, \$394,928 thousand and 335,075 thousand.

C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$9,368 thousand and \$16,058 thousand,

D. respectively. The maximum credit exposure for the Group's accounts receivable was \$294,266 thousand and \$378,870 thousand for the years ended December 31, 2022 and 2021.

E. The Group does not hold any collateral.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 78,871	(\$ 18,605)	\$ 60,266
Work in progress	70,193	(10,443)	59,750
Finished goods	185,963	(26,612)	159,351
Total	\$ 335,027	(\$ 55,660)	\$ 279,367

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 81,925	(\$ 12,755)	\$ 69,170
Work in progress	87,206	(6,844)	80,362
Finished goods	99,439	(8,847)	90,592
Total	\$ 268,570	(\$ 28,446)	\$ 240,124

A. The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 1,160,309	\$ 1,212,751
Gain on reversal of inventory value	27,440	6,064
Inventory short	-	(160)
Revenue from sale of scraps	(12,873)	(14,562)
Warranty cost	3,721	2,347
	\$ 1,178,597	\$ 1,206,440

B. The Group has not pledged its inventories as collateral.

(5) Property, plant and equipment

Year ended December 31, 2022

Cost	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Effect of foreign currency exchange difference</u>	<u>Ending balance</u>
Land	\$ 191,557	\$ -	\$ -	\$ -	\$ 21	\$ 191,578
Buildings and structures	642,537	10,889	-	200,843	1,666	855,935
Machinery and equipment	466,633	20,768	(26,906)	16,252	1,235	477,982
Transportation equipment	15,300	3,128	-	-	222	18,650
Office equipment	7,364	537	-	(65)	79	7,915
Other equipment	48,759	4,893	(2,230)	94	282	51,798
Unfinished construction	208,956	9,247	-	(217,124)	3,729	4,808
Total	<u>1,581,106</u>	<u>\$ 49,462</u>	<u>(\$ 29,136)</u>	<u>\$ -</u>	<u>\$ 7,234</u>	<u>1,608,666</u>
Accumulated Depreciation						
Buildings and structures	(\$ 207,410)	(\$ 24,100)	\$ -	\$ -	(\$ 1,404)	(\$ 232,914)
Machinery and equipment	(350,430)	(27,839)	23,155	-	4,898	(350,216)
Transportation equipment	(12,022)	(2,065)	-	-	(183)	(14,270)
Office equipment	(6,194)	(410)	-	-	(70)	(6,674)
Other equipment	(34,010)	(4,082)	2,230	-	(221)	(36,083)
Total	<u>(610,066)</u>	<u>(\$ 58,496)</u>	<u>\$ 25,385</u>	<u>\$ -</u>	<u>\$ 3,020</u>	<u>(640,157)</u>
)	<u>\$ 971,040</u>					<u>\$ 968,509</u>

Year ended December 31, 2021

Cost	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Effect of foreign currency exchange difference</u>	<u>Ending balance</u>
Land	\$ 191,082	\$ -	\$ -	\$ 502	(\$ 27)	\$ 191,557
Buildings and structures	643,379	4,172	(847)	(2,371)	(1,796)	642,537
Machinery and equipment	471,479	24,822	(19,380)	(908)	(9,380)	466,633
Transportation equipment	18,408	229	(4,999)	1,869	(207)	15,300
Office equipment	8,200	-	(1,083)	(3)	250	7,364
Other equipment	43,723	5,580	(1,101)	671	(114)	48,759
Unfinished construction	174,136	36,099	-	-	(1,279)	208,956
Total	<u>1,550,407</u>	<u>\$ 70,902</u>	<u>(\$ 27,410)</u>	<u>(\$ 240)</u>	<u>(\$ 12,553)</u>	<u>1,581,106</u>
Accumulated Depreciation						
Buildings and structures	(\$ 188,880)	(\$ 23,352)	\$ 847	\$ 506	\$ 3,469	(\$ 207,410)
Machinery and equipment	(345,042)	(28,541)	13,548	11	9,594	(350,430)
Transportation equipment	(15,349)	(1,306)	4,999	(506)	140	(12,022)
Office equipment	(6,425)	(597)	1,059	(11)	(220)	(6,194)
Other equipment	(31,363)	(3,856)	1,101	-	108	(34,010)
Total	<u>(587,059)</u>	<u>(\$ 57,652)</u>	<u>\$ 21,554</u>	<u>\$ -</u>	<u>\$ 13,091</u>	<u>(610,066)</u>
	<u>\$ 963,348</u>					<u>\$ 971,040</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

None

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(6) Lease arrangement-lessee

- A. The Group leases various assets including land, buildings and transportation equipment. The lease term is typically made in the range of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and unrestricted conditions.
- B. The Group does not lease furniture and office equipment past 12 months.
- C. The carrying amount of right-of-use assets and the depreciation charge were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 80,750	\$ 81,603
Buildings	5,688	2,798
Transportation equipment	<u>1,350</u>	<u>2,543</u>
	<u>\$ 87,788</u>	<u>\$ 86,944</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 2,057	\$ 2,020
Buildings	2,026	3,625
Transportation equipment	<u>1,194</u>	<u>1,578</u>
	<u>\$ 5,277</u>	<u>\$ 7,223</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$6,522 thousand and \$2,941 thousand, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows

<u>Items affecting profit or loss</u>	<u>2022</u>	<u>2021</u>
Interest expense on lease	<u>\$ 201</u>	<u>\$ 189</u>
Expense on short-term lease	<u>1,550</u>	<u>95</u>

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounted to \$6,623 thousand and \$5,765 thousand, respectively.
- G. Information about the right-of-use assets were pledged to others as collaterals is provided in Note 8.

(7) Investment property

	<u>Year ended December 31, 2022</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>Ending balance</u>
Cost					
Land use right	\$ 5,790	\$ -	\$ -	\$ 86	\$ 5,876
Buildings and structures	<u>67,945</u>	<u>-</u>	<u>(191)</u>	<u>1,001</u>	<u>68,755</u>
	<u>\$ 73,735</u>	<u>\$ -</u>	<u>(\$ 191)</u>	<u>\$ 1,087</u>	<u>\$ 74,631</u>
Accumulated depreciation					
Land use right	(\$ 699)	(\$ 237)	\$ -	(\$ 9)	(\$ 945)
Buildings and structures	<u>(56,812)</u>	<u>(2,673)</u>	<u>161</u>	<u>(829)</u>	<u>(60,153)</u>
	<u>(57,511)</u>	<u>(\$ 2,910)</u>	<u>(\$ 30)</u>	<u>\$ 838</u>	<u>(61,098)</u>
	<u>\$ 16,224</u>				<u>\$ 13,533</u>
	<u>Year ended December 31, 2021</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Net exchange differences</u>	<u>Ending balance</u>
Cost					
Land use right	\$ 5,834	\$ -	\$ -	(\$ 44)	\$ 5,790
Buildings and structures	<u>68,461</u>	<u>-</u>	<u>-</u>	<u>(516)</u>	<u>67,945</u>
	<u>\$ 74,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 560)</u>	<u>\$ 73,735</u>
Accumulated depreciation					
Land use right	(\$ 469)	(\$ 233)	\$ -	\$ 3	(\$ 699)
Buildings and structures	<u>(54,536)</u>	<u>(2,685)</u>	<u>-</u>	<u>409</u>	<u>(56,812)</u>
	<u>(55,005)</u>	<u>(\$ 2,918)</u>	<u>\$ -</u>	<u>\$ 412</u>	<u>(57,511)</u>
	<u>\$ 19,290</u>				<u>\$ 16,224</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	investment property that generated rental	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 10,607</u>	<u>\$ 10,299</u>
Direct operating expenses arising from the income during the year	<u>\$ 2,910</u>	<u>\$ 2,918</u>

B. The fair value of the investment real estate land held by the Group on December 31, 2011 and 2011 was 20,540 thousand and 23,718 thousand respectively, which was obtained from the Kunshan Government's land transaction announcement to inquire about the transaction price of nearby land, iThis valuation is categorized as level 2 fair value; The fair value of the investment property held by the Group, as at December 31, 2022 and 2021 was \$45,466 thousand and \$51,331 thousand, respectively. Such valuation was based on the income-based approach to discount the future cash flows during the assessment period and the ending property sales value at an appropriate discount rate to estimate the price of the appraisal target. This valuation is categorized as level 3 fair value.

(8) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	\$ 371,001	2.11%~ 2.40%	Land and Buildings (note)
Unsecured borrowings	11,000	2.30%	
Unsecured borrowings	<u>5,750</u>	4.25%~4.75%	
	<u>\$ 376,751</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	\$ 339,900	1.43%~ 1.90%	Land and Buildings (note)
Unsecured borrowings	<u>14,617</u>	4.75%	
	<u>\$ 354,517</u>		

NOTE: The aforesaid loan is guaranteed by the Small & Medium Enterprise Credit Guarantee Fund of Taiwan (“TAIWAN SMEG”).

(9) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus payable	\$ 29,445	\$ 34,588
Professional service payable	4,519	4,160
Utilities payable	2,000	2,502
Insurance payable	30,438	20,737
Taxes payable	11,078	7,205
Employees' compensation and Directors' remuneration payable	1,888	3,004
Others	<u>34,534</u>	<u>37,057</u>
	<u>\$ 113,902</u>	<u>\$ 109,253</u>

(10) Long-term borrowings

<u>Type of Borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Taiwan Cooperative Bank	From April 24, 2017 to April 24, 2035, amortized from April 2020.	2.13%	Land and Buildings (note)	309,000
Taiwan Cooperative Bank	From July 30, 2019 to August 24, 2027, amortization from the third year.	2.20%	Land and Buildings (note)	22,382
Taiwan Cooperative Bank	From October 8, 2020 to October 8, 2023, amortization from the second year.	2.47%	note	2,109
Taiwan Cooperative Bank	From December 7, 2020 to December 7, 2025, amortization from the second year.	1.85%	note	11,353
Chang Hwa Bank	From August 10, 2020 to August 10, 2025, amortized from September 2020.	2.50%	note	5,333
Chang Hwa Bank	From November 4, 2020 to November 4, 2025, amortized from December 2020.	2.50%	note	9,333
Chang Hwa Bank	From December 9, 2020 to December 9, 2025, amortized from December 2020.	2.50%	note	2,400
Chang Hwa Bank	From February 25, 2021 to April 25, 2024, amortized from August 2021.	5.05%	Buildings and Right-of-use asset	5,349
First Bank	From September 29, 2021 to September 29, 2026, amortized from October 2021.	2.36%	Land and Buildings	53,143
Chang Hwa Bank	From February 25, 2021 to April 25, 2024, amortized from August 2021.	4.65%	Buildings and Right-of-use asset	705
Chang Hwa Bank	From February 25, 2021 to April 25, 2024, amortized from August 2021.	4.65%	Buildings and Right-of-use asset	952
Chang Hwa Bank	From February 25, 2021 to April 25, 2024, amortized from August 2021.	4.65%	Buildings and Right-of-use asset	3,780
				425,839
Less: Current portion				(48,718)
				\$ 377,121

<u>Type of Borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Taiwan Cooperative Bank	From April 24, 2017 to April 24, 2035, amortized from April 2020.	1.63%	Land and Buildings (note)	319,500
Taiwan Cooperative Bank	From July 30, 2019 to August 24, 2027, amortization from the third year.	1.70%	Land and Buildings (note)	27,179
Taiwan Cooperative Bank	From October 8, 2020 to October 8, 2023, amortization from the second year.	1.85%	note	4,590
Taiwan Cooperative Bank	From December 7, 2020 to December 7, 2025, amortization from the second year.	1.85%	note	15,000
Chang Hwa Bank	From August 10, 2020 to August 10, 2025, amortized from September 2020.	2.00%	note	7,333
Chang Hwa Bank	From November 4, 2020 to November 4, 2025, amortized from December 2020.	2.00%	note	12,533
Chang Hwa Bank	From December 9, 2020 to December 9, 2025, amortized from December 2020.	2.00%	note	3,200
Chang Hwa Bank	From February 25, 2021 to April 25, 2024, amortized from August 2021.	5.05%	Buildings and Right-of-use asset	4,312
First Bank	From April 24, 2017 to April 24, 2022, amortized from April 2017.	1.73%	Land and Buildings	6,944
First Bank	From September 29, 2021 to September 29, 2026, amortized from October 2021.	1.73%	Land and Buildings	66,642
VUB Bank	From November 23, 2017 to November 23, 2022, amortized from November 2017.	2.60%	Buildings	859
				468,092
Less: Current portion				(50,331)
				\$ 417,761

NOTE: The aforesaid loan is guaranteed by TAIWAN SMEG.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 13,020	\$ 14,616
Fair value of plan assets	(16,103)	(15,623)
Net defined benefit (asset) liability	<u>(\$ 3,083)</u>	<u>(\$ 1,007)</u>

(c) Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined
Balance at January 1 2022	\$ 14,616	(\$15,623)	(\$1,007)
Interest expense (income)	101	(109)	(8)
Pay off gains and losses	(1,008)	935	(73)
	<u>13,709</u>	<u>(14,797)</u>	<u>(1,088)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,294)	(1,294)
Change in demographic assumptions	2	-	2
Change in financial assumptions	(823)	-	(823)
Experience adjustments	132	-	132
	<u>(689)</u>	<u>(1,294)</u>	<u>(1,983)</u>
Pension payment	-	(12)	(12)
Balance at December 31 2022	\$ <u>13,020</u>	<u>(\$16,103)</u>	<u>(\$3,083)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined
Balance at January 1 2021	\$ 15,996	(\$17,863)	(\$1,867)
Interest expense (income)	49	(56)	(7)
	<u>16,045</u>	<u>(17,919)</u>	<u>(1,874)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(249)	(249)
Change in demographic assumptions	28	-	28
Change in financial assumptions	(619)	-	(619)
Experience adjustments	1,707	-	1,707
	<u>1,116</u>	<u>(249)</u>	<u>867</u>
Pension payment	(2,545)	2,545	-
Balance at December 31 2021	\$ <u>14,616</u>	<u>(\$15,623)</u>	<u>(\$1,007)</u>

- (d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan assets in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.30%</u>	<u>0.70%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary

Experience Morality Table for the years ended December 31, 2022 and 2021, respectively.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
Effect on present value of defined benefit obligation on December 31, 2022	<u>(\$294)</u>	<u>\$304</u>	<u>\$301</u>	<u>(\$292)</u>
Effect on present value of defined benefit obligation on December 31, 2021	<u>(\$372)</u>	<u>\$387</u>	<u>\$381</u>	<u>(\$369)</u>

The sensitivity analysis presented above is based on only one assumption is changed while other conditions remain constant. In practice, multiple assumptions may be changing at once or correlated with one another. The method utilized in sensitivity analysis is the same as the method utilized in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 will amount to \$233 thousand.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 9 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	395
1-2 year(s)		394
2-5 years		4,518
Over 5 years		<u>9,357</u>
	\$	<u><u>14,664</u></u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, i.e. Novatec Wheels (Shenzhen), Joy Industrial (Shenzhen), Xiamen Fengda Sports, and Joy Cycle Parts (Kunshan) all have defined contribution plans; monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on specified percentages of employees’ monthly salaries and wages. Other than these monthly contributions, the Group has no further obligations.
- (c) The Company’s other overseas subsidiaries, Novatec EU s.r.o. and Novatec Wheels US Inc., have not established pension plans but pay annuity and certain types of insurance under local regulations. Other than these annual contributions, the Group has no further obligations.
- (d) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2022 and 2021 were \$19,704 thousand and 16,704 thousand, respectively.

(12) Share-Based Payment

A. In 2022: None

B. In 2021, the company's share-based payment agreement was as follows:

<u>Agreement type</u>	<u>Payment date</u>	<u>Payment amount (thousand shares)</u>	<u>Contract period</u>	<u>Vesting condition</u>
Cash capital increase retained for employees' subscription	October 13, 2021	120 unit	29 days	Immediately vested

No such event occurred in 2020.

C. The company uses the Black Scholes option pricing model to estimate the fair value of the stock option in the share-based payment transaction on the grant date. The relevant information is as follows:

<u>Agreement type</u>	<u>Payment date</u>	<u>Share price</u>	<u>Strike price</u>	<u>Expected volatility</u>	<u>Expected duration</u>	<u>Expected dividend</u>	<u>Risk free rate</u>	<u>Fair price per unit</u>
Cash capital increase retained for employees' subscription	October 13, 2021	16.77	14	56.20%	29 days	-	0.47%	2.90

Note: The expected volatility is derived from the stock price fluctuations from the time of listing to the date of the above issuance and the standard deviation of the stock's ROI during the said period.

C. The fees incurred in share-based payment transactions were as follows:

	<u>2022</u>	<u>2021</u>
Equity delivery	\$ -	\$ 348

(13) Share capital

A. As of December 31, 2022, the Company's authorized capital was \$800,000 thousand, comprising 80,000 thousand shares, of which the paid-in capital was \$600,000 thousand with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding were as follows:

	<u>Expressed in thousand shares</u>	
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Shares outstanding on January 1	\$60,000	\$56,350
Cash capital increase		3,650
Shares outstanding on December 31	<u>\$60,000</u>	<u>\$60,000</u>

On September 14, 2021, the Company's board of directors passed the resolution to raise a cash capital increase for 3,650,000 shares. On October 1, 2021, the strike price of \$14 per share was determined by Chairman of the board 14, leading to \$51,100,000 of total raised capital in this round. The share capital increase was dated November 23, 2021, by when the shares have been fully paid and the company registry has been updated

C. Treasury shares

- (a) The company cancelled 1,650,000 treasury shares of the company on August 10, 2021 through a resolution of the board of directors, and took August 10, 2021 as the base date for capital reduction. The cancellation of treasury shares and capital reduction have been completed on August 30, 2021.
- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued to be retired. For the purpose of maintaining the Company's credit rating and the shareholders' rights and interests, treasury shares should be cancelled within six months of buyback.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset against prior years' operating losses and then be distributed as 10% balance of legal reserve is equal to that of Statutory amount and after appropriating or turning back the special surplus reserve in accordance with the law, if there is still a The remaining earnings surplus, may be appropriated along with the accumulated unappropriated earnings according to a resolution proposed by the Board of Directors and resolved by the shareholders' meeting. distribution proposal proposed by the board of directors, in the form of issuing new shares, shall be submitted to the shareholders' meeting for resolution before distribution. According to the company law, the company authorizes the board of directors to distribute dividends and bonuses or the statutory surplus stipulated in the first paragraph of article 241 of the company law with the attendance of more than two thirds of the directors and the resolution of more than half of the directors present. All or part of the reserve and capital reserve shall be distributed in cash and reported to the shareholders' meeting.

- B. When the Company determines its dividend policy, it takes a balanced approach to consider shareholders' rights and interests, the market competitiveness in the bicycle manufacturing industry, the Company's business plan, investment strategy, and its capital requirement etc. According to the Company's dividend policy, the total dividends distributed shall be no less than 30% of the distributable retained earnings of the current year, unless the current year distributable retained earnings falls below 10% of paid-in capital, then such earnings may be reserved from distribution. In addition, dividend distributions may be paid in either cash or stock, of which cash dividends should be at least 10% of the total dividends distributed.
- C. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, With respect to the cumulative conversion adjustments under the shareholders' equity in the accounts, due to the choice to apply the exemption item of International Financial Reporting Standards No. 1, they are transferred to the retained earnings, and a special surplus reserve of the same amount is drawn. Therefore, the increase in retained earnings resulting from the conversion of international financial reporting standards is drawn into a special surplus reserve of \$5,957 thousand.
- E. (a) The appropriations of earnings for 2021 and 2020 had been resolved at the shareholders' meeting on June 30, 2022 and August 26, 2021 Details are summarized below:

	Year ended December			
	2021		2020	
	Amount	Dividend per share Amount (in dollars)	Amount	Dividend per share Amount (in dollars)
Legal reserve	\$ 8,713		\$ 3,417	
Special reserve	7,447		-	
Cash dividends	30,000	\$ 0.5000	30,739	\$ 0.5455
	<u>\$ 46,160</u>		<u>\$ 34,156</u>	

(b) The details about the appropriation of 2022 earnings which was proposed at the Board of Directors' meeting on April 11, 2023 are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve appropriated	\$ 5,001	
Special reserve	1,435	
Cash dividends	<u>24,000</u>	\$ 0.4000
	<u>\$ 30,436</u>	

The appropriation proposal of 2022 earnings has not yet approved at the meeting of shareholder.

F. Refer to Note 6 (24) for further information relating to employees' compensation and directors' remuneration.

(16) Other equity items

	For the year ended December 31,2022		
	Currency translation differences	Unrealized gains or losses on valuation	Total
January 1, 2022	<u>(\$68,164)</u>	<u>(\$1,260)</u>	<u>(\$69,424)</u>
	-	4,798	4,798
Currency translation differences-Group	12,884	-	12,884
December 31, 2022	<u>(\$55,280)</u>	<u>\$3,538</u>	<u>(\$51,742)</u>

	For the year ended December 31,2021		
	Currency translation differences	Unrealized gains or losses on valuation	Total
January 1, 2021	<u>(\$60,735)</u>	<u>(\$1,260)</u>	<u>(\$61,995)</u>
Currency translation differences-Group	(7,429)	-	(7,429)
December 31, 2021	<u>(\$68,164)</u>	<u>(\$1,260)</u>	<u>(\$69,424)</u>

(17) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$1,474,457</u>	<u>\$1,573,826</u>

A. Disaggregation of revenue from contracts with customers

The Group derived revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	<u>2022</u>			
	<u>Bicycle parts</u>			
	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contact	\$537,216	\$ 872,945	\$64,296	\$1,474,457
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	<u>2021</u>			
	<u>Bicycle parts</u>			
	<u>Taiwan</u>	<u>Shenzhen</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contact	\$499,437	\$1,021,477	\$52,912	\$1,573,826
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	<u>December</u>	<u>December</u>	<u>December</u>
	<u>31,2022</u>	<u>31,2021</u>	<u>31,2021</u>
Receipts in advance	\$ 12,009	\$ 16,419	\$ 11,399
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Revenue recognized that was included in the contract liability balance at the beginning of the year:

	<u>2022</u>	<u>2021</u>
Receipts in advance	<u>\$15,743</u>	<u>\$10,650</u>

(18) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	<u>\$422</u>	<u>\$402</u>

(19) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$13,986	\$13,597
Government grants	3,100	1,336
Other income - others	4,493	4,857
Total	<u>\$21,579</u>	<u>\$19,790</u>

(20) Other gains and losses

	2022	2021
Gains (losses) on disposals of property, plant and equipment	\$356	(\$718)
Foreign exchange losses-net	23,530	(4,898)
Gains (losses) on financial assets at fair value through profit or loss	(1,000)	-
Other losses	(1,554)	(931)
Total	<u>\$21,332</u>	<u>(\$6,547)</u>

(21) financial Cost

	2022	2121
Interest expense	\$16,669	\$14,986
Interest expense-lease liability	201	189
Total	<u>\$16,870</u>	<u>\$15,175</u>

(22) Additional information of expenses by nature

	2021	2020
Employee benefit expense	\$323,806	\$336,803
Depreciation on property, plant and equipment	58,496	57,652
Depreciation on right-of -use assets	5,277	7,223
Depreciation charges on investment property	2,910	2,918
Amortisation	3,537	4,987
Total	<u>\$394,026</u>	<u>\$409,583</u>

(23) Employee benefit expense

	2022	2021
Wages and salaries	\$264,735	\$283,448
Labor and health insurance fees	13,590	15,107
Pension costs	19,623	16,697
Directors' remuneration	1,876	2,408
Other personnel expenses	23,982	19,143
Total	<u>\$323,806</u>	<u>\$336,803</u>

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall appropriate 1% for employees' compensation and no higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.(28)

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$944 thousand and \$1,502 thousand, respectively; while directors' remuneration was accrued at \$944 thousand and \$1,502 thousand. The aforementioned amounts were recognized in salary expenses. For the years ended December 31, 2022 and 2021, the employees' compensation and directors' remuneration were estimated and accrued based on 1.5% well respectively, of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$30,453	\$10,365
Taxation on Undistributed Surplus Earnings	1,213	-
Prior year income tax overestimation	7,534	(1,556)
Total Current tax on profits for the year	39,200	8,809
Deferred tax:		
Origination and reversal of temporary differences	(7,096)	(2,022)
Impact of tax rate change	(2,969)	-
Deferred tax: total	(10,065)	(2,022)
Income tax expense	\$29,135	\$6,787

(b) The income tax (charge)/credit relating to components of other comprehensive income were as follows:

	2022	2021
Re-measurement of defined benefit obligations	(\$397)	\$173

B. Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$20,989	\$29,059
Tax exempt income by tax regulation	(3,741)	(8,645)
Expenses disallowed by tax regulation	314	88
Temporary differences not recognized as deferred tax assets	3,291	8
Temporary differences not recognized as deferred tax liabilities	(683)	(7,147)
Taxable loss not recognized as deferred tax assets	6,742	1,535
Income Tax Effect of Investment Deduction	(2,445)	-
Taxation on Undistributed Surplus Earnings	1,213	-
Prior year income tax overestimation	7,534	(1,556)
Impact of tax rate change	(2,969)	-
Change in assessment of realization of deferred tax assets	(1,110)	(6,555)
Income tax expense	<u>\$29,135</u>	<u>\$6,787</u>

C. Amounts of deferred tax assets or liabilities as an of temporary differences, tax losses and investment tax credits were as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation and obsolescence losses	\$ 5,066	\$ 6,570	\$ -	\$ 11,636
Others	5,550	3,549	-	9,099
	<u>\$ 10,616</u>	<u>\$ 10,119</u>	<u>\$ -</u>	<u>\$ 20,735</u>
Deferred income tax liabilities:				
Foreign investment income	(36,509)	-	-	(36,509)
Pensions	(200)	-	(397)	(597)
Others	(9,425)	(54)	-	(9,479)
	<u>(\$ 46,134)</u>	<u>(\$ 54)</u>	<u>(\$ 397)</u>	<u>(\$ 46,585)</u>
Total	<u>(\$ 35,518)</u>	<u>\$ 10,065</u>	<u>(\$ 397)</u>	<u>(\$ 25,850)</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation and obsolescence losses	\$ 3,988	\$ 1,078	\$ -	\$ 5,066
Others	4,606	944	-	5,550
	<u>\$ 8,594</u>	<u>\$ 2,022</u>	<u>\$ -</u>	<u>\$ 10,616</u>
Deferred income tax liabilities:				
Foreign investment income	(36,509)	-	-	(36,509)
Pensions	(373)	-	173	(200)
Others	(9,425)	-	-	(9,425)
	<u>(\$ 46,307)</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>(46,134)</u>
Total	<u>(\$ 37,713)</u>	<u>\$ 2,022</u>	<u>\$ 173</u>	<u>(35,518)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets were as follows:

(a) The Company:

December 31, 2022 and 2021: None.

(b) Subsidiaries

December 31, 2022				
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2019	Assessed	\$ 30,403	\$ 30,403	2024
2020	Assessed	19,507	19,507	2025
2021	Assessed	14,284	14,284	2026
2022	Estimated to file	26,863	26,863	2027
		<u>\$ 91,057</u>	<u>\$ 91,057</u>	

December 31, 2021

Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2019	Assessed	\$ 34,843	\$ 34,843	2024
2020	Assessed	19,507	19,507	2025
2021	Assessed	14,284	14,284	2026
		<u>\$ 68,634</u>	<u>\$ 68,634</u>	

- E. The group has not recognized deferred income tax liabilities for taxable temporary differences related to investments in certain subsidiaries. The amounts of deferred income tax liabilities for temporary differences not recognized as of December 31, 2022 and 2021 were \$109,788 thousand and \$106,864 thousand, respectively.
- F. The company's income tax returns through 2021 have been assessed.

(25) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per (in dollars) share
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 48,424	60,000	\$ 0.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	48,424	60,000	
Assumed conversion of all dilutive potential ordinary shares - Employees compensation	-	80	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 48,424	\$ 60,080	\$ 0.81

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per (in dollars) share
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 87,825	56,654	\$ 1.55
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	87,825	56,654	
Assumed conversion of all dilutive potential ordinary shares - Employees compensation	-	82	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 87,825	\$ 56,736	\$ 1.55

When calculating diluted earnings per share, it is assumed that employee compensation is in the form of issuing shares in full during the current period, and when the potential ordinary shares have a diluting effect, it is included in the weighted average number of outstanding shares.

(26) Supplemental cash flow information Investing
activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$49,462	\$70,662
Add: Opening balance of payable on equipment	-	75
Ending balance of prepayments for business facilities	18,553	16,061
Less: Ending balance of payable on equipment	(35)	-
Opening balance of prepayments for business facilities	(16,061)	(12,148)
Cash paid during the year	\$51,919	\$74,650

(27) Changes in liabilities from financing activities

	2022				
	Short-term Borrowing	Lease Liabilities	Long-term borrowings (including current portion)	Dividends payable	Liabilities from financing activities- gross
January 1	\$354,517	\$5,640	\$468,092	\$ -	\$828,249
Changes in cash flow from financing activities	21,990	(4,872)	(42,297)	(30,000)	(55,179)
Increase in this period	-	-	-	30,000	30,000
Effects of changes in foreign exchange rates	244	54	44	-	342
Changes in other non-cash items	-	6,522	-	-	6,522
December 31	\$376,751	\$7,344	\$425,839	\$ -	\$809,934
	2021				
	Short-term Borrowing	Lease Liabilities	Long-term borrowings (including current portion)	Dividends payable	Liabilities from financing activities- gross
January 1	\$390,831	\$7,976	\$433,560	\$ -	\$832,367
Changes in cash flow from financing activities	(36,300)	(5,481)	34,685	(30,739)	(37,835)
Increase in this period	-	-	-	30,739	30,739
Effects of changes in foreign exchange rates	(14)	204	(153)	-	37
Changes in other non-cash items	-	2,941	-	-	2,941
December 31	\$354,517	\$5,640	\$468,092	\$ -	\$828,249

7. Related Party Transactions

Key management compensation

	2022	2021
Salaries and other short-term employee benefits	\$21,087	\$19,902
Post-employment benefits	410	410
	<u>\$21,497</u>	<u>\$20,312</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>31-Dec-22</u>	<u>31-Dec-21</u>	
Land	\$188,116	\$188,116	Short-term and long-term borrowings
Property, plant	392,442	407,729	Short-term and long-term borrowings
Right-of-use assets	15,579	15,883	Short-term and long-term borrowings
	<u>\$596,137</u>	<u>\$611,728</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted but not yet incurred in respect of

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
Property, plant and equipment	<u>\$33,818</u>	<u>\$59,372</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date.

None.

12. Others

(1) Capital management

The group's capital management objectives are to ensure the sustainable operation of the group, maintain the best capital structure and protect shareholders' equity.

Its capital structure considers the type of industry it belongs to, adheres to a prudent management attitude, and follows the dividend policy.

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(2) Financial instruments

A. Financial instruments by category

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$5,138	\$340
Financial assets measured at amortized cost		
Cash	269,123	236,192
Notes receivable	9,368	16,058
Account receivables	294,266	378,870
Other receivables	4,174	12,034
Refundable deposits	1,701	1,782
	<u>\$583,770</u>	<u>\$645,276</u>
	<u>31-Dec-22</u>	<u>31-Dec-21</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$376,751	\$354,517
Notes payable	84,282	87,655
Accounts payable	154,081	240,766
Other payables	113,902	109,253
Long-term borrowings (including current portion)	425,839	468,092
	<u>\$1,154,855</u>	<u>\$1,260,283</u>
Lease liabilities (current & noncurrent)	<u>\$7,344</u>	<u>\$5,640</u>

B. Financial risk management policies

- (A) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management policy focuses on unpredictable events in the financial market and seeks to reduce the potential adverse impact on the group's financial condition and financial performance.
- (B) Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of surplus liquidity

C. The nature and extent of the material financial risk

(A) Market risk

Foreign exchange risk

- (a) The Group operates internationally and is exposed to foreign exchange risk arising, primarily with respect to the United States Dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities, and net investment in foreign operating institutions.
- (b) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- (c) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; certain subsidiaries' functional currency: CNY, SGD, HKD and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	December 31, 2022		
	Foreign currency amount	Book value	
	(in thousands)	Exchange rate	NTD
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	\$3,818	30.71	\$117,251
USD: CNY	3,221	6.97	98,917
Financial liabilities			
Monetary items			
USD: NTD	\$108	30.71	\$3,317
USD: CNY	96	6.97	2,948

	December 31, 2021		
	Foreign currency amount		Book value
	(in thousands)	Exchange rate	NTD
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	\$6,528	27.68	\$180,695
USD: CNY	3,698	6.37	102,361
Financial liabilities			
Monetary items			
USD: NTD	\$134	27.68	\$3,709
USD: CNY	974	6.37	26,960

- (d) The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$23,530 thousand and (\$4,898) thousand, respectively.
- (e) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other Degree of comprehensive
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	\$1,173	-
USD: CNY	1%	989	-
Financial liabilities			
Monetary items			
USD: NTD	1%	(\$33)	-
USD: CNY	1%	(29)	-

2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other Degree of comprehensive
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	\$1,807	-
USD: CNY	1%	1,024	-
Financial liabilities			
Monetary items			
USD: NTD	1%	(\$37)	-
USD: CNY	1%	(270)	-

Cash flow and fair value interest rate risk

- (a) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Part of the risk is offset by cash and cash equivalents held at floating interest rates. Loans issued at fixed interest rates expose the group to fair value interest rate risk. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD and CNY.
- (b) According to the simulated execution results, the maximum impact of a 1% change in interest rate on the after tax net (loss) profit of the year 2022 and 2021 was \$6,412 thousand and \$6,591 thousand respectively. These simulations are conducted semiannually to confirm that the maximum possible loss is within the limit set by the managements.

Price risk

The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, Other components of equity would have increased/decreased by \$3 thousand respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(B) Credit risk

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of equity instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- (b) For banks and financial institutions, after reviewing deposit ratings, only the counterparties with good credit quality are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and

analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

- (c) The Group adopts the assumptions under IFRS 9, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (d) The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- (e) The Group will adopt a simplified method to estimate the expected credit loss based on the loss rate method for customers' accounts receivable
- (f) The Group incorporates forward-looking considerations for the future to adjust the loss rates established based on historical and current information for a particular period to estimate the provision for losses receivable. As of December 31, 2022 and 2021, the loss rate methods were as follows:

	Expected loss rate	Total book value	Loss allowance
<u>December 31 , 2022</u>			
Not past due	0.17%	\$276,474	\$ 472
1to30days	2.26%	16,599	375
31 to 90days	20.15%	14,287	2,879
91 to 180days	100%	223	223
		<u>\$307,583</u>	<u>\$3,949</u>
<u>December 31 , 2021</u>			
Not past due	0.04%	\$325,248	\$134
1to30days	0.55%	59,821	332
31 to 90days	0.89%	10,418	93
91 to 180days	100%	150	150
Over 181days	100%	3	3
		<u>\$395,640</u>	<u>\$712</u>

- (g) Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022
	<u>Accounts receivable</u>
1-Jan	\$712
Provision for Impairment losses	3,227
Effect of interest rate	10
31-Dec	<u>\$3,949</u>

	2021
	<u>Accounts receivable</u>
1-Jan	\$732
Reversal of impairment losses	(15)
Effect of interest rate	(5)
31-Dec	<u>\$712</u>

(C) Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- (b) Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head -room as determined by the above- mentioned forecasts.
- (c) The Group has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 198,737	\$ 109,157
Expiring beyond one year	31,752	39,129
	<u>\$ 230,489</u>	<u>\$ 148,286</u>

- (d) The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Short-term borrowings	\$378,321	\$ -	\$ -	\$ -	\$378,321
Notes payable	84,282	-	-	-	84,282
Accounts payable	154,081	-	-	-	154,081
Other payables	113,902	-	-	-	113,902
Lease liability(Including current and non-current)	4,576	2,861	246	8	7,691
Long-term borrowings(including current portion)	57,601	54,125	109,361	268,238	489,325

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term borrowings	\$357,036	\$ -	\$ -	\$ -	\$357,036
Notes payable	87,655	-	-	-	87,655
Accounts payable	240,766	-	-	-	240,766
Other payables	109,253	-	-	-	109,253
Lease liability(Including current and non-current)	4,090	1,114	463	54	5,721
Long-term borrowings(including current portion)	60,159	52,511	130,499	284,680	527,849

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and over-the-counter stocks is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in foreign exchange swap contracts is included in Level 2.
- Level 3: Unobservable inputs for the asset or liability.
- B. Group adoption the fair value information of investment property at cost is provided in Note 6(7).
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income- Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,138</u>	<u>\$ 5,138</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income- Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340</u>	<u>\$ 340</u>

D. For 2022 and 2021, the change from Level 3 instruments as follows:

	2022	2020
January 1	\$340	\$340
recognized in other comprehensive income	4,798	-
December 31	<u>\$5,138</u>	<u>\$340</u>

E. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

F. The following was the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

31-Dec-22	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 5,138	Market Approach	Lack of market liquidity	30%	The higher the market liquidity discount, the lower the fair value
31-Dec-21	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$340	Net asset value	Lack of market liquidity	-	The higher the market liquidity discount, the lower the fair value

G. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income of financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Unlisted shares	Lack of market liquidity	±10%	\$ -	\$ -	\$ 514	(\$514)
			2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Unlisted shares	Lack of market liquidity	±10%	\$ -	\$ -	\$ 34	(\$34)

13. Supplementary Disclosures

(1) Significant transactions Information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

The management of the group has identified the reportable departments based on the reported information used by the main operating decision makers in making decisions, and divided the business organization into Taiwan, Shenzhen and other departments according to the operating region.

(2) Measurement of segment information

The Board of Directors evaluates the performance of the operating segments based on a measure of pretax income or loss

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	2022				
	Taiwan	Shenzhen	other	Inter-segment reconciliation and eliminations	Total
Net revenue from external customers	\$537,216	\$872,945	\$64,296	\$ -	\$1,474,457
Inter-segment revenue	67,609	66,004	141,352	(274,965)	-
Total segment revenue	\$604,825	\$938,949	\$205,648	(\$274,965)	\$1,474,457
Segment profit before tax	\$71,289	\$14,109	\$8,301	\$13,151	\$80,548
Segment income (loss) :					
Interest income	\$240	\$123	\$59	\$ -	\$422
Finance costs	14,965	1,611	294	-	16,870
Depreciation expense	31,149	23,202	15,869	-	70,220

	2021				
	Taiwan	Shenzhen	other	Inter-segment reconciliation and eliminations	Total
Net revenue from external customers	\$499,437	\$1,021,477	\$52,912	\$ -	\$1,573,826
Inter-segment revenue	81,489	65,108	85,500	(232,097)	-
Total segment revenue	\$580,926	\$1,086,585	\$138,412	(\$232,097)	\$1,573,826
Segment profit before tax	\$61,425	\$42,580	\$5,210	(\$12,766)	\$96,449
Segment income (loss) :					
Interest income	\$ 49	\$ 1,443	\$ 155	(\$1,245)	\$ 402
Finance costs	13,605	1,401	1,414	(1,245)	15,175
Depreciation expense	31,421	23,518	17,841	-	72,780

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(4) Reconciliation for segment income (loss)

- A. The adjustments between the total income after adjustment in the current period and the total income of the continuing business department were as follows:

	<u>2022</u>	<u>2021</u>
Income of reportable segments adjusted	\$1,749,422	\$1,805,923
Inter-segment eliminations	(274,965)	(232,097)
	<u>\$1,474,457</u>	<u>\$1,573,826</u>

- B. The adjustment between the departmental profit and loss and the profit and loss before tax of the continuing business department in 2021 and 2020 were as follows:

	<u>2022</u>	<u>2021</u>
profit and loss before tax of Reportable segment adjusted	\$93,699	\$109,215
Elimination of intersegment transactions	(13,151)	(12,766)
	<u>\$80,548</u>	<u>\$96,449</u>

(5) Information on products and services

The main revenue comes from the manufacturing and sales of bicycle and moto parts, as well as the development, research and import and export trade of related products. Please refer to note 6 (17) for details of product categories. The detailed composition of income balance was as follows:

	<u>2022</u>	<u>2021</u>
Sales revenue of finished products	\$1,474,457	\$1,573,826

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,			
	<u>2022</u>		<u>2021</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$308,256	\$618,244	\$319,487	\$635,212
China	417,959	492,496	481,716	478,242
Europe	555,969	4,871	553,471	5,357
Other	192,273	85	219,152	403
Total	<u>\$1,474,457</u>	<u>\$1,115,696</u>	<u>\$1,573,826</u>	<u>\$1,119,214</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,					
	<u>2022</u>			<u>2021</u>		
	Revenue	%	Segment	Revenue	%	Segment
A Group	\$ 190,409	12.91%	Shenzhen	\$ 253,913	16.13%	Shenzhen

JOY INDUSTRIAL CO, LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

(Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 30, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Note
1	Joy Industrial (Shenzhen)	Joy Precision Industry (Tai Zhou)	Other - receivables	Y	\$ 18,024	\$ 17,632	\$ -	4.35%	2	\$ -	Additional Operating capital	\$ -	N \$ -	\$ 190,049	\$ 304,078	
2	Novatec Wheels (Shenzhen)	Joy Precision Industry (Tai Zhou)	Other-receivables	Y	72,096	26,449	26,449	3.85%	2	-	Additional Operating capital	-	N -	69,135	69,135	
3	Joy Cycle Parts (Kunshan)	Joy Precision Industry (Tai Zhou)	Other-receivables	Y	17,632	17,632	17,632	3.85%	2	-	Additional Operating capital	-	N -	31,329	31,329	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: (1) Joy Industrial Shenzhen is engaged in capital lending between foreign companies whose parent company directly or indirectly holds 100% of the voting shares, it shall not exceed 100% of its enterprise net worth and 40% of the parent company's net worth.

(2) Novtec Shenzhen is engaged in capital loans between foreign companies whose parent company directly or indirectly holds 100% of the voting shares, to the extent that it does not exceed 100% of its corporate net worth and 40% of the parent company's net worth.

(3) Joy Cycle Parts Kunshan is engaged in capital lending between foreign companies whose parent company directly or indirectly holds 100% of the voting shares, to the extent that it does not exceed 100% of its net worth and 40% of the net worth of the parent company.

Note 3: (1) for a single enterprise that needs short-term financing funds, the amount of individual loans granted by Joy Industrial Shenzhen shall not exceed 100% of its net worth and 25% of the net worth of the parent company.

(2) For a single enterprise with business contacts, the amount of individual loans made by Novtec Shenzhen shall not exceed 100% of its net worth and 25% of the net worth of the parent company.

(3) For a single enterprise that needs short-term financing funds, the amount of individual loans made by Joy Cycle Parts Kunshan shall not exceed 100% of its corporate net worth and 25% of the parent company's net worth.

Note 4: (1) have business dealings with the company.

(2) Where there is a need for short-term financing.

JOY INDUSTRIAL CO, LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum outstanding endorsement/ guarantees amount as of December 31, 2021 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with Collateral (Note 8)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 9)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 9)	Provision of endorsements/ guarantees to the party in Mainland China (Note 9)	Note
		Company name	Relationship with the endorser/ guarantor (Note 3)											
0	Joy Industrial Co, Ltd.	Joy Industrial (Shenzhen)	2	\$ 304,078	\$ 114,903	\$ 112,404	\$15,244	\$ -	0.15	\$ 380,098	Y	N	Y	
0	Joy Industrial Co, Ltd.	Xiamen Fengda Sports	2	304,078	22,365	22,040	-	-	0.03	380,098	Y	N	Y	
1	Joy Industrial (Shenzhen)	Joy Industrial Co, Ltd.	3	304,078	87,867	83,752	40,000	61,876	0.21	380,098	N	Y	N	

Note 1: The "balance and amount" mentioned in this table, except for the actual moving and disbursing amount (Note 7) item B, refer to the date of the fact (the date of the resolution of the board of directors, the date of the transaction signing, the date of payment) in accordance with Article 7 of the handling standards. or other dates that are sufficient to determine the transaction object and the transaction amount, whichever is the former) to endorse the guarantee amount or amount for others.

Note 2: The description of the serial number column is as follows:

- (1) The company enters 0
- (2) Invested companies are numbered in sequence starting from the Arabic numeral 1 according to the company type, and the codes of the same company shall be the same.

Note 3: There are the following seven types of relationship between the endorser and the endorsed object, and the type can be indicated:

- (1) Companies with business relationships.
- (2) A company in which the company directly or indirectly holds more than 50% of the voting shares.
- (3) Companies that directly or indirectly hold more than 50% of the voting shares of the company.
- (4) Between companies in which the company directly or indirectly holds more than 90% of the voting shares.
- (5) A company that is endorsed and guaranteed by all the capital contributors according to their shareholding ratio due to the joint investment relationship.
- (6) A company that is endorsed and guaranteed by each of the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.
- (7) Joint and several guarantees for the performance of the pre-sale house sales contract between the peers in accordance with the Consumer Protection Law.

Note 4: In accordance with the operating procedures for endorsement and guarantee for others, the company has set the limit of endorsement guarantee for individual objects and the maximum amount of endorsement guarantee, and the calculation method is explained below.

- (1) The maximum limit of endorsement and guarantee by the company shall not exceed 50% of the company's net worth. The limit of endorsement and guarantee for a single enterprise shall not exceed 40% of the company's net worth.
- (2) The maximum limit of Shenzhen Traffic's endorsement guarantee and the limit of endorsement guarantee for a single enterprise shall not exceed 100% of the net worth of the latest financial report; and the maximum limit shall not exceed 50% of the parent company's net worth. The guarantee limit shall not exceed 40% of the parent company's net worth.

Note 5: Accumulate the highest balance of endorsement guarantees by others from the current year to the reporting month.

Note 6: Guaranteed amount/amount for endorsement by others that still exists until the reporting month.

Note 7: The actual expenditure amount of the endorsed guarantee company within the range of the endorsement guarantee amount/amount.

Note 8: The amount guaranteed by property in the endorsement guarantee.

Note 9: It is only necessary to enter Y if it belongs to the endorsement guarantor of the company to the subsidiary company, the endorsement guarantor of the subsidiary company to the company, or the endorsement guarantor of the mainland region.

JOY INDUSTRIAL CO, LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

As of December 31, 2022

Table 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Expressed in thousands of NTD (Except as otherwise indicated)			Note
					Book value	Ownership (%)	Fair value	
JOY INDUSTRIAL CO, LTD	TAICHUNG INTERNATIONAL ENTERTAINMENT	-	Current financial assets at fair value through profit or loss	2	\$ 5,138	-	\$5,138	

Note 1: The term "securities" in this table refers to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of International Financial Reporting Standard 9 "financial instruments".

Note 2: If the issuer of securities is not a related party, this column is not required.

Note 3: For the book amount measured at fair value, please fill in the book balance after fair value evaluation adjustment and deducting accumulated impairment in column B; For non-fair value measurement, please fill in the book balance of original acquisition cost or amortized cost minus accumulated impairment in column B of book amount.

Note 4: If the listed securities have restricted users due to the provision of guarantees, pledged loans or other agreements, the number of guaranteed or pledged shares, the amount of guaranteed or pledged loans and the restricted use shall be indicated in the remarks column.

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	JOY INDUSTRIAL. CO, LTD.	Xiamen Fengda Sports Technology	2	Purchases	99,336	Pricing according to the profit status of different products	5%

Note 1: The business transaction information between the parent company and the subsidiary company shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1) The parent company fills in 0.

(2) Subsidiaries are numbered sequentially starting from the Arabic numeral 1 according to the company type.

Note 2:(1)The relationship with the trader is parent company to subsidiary.

(2) The relationship with the trader is parent company to subsidiary company.

Note 3: the ratio of the transaction amount to the consolidated total revenue or total assets shall be calculated in the way that the ending balance accounts for the consolidated total assets if it is an asset liability item; If it is a profit or loss item, it shall be calculated in the way that the cumulative amount during the period accounts for the consolidated total revenue.

Note 4: the disclosed amount is a transaction that accounts for more than 3% of the total consolidated revenue or total assets.

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES
Names, locations and other information of investee companies (excluding investees in Mainland China) Year ended
December 31, 2022

Table
5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor Company	Investee Company	Location	Main business function	Original investment amount		Shares	Ownership percentage	Book value	Net income(loss) of the Investment Income (loss)		Note
				Balance as at December 31, 2021	Balance as at December 31, 2020				investee	recognized by the Company	
JOY INDUSTRIAL. CO, LTD.	JOYTECH	Singapore	Holding company	\$616,491	\$616,491	21,057,104	100	\$706,790	(\$ 493)	(\$13,644)	Note
JOY INDUSTRIAL. CO, LTD.	NOVATEC(EU)	Slovakia	Mainly trading the same products as our company	10,121	10,121	-	100	19,488	3,286	3,286	Note
JOY INDUSTRIAL. CO, LTD.	NOVATEC(US)	United States	Mainly trading the same products as our company	8,685	8,685	-	100	7,785	131	131	Note
JOYTECH	JOY NOVA	Anguilla	Holding company	66,971	66,971	4,726,393	100	31,337	4,523	4,523	Note
JOYTECH	PRIMA	Anguilla	Holding company	110,000	110,000	1,000,000	100	69,137	(5,965)	(5,965)	Note
JOY NOVA	TOY(H.K)	Hong Kong	Holding company	30,380	30,380	10,000	100	15,316	2,211	2,211	Note
JOY NOVA	NOVA INDUSTRIAL	British Virgin Islands	Holding company	36,591	36,591	50,000	100	16,019	2,312	2,312	Note

Note : The investment income recognized by the company includes unrealized profits and losses and realized interests of forward and reverse current transactions.

Table 6

JOY INDUSTRIAL. CO, LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main Businesses	Paid-in capital	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan of Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note2)	Book value of investments in December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	NOTE
					Remitted to Mainland China	Remitted back to Taiwan							
Joy Industrial (Shenzhen)	Bicycles, automobiles, transportation equipment Production and trading of spare parts	\$ 190,737	(note 1)	\$ 190,737	\$ -	\$ -	\$ 190,737	\$ 24,938	100%	\$ 27,147	\$ 409,305	\$ -	
Novatec Wheels (Shenzhen)	Production and trading of bicycle flower drums, hardware products, transportation equipment motors, controllers and other parts.	3,747	(note 1)	110,000	-	-	110,000	(5,965)	100%	(7,152)	69,135	-	
Joy Cycle Parts	Production of precision stamping dies, molds, bicycle flower drums, flywheel, transmission and other parts production and trading	24,415	(note 1)	90,000	-	-	90,000	4,524	100%	5,272	31,329	-	
Joy Precision (Tai Zhou)	Production and trading of spare parts for bicycles	309,069	(note 1)	229,578	-	-	229,578	(23,990)	100%	(22,753)	241,081	-	
Xiamen Fengda Sports	Design, development, and production of carbon fiber coated molds, heating forming bicycles and related accessories	28,595	(note 3)	-	-	-	-	17,936	83%	(2,011)	38,826	-	

Note 1: reinvest in mainland companies through investment in companies established in third regions.

Note 2: the financial statements have been reviewed by the certified public accountant of the parent company in Taiwan.

Note 3: other methods (investment in mainland China by subsidiary companies).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment
JOY INDUSTRIAL. CO, LTD.	\$ 620,315	\$ 632,315	\$ -

JOY INDUSTRIAL. CO, LTD.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions may exist, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Joy Industrial Co., LTD

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Cut-off of sales revenue recognition

Description

For the accounting policy of revenue recognition, please refer to Note 4(25); and for details of operating revenue, please refer to Note 6(17). The Company is primarily engaged in manufacturing and trading bicycle Parts. Sale revenue is recognized when the control over the goods was transferred

under the transaction terms. The sales revenue recognition involves the use of several manual judgements and procedures. As a result, the timing of sales revenue recognition may be inappropriate, which also affected the Company's subsidiary accounted for using equity method. Therefore, we included the cut-off of sales revenue recognition as one of the key areas of focus for this year.

How our audit addressed the matter:

Our audit procedures in relation to the above key audit matter included:

1. Understanding and evaluating the operating procedures and internal controls over sales revenue, and assessing the effectiveness on how the management controls the timing of recognizing sales revenue.
2. Examined the transaction documents to ensure that transactions had been recorded in the proper period, confirm their completeness and perform cut-off tests by random checks, including confirming transaction conditions, within certain period around the balance sheet date.

Assessment of allowance for inventory valuation loss

Description

For the accounting policy of inventory assessment, please refer to Note 4(10); for significant accounting estimates to inventory valuation, please refer to Note 5(2); and for details of allowance for inventory valuation losses, please refer to Note 6(4). The Company is primarily engaged in manufacturing and trading automobile parts. Sale revenue is recognized when the control over the goods was transferred under the transaction terms.

As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses were NT\$208,986 thousand and NT\$30,610 thousand, respectively.

The Company and subsidiaries invested using the equity method (investments using the equity method are listed in the table) Inventories that are over a certain age and separately recognized as impaired inventories are stated at the lower of cost and net realizable value. Those inventory items separately identified as the reasonable net realizable value of each inventory item number item by item and set aside the depreciation loss accordingly. Considered the amount of inventories and their allowance for impairment losses were material to its financial statements, and the determination of net realizable value in the balance sheet date involved judgements and estimates, we identified the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter:

Our audit procedures in relation to the above key audit matter included:

1. Assessed the reasonableness of provision policies in the inventory valuation
2. Reviewed the Company's annual counting plan and conducted their physical counts on inventories to evaluate the control effectiveness on inventory classification.
3. Obtained the net realizable value statement of each inventory, Verified the integrity of the statements and test the correctness of the net realizable value and related calculations, and recalculated and evaluated the reasonableness of the inventory valuation.
4. Obtained the Company's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorization of inventory aging report in accordance with the Company's policy.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Wang, Yu-Chuan

Liu, Mei Lan

For and on behalf of PricewaterhouseCoopers, Taiwan

April 11, 2023

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

JOY INDUSTRIAL. CO, LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 93,374	5	127,857	7
1150	Notes receivable, net	6(3)	9,368	1	16,058	1
1170	Accounts receivable, net	6(3)	95,880	6	93,992	6
1180	Accounts receivable - related parties	7	21,282	1	17,055	1
1220	Current income tax assets		2,216	-	2,580	-
130X	Inventories	6(4)	178,376	10	118,974	7
1410	Prepayments		2,627	-	3,041	-
11XX	Total current assets		<u>403,123</u>	<u>23</u>	<u>379,557</u>	<u>22</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non cure	6(2) and 12(3)	5,138	-	340	-
1550	Investments accounted for under equity method	6(5)	734,063	41	735,967	42
1600	Property, plant and equipment	6(6)and8	595,936	34	606,884	35
1755	Right-of-use assets	6(7)	1,568	-	2,804	-
1780	Intangible assets		1,221	-	3,324	-
1840	Deferred income tax assets	6(24)	9,422	1	5,818	-
1900	Other non-current assets	6(11)	19,519	1	22,200	1
15XX	Total non-current assets		<u>1,366,867</u>	<u>77</u>	<u>1,377,337</u>	<u>78</u>
1XXX	Total assets		<u>\$ 1,769,990</u>	<u>100</u>	<u>\$ 1,756,894</u>	<u>100</u>

JOY INDUSTRIAL. CO, LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(7)and8	\$ 371,000	21	\$ 339,900	19
2130	Current contract inabilities	6(17)	5,463	-	5,168	-
2150	Notes payable		84,282	5	87,655	5
2170	Accounts payable		20,411	1	26,380	2
2180	Accounts payable - related parties	7	18,431	1	21,690	1
2200	Other payables	6(9)	28,072	2	28,379	2
2230	Current income tax liabilities		14,048	1	10,054	1
2280	Lease liabilities - current		1,125	-	1,233	-
2320	Long-term liabilities, current portion	6(10)	44,360	2	47,951	3
2399	Other current liabilities		4,835	-	3,278	-
21XX	Total current liabilities		<u>592,027</u>	<u>33</u>	<u>571,688</u>	<u>33</u>
Non-current liabilities						
2540	Long-term borrowings	6(10)and 8	370,694	21	414,971	23
2570	Deferred income tax liabilities	6(24)	46,585	3	46,134	3
2580	Lease liabilities - non-current		489	-	1,598	-
25XX	Total non-current liabilities		<u>417,768</u>	<u>24</u>	<u>462,703</u>	<u>26</u>
2XXX	Total Liabilities		<u>1,009,795</u>	<u>57</u>	<u>1,034,391</u>	<u>59</u>
Equity						
Share capital						
3110	Common stock	6(13)	600,000	34	600,000	34
Capital surplus						
3200	Capital surplus	6(14)	54,439	3	54,439	3
Retained earnings						
3310	Legal reserve	6(15)	16,189	1	7,476	-
3320	Special reserve		50,307	3	42,860	3
3350	Unappropriated retained earnings		91,002	5	87,152	5
Other equity interest						
3400	Other equity interest	6(16)	(51,742)	(3)	(69,424)	(4)
3500	Treasury shares	6(13)	-	-	-	-
3XXX	Total equity		<u>760,195</u>	<u>43</u>	<u>722,503</u>	<u>41</u>
3X2X	Total liabilities and equity		<u>\$ 1,769,990</u>	<u>100</u>	<u>\$ 1,756,894</u>	<u>100</u>

JOY INDUSTRIAL. CO, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share)

		<u>Year ended December 31</u>					
Items		Notes	<u>2022</u>		<u>2021</u>		
			AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17)and7	\$ 604,825	100	\$ 580,926	100	
5000	Operating costs	6(4) (22) (23)and7	(421,767)	(69)	(403,833)	(70)	
5900	operating margin		183,058	31	177,093	30	
5910	Unearned-Related Sale		(12,140)	(2)	(7,579)	(1)	
5920	Implemented- Related Sale		7,579	1	7,188	1	
5950	Net operating margin		178,497	30	176,702	30	
	Operating expenses	6(22)(23)					
6100	Selling expenses		(28,755)	(5)	(30,322)	(5)	
6200	General and administrative expenses		(58,890)	(10)	(54,246)	(9)	
6300	Research and development expenses		(20,571)	(3)	(15,587)	(3)	
6000	Total operating expenses		(108,216)	(18)	(100,155)	(17)	
6900	Operating profit		70,281	12	76,547	13	
	Non-operating income and expenses						
7100	Interest income	6(18)	240	-	49	-	
7010	Other income Other income	6(19)	2,709	-	2,503	1	
7020	Other gains and losses	6(20)	13,024	2	(4,068)	(1)	
7050	Finance costs	6(21)	(14,965)	(2)	(13,605)	(2)	
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	(10,227)	(2)	35,711	6	
7000	Total non-operating income and expenses		(9,219)	(2)	20,590	4	
7900	Profit before income tax		61,062	10	97,137	17	
7950	Income tax expense	6(24)	(12,638)	(2)	(9,312)	(2)	
8200	Profit for the year		<u>\$ 48,424</u>	<u>8</u>	<u>\$ 87,825</u>	<u>15</u>	
	Other comprehensive income Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Actuarial gains (losses) on defined benefit plans	6(11)	\$ 1,983	-	(\$ 867)	-	
8316	Unrealized (loss) gain on valuation of investment in equity instruments measured at fair value through other comprehensive income	6(2)	4,798	1	-	-	
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(24)	(397)	-	173	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		6,384	1	(694)	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(16)	12,884	2	(7,429)	(1)	
8360	Components of other comprehensive income that will be reclassified to profit or loss		12,884	2	(7,429)	(1)	
8300	Total other comprehensive (loss) income for the year		<u>\$ 19,268</u>	<u>3</u>	<u>(\$ 8,123)</u>	<u>(1)</u>	
8500	Total comprehensive income for the year		<u>\$ 67,692</u>	<u>11</u>	<u>\$ 79,702</u>	<u>14</u>	
	Basic earnings per share						
9750	Basic earnings per share		<u>\$ 0.81</u>		<u>\$ 1.55</u>		
	Diluted earnings per share						
9850	Diluted earnings per share		<u>\$ 0.81</u>		<u>\$ 1.55</u>		

JOY INDUSTRIAL, CO, LTD
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Note	Capital surplus			Retained Earnings			Other equity interest			Total
		Ordinary share	additional paid-in capital in excess of par	other	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	
Year 2021											
Balance at January 1, 2021		\$ 580,000	\$ 38,026	\$ -	\$ 4,059	\$ 42,860	\$ 34,177	(\$ 60,735)	(\$ 1,260)	(\$ 15,035)	\$ 622,092
Net profit after tax 2021		-	-	-	-	-	87,825	-	-	-	87,825
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	(694)	(7,429)	-	-	(8,123)
Total comprehensive income (loss) for the year		-	-	-	-	-	87,131	(7,429)	-	-	79,702
Appropriation and distribution of 2020 earnings											
Legal reserve		-	-	-	3,417	-	(3,417)	-	-	-	-
Cash dividends		-	-	-	-	-	(30,739)	-	-	-	(30,739)
Share basis payment transactions	6(12)	-	-	348	-	-	-	-	-	-	348
Cash capital increase	6(13)	36,500	14,600	-	-	-	-	-	-	-	51,100
Treasury stock transactions	6(13)	(16,500)	(1,082)	2,547	-	-	-	-	-	15,035	-
Balance at December 31, 2021		\$ 600,000	\$ 51,544	\$ 2,895	\$ 7,476	\$ 42,860	\$ 87,152	(\$ 68,164)	(\$ 1,260)	\$ -	\$ 722,503
Year 2022											
Balance at January 1, 2022		\$ 600,000	\$ 51,544	\$ 2,895	\$ 7,476	\$ 42,860	\$ 87,152	(\$ 68,164)	(\$ 1,260)	\$ -	\$ 722,503
Net profit after tax 2022		-	-	-	-	-	48,424	-	-	-	48,424
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	1,586	12,884	4,798	-	19,268
Total comprehensive income (loss) for the year		-	-	-	-	-	50,010	12,884	4,798	-	67,692
Appropriation and distribution of 2021 earnings											
Legal reserve		-	-	-	8,713	-	(8,713)	-	-	-	-
Special reserve		-	-	-	-	7,447	(7,447)	-	-	-	-
Cash dividends		-	-	-	-	-	(30,000)	-	-	-	(30,000)
Balance at December 31, 2022		\$ 600,000	\$ 51,544	\$ 2,895	\$ 16,189	\$ 50,307	\$ 91,002	(\$ 55,280)	\$ 3,538	\$ -	\$ 760,195

JOY INDUSTRIAL CO, LTD. STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 61,062	\$ 97,137
Adjustments			
Adjustments to reconcile profit (loss)			
The selling interest has not been (realized).		4,561	391
Depreciation expense		26,376	26,328
Depreciation expense - right-of-use assets		1,236	1,620
Amortization expenses		3,537	3,473
Expected credit impairment loss		44	12
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		10,227 (	35,711)
Gain on disposal of property, plant and equipment	(	533 ) (	238)
Impairment losses on non-financial assets		1,000	-
Interest income	(	240 ) (	49)
Finance costs		14,909	13,549
Finance costs - lease liabilities		56	56
Share basis payment		-	348
Unrealized foreign exchange (gain) loss		-	(938)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,690 (	6,752)
Accounts receivable	(	1,932 ) (	25,567)
Accounts receivable-related parties	(	4,227)	7,720
Other receivables		364	296
Inventories	(	59,402 ) (	67,358)
Prepayments		414	86
Other current assets		-	5
Net defined benefit assets	(	93)	860
Changes in operating liabilities			
Contract liabilities - current		295	2,805
Notes payable	(	3,373)	1,795
Accounts payable	(	5,969)	912
Accounts payable-related parties	(	3,259)	11,260
Other payables	(	748)	4,310
Other current liabilities		1,557	1,178
Cash inflow generated from operations		52,552	37,528
Interest received		240	49
Interest paid	(	14,524 ) (	13,545)
Income tax paid	(	12,194)	-
Net cash flows from operating activities		<u>26,074</u>	<u>24,032</u>

(Continued)

JOY INDUSTRIAL CO, LTD. STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Notes	Year ended December 31	
	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of property, plant and equipment	(\$ 11,729)	(\$ 19,736)
Gain on disposal of property, plant and equipment	533	238
Acquisition of intangible assets	(1,434)	(1,287)
Increase in refundable deposits	58	(6)
Net cash flows used in investing activities	(12,572)	(20,431)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in short-term borrowings	68,100	86,000
Decrease in short-term borrowings	(37,000)	(133,600)
Repayment of principal portion of lease liabilities	(1,217)	(1,612)
Proceeds from long-term borrowings	-	75,152
Payment of lease liabilities	(47,868)	(43,808)
Cash capital increase	-	51,100
Cash dividends paid	(30,000)	(30,739)
Net cash flows used in financing activities	(47,985)	2,493
Effect of exchange rate changes on cash and cash equivalents	-	511
Net decrease in cash and cash equivalents	(34,483)	6,605
Cash and cash equivalents at beginning of year	127,857	121,252
Cash and cash equivalents at end of year	\$ 93,374	\$ 127,857

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

JOYINDUSTRIAL CO, LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

JOYINDUSTRIALCO LTD. (the “Company”) was incorporated in October 1981. The Company is primarily engaged in the research and development, manufacture, wholesales, and import/export of bicycle parts, as well as operating related businesses.

2. The Date of Authorizations for Issuance of the Financial Statements and Procedures for Authorizations

These parent company only financial statements were authorized for issuance by the Board of Directors on April 11, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Company's assessment.

IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standard Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared on the historical cost basis:
- (A) Financial assets measured at fair value through other comprehensive income.
 - (B) Defined benefit liabilities recognized on the net amount of the fair value of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as issued and endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional presentation currency.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the Company entities, associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (C) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (B) Assets held mainly for trading purposes;
- (C) Assets that are expected to be realized within twelve months from the balance sheet date;
- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (A) Liabilities that are expected to be settled within the normal operating cycle;
- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities that are to be settled within twelve months from the balance sheet date;
- (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the counterparty's discretion be settled by the issuance of equity instruments, do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the DE recognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for the 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs.

Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity Method-Subsidiaries.

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognizes loss continuously in proportion to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability;

(B) Any lease payments made at or before the commencement date;

(C) Any initial direct costs incurred by the lessee, the right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Except for land being not depreciable, other property, plant and equipment items are measured at cost basis and depreciated straight-line to allocate their costs over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation

to the total cost of the said item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	5~ 11 years
Transportation equipment	3~ 8 years
Office equipment	3 ~ 8 years
Miscellaneous equipment (other)	2 ~ 11 years

(14) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is premeasured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (A) The amount of the initial measurement of lease liability;
- (B) Any lease payments made at or before the commencement date;
- (C) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is re-measured, such re-measurement is recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

A. Patents.

Obtained separately patents is stated at cost. Patents acquired due to business combinations are recognized at fair value on the acquisition date. Patents are assets with a useful life and amortized on a straight-line basis over its estimated useful life of 7 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

(16) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid for the establishment of credit lines, when it is probable that part or all of the lines will be withdrawn, these fees shall be recognized as transaction costs of the borrowings and deferred as the adjustment of the effective interest rate of the borrowings. On the other hand, when part or all of the credit lines is unlikely to be withdrawn, the related establishment fees are recognized as prepayment and amortized over the borrowing period.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(19) Provisions

Provisions (including warranty) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

(b) Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits Termination benefits are benefits provided when the employment of an employee is terminated before the normal retirement date or when the employee decides to accept the company's offer of benefits in exchange for termination of employment. The Company recognizes expenses when the offer of termination benefits can no longer be withdrawn or when the associated restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date should be discounted.

D. Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee Share-based Payment Transactions

Equity-settled share-based payment agreements are recognized as employee services obtained by measuring the fair value of equity instruments provision date and within the receipt period of such compensation, and the relative equity is increased. The remuneration cost recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. The amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

- A. The Company manufactures and sells bicycle parts and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the distribution channel and price to resell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- B. The sales usually are made with a credit term of 30 to 120 days after the transfer of control date, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment from customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are transfer of control as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid changes in technology, the Company assesses the amount of inventories due to normal wear and tear, obsolescence or no market sales value on the balance sheet date, and writes down the cost of inventories to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so there may be significant changes. As of December 31, 2022, the carrying amount of inventories was \$178,376 thousand.

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6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 588	\$ 494
Checking accounts and demand deposits	92,786	127,363
	<u>\$ 93,374</u>	<u>\$ 127,857</u>

A. In order to diversify credit risk, the Company transacts with a variety of financial institutions with high credit ratings. Therefore, the probability of counterparty default is deemed remote.

B. The Company has no cash pledged to others as collateral.

(2) Financial assets at fair value through other comprehensive income-non-current

Item	December 31, 2022	December 31, 2021
Non-current items:		
Unlisted and unemerging stocks	\$ 340	\$ 340
Valuation adjustment	4,798	-
	<u>\$ 5,138</u>	<u>\$ 340</u>

A. The Company has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$5,138 thousand and \$340 thousand as at December 31, 2022, and 2021, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive loss	\$ 4,798	-

C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 9,368	\$ 16,058
Accounts receivable	\$ 95,945	\$ 94,013
Less: Allowance for bad debts	(65)	(21)
	<u>\$ 95,880</u>	<u>\$ 93,992</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2021	
	<u>Accounts receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes receivable</u>
Not past due	\$ 94,041	\$ 9,368	\$ 91,898	\$ 15,603
Up to 30 days	1,901	-	1,918	455
31 to 90	3	-	197	-
	<u>\$ 95,945</u>	<u>\$ 9,368</u>	<u>\$ 94,013</u>	<u>\$ 16,058</u>

The above ageing analysis was based on past due date.

B. As of December 31 2022, December 31 2021 and January 1, 2021, the balance of accounts receivable (including notes receivable) from contracts with customers amounted to \$105,248 thousand, \$110,050 thousand, and \$78,033 thousand.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

D. The Company does not hold any collateral.

E. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$9,368 thousand, \$16,058 thousand, \$95,880 thousand and \$93,992 thousand, respectively.

(4) Inventories

	31-Dec-22		
	Cost	Allowance for valuation loss	Book value
Goods	\$ 106,326	(\$ 13,570)	\$ 92,756
Raw materials	28,655	(9,419)	19,236
Work in progress	33,330	(3,862)	29,468
Finished goods	40,675	(3,759)	36,916
Total	<u>\$ 208,986</u>	<u>(30,610)</u>	<u>\$ 178,376</u>
	31-Dec-21		
	Cost	Allowance for valuation loss	Book value
Goods	\$ 56,018	(\$ 1,949)	\$ 54,069
Raw materials	25,666	(9,284)	16,382
Work in progress	38,490	(2,455)	36,035
Finished goods	15,260	(2,772)	12,488
Total	<u>\$ 135,434</u>	<u>(\$16,460)</u>	<u>\$ 118,974</u>

A. The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 411,061	\$ 405,116
Gain on reversal of inventory value	14,150	4,036
Inventory short	(4,857)	(4,923)
Revenue from sale of scraps	-	(160)
Warranty cost	1,413	(236)
	<u>\$ 421,767</u>	<u>\$ 403,833</u>

B. The Company has not pledged its inventories as collateral.

(5) Investments accounted for using equity method

Subsidiaries	December 31,2022	December 31,2021
JOYTECH INDUSTRIAL CO. PTE. LTD	\$ 706,790	\$ 710,426
NOVATEC EU S.R.O.	19,488	17,715
NOVATEC Wheels US Inc.	7,785	7,826
	<u>\$ 734,063</u>	<u>\$ 735,967</u>

A. The details of the investment interests recognized for the investment using the equity method are as follows:

	2021	2021
JOYTECH	(\$ 13,644)	\$ 27,173
NOVATEC (EU)	3,286	5,197
NOVATEC (US)	131	3,341
	<u>\$ 10,227</u>	<u>\$ 35,711</u>

The investment gains and losses recognized in the above investment using the equity method are based on the evaluation of the financial statements of each invested company audited and certified by a CPA during the same period.

B. Cash capital increase

Joy Cycle Parts (Kunshan), a subsidiary of Joytech, passed a resolution of the board of directors on August 6, 2020, and returned the funds to Joytech after reducing the capital by US

\$1 million (equivalent to NT \$27,835 thousand) on December 20, 2020, and Joytech increased the capital of Joy Taizhou by US \$1 million (equivalent to NT \$27,810 thousand) on December 22, 2020. The shareholding ratio remained unchanged.

C. For information about the company's subsidiaries, please refer to note 4 (3) to the company's consolidated financial statements for the year of the 2021.

(6) Property, plant and equipment

2022

Cost	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 191,082	\$ -	\$ -	\$ -	\$ 191,082
Buildings and structures	495,038	2,006	-	-	497,044
Machinery and equipment	154,095	9,759	(8,096)	-	155,758
Transportation equipment	3,185	-	-	-	3,185
Office equipment	3,880	537	-	-	4,417
Other equipment	29,429	3,126	(1,045)	-	31,510
Total	876,709	\$ 15,428	(\$ 9,141)	\$ -	882,996
Accumulated Depreciation					
Buildings and structures	(\$ 112,687)	(\$ 13,471)	\$ -	\$ -	(\$ 126,158)
Machinery and equipment	(132,674)	(9,394)	8,096	-	(133,972)
Transportation equipment	(2,536)	(453)	-	-	(2,989)
Office equipment	(3,153)	(357)	-	-	(3,510)
Other equipment	(18,775)	(2,701)	1,045	-	(20,431)
Total	(269,825)	(\$ 26,376)	\$ 9,141	\$ -	(287,060)
	<u>\$ 606,884</u>				<u>\$ 595,936</u>

2021

Cost	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 191,082	\$ -	\$ -	\$ -	\$ 191,082
Buildings and structures	493,175	2,710	(847)	-	495,038
Machinery and equipment	149,813	4,282	-	-	154,095
Transportation equipment	6,656	229	(3,700)	-	3,185
Office equipment	4,666	-	(786)	-	3,880
Other equipment	27,220	3,275	(1,066)	-	29,429
Total	872,612	\$ 10,496	(\$ 6,399)	\$ -	\$ 876,709
Accumulated Depreciation					
Buildings and structures	(\$ 99,816)	(\$ 13,718)	\$ 847	\$ -	(\$ 112,687)
Machinery and equipment	(123,853)	(8,821)	-	-	(132,674)
Transportation equipment	(5,981)	(255)	3,700	-	(2,536)
Office equipment	(3,391)	(548)	786	-	(3,153)
Other equipment	(16,855)	(2,986)	1,066	-	(18,775)
Total	(249,896)	(\$ 26,328)	\$ 6,399	\$ -	(269,825)
	<u>\$ 622,716</u>				<u>\$ 606,884</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Leasing arrangement-lessee

A. The Company leases various assets including land, buildings and Transportation equipment. The lease term is typically made for periods of 3 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The Company furniture and office equipment did not exceed 12 months.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 218	\$ 261
Transportation equipment	<u>1,350</u>	<u>2,543</u>
	<u>\$ 1,568</u>	<u>\$ 2,804</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 42	\$ 42
Transportation equipment	<u>1,194</u>	<u>1,578</u>
	<u>\$ 1,236</u>	<u>\$ 1,620</u>

D. For the years ended December 31, 2021 and 2021, the additions to right-of-use assets were \$0 thousand and \$2,298 thousand, respectively °

E. The information on profit and loss accounts relating to lease contracts is as follows

	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 56</u>	<u>\$ 56</u>
Expense on short-term lease contracts	<u>\$ 120</u>	<u>\$ 95</u>

F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounted to \$1,393 thousand and \$1,763 thousand, respectively.

(8) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	\$ 360,000	2.11%~ 2.40%	Land and Buildings
Unsecured borrowings	<u>11,000</u>	2.30%	(NOTE)
	<u>\$ 371,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured borrowings	\$ 339,900	1.43%~ 1.90%	Land and Buildings

NOTE: The aforesaid loan is guaranteed by the TAIWAN SMEG.

(9) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonus payable	\$ 13,373	\$ 13,724
professional service payable	4,519	4,160
Employees' compensation and Directors' remuneration payable	1,888	3,004
Others	<u>8,292</u>	<u>7,491</u>
	<u>\$ 28,072</u>	<u>\$ 28,379</u>

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(10) Long-term borrowings

Type of Borrowings	Borrowing period and repayment term	Interest rate	Collateral	31-Dec-22
Long-term bank borrowings				
Taiwan Cooperative Bank	From April 24, 2017 to April 24, 2035, amortized from April 2020.	2.13%	Land and Buildings	309,000
Taiwan Cooperative Bank	From July 30, 2019 to August 24, 2027, amortization from the third year.	2.20%	Land and Buildings	22,383
Taiwan Cooperative Bank	From October 8, 2020 to October 8, 2023 ,amortization from the second year.	2.47%	note	2,109
Taiwan Cooperative Bank	From December 7, 2020 to December 7, 2025,amortization from the second year.	1.85%	note	11,353
Chang Hwa Bank	From August 10, 2020 to August 10, 2025, amortized from September 2020.	2.50%	note	5,333
Chang Hwa Bank	From November 4, 2020 to November 4, 2025, amortized from December 2020.	2.50%	note	9,333
Chang Hwa Bank	From December 9, 2020 to December 9, 2025, amortized from December 2020.	2.50%	note	2,400
First Bank	From September 29, 2021 to September 29, 2026,amortized from October 2021.	2.36%	Land and Buildings	53,143
				<hr/> 415,054
Less: Current portion				(44,360)
				<hr/> <u>\$ 370,694</u>

Type of Borrowings	Borrowing period and repayment term	Interest rate	<u>Collateral</u>	31-Dec-21
Long-term bank borrowings				
Taiwan Cooperative Bank	From April 24, 2017 to April 24, 2035, amortized from April 2020.	1.63%	Land and Buildings	319,500
Taiwan Cooperative Bank	From July 30, 2019 to August 24, 2027, amortization from the third year.	1.70%	Land and Buildings	27,179
Taiwan Cooperative Bank	From October 8, 2020 to October 8, 2023 ,amortization from the second year.	1.85%	note	4,590
Taiwan Cooperative Bank	From December 7, 2020 to December 7, 2025,amortization from the second year.	1.85%	note	15,000
Chang Hwa Bank	From August 10, 2020 to August 10, 2025, amortized from September 2020.	2.00%	note	7,333
Chang Hwa Bank	From November 4, 2020 to November 4, 2025, amortized from December 2020.	2.00%	note	12,533
Chang Hwa Bank	From December 9, 2020 to December 9, 2025, amortized from December 2020.	2.00%	note	3,200
First Bank	From April 24, 2017 to April 24, 2022, amortized from April 2017.	1.73%	Land and Buildings	6,944
	From September 29, 2021 to September 29, 2026,amortized from October 2021.	1.73%	Land and Buildings	66,643
Less: Current portion				462,922
				(47,951)
				<u>414,971</u>

NOTE: The aforesaid loan is guaranteed by the TAIWAN SMEG.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 13,020	\$ 14,616
Fair value of plan assets	(16,103)	(15,623)
Net defined benefit liability	(<u>\$ 3,083</u>)	(<u>\$ 1,007</u>)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined
Balance at January 1,2022	\$ 14,616	(\$ 15,623)	(\$ 1,007)
Interest expense (income)	101	(109)	(8)
Pay off gains and losses	(1,008)	935	(73)
	<u>13,709</u>	<u>(14,797)</u>	<u>(1,088)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,294)	(1,294)
Change in demographic assumptions	2	-	2
Change in financial assumptions	(823)	-	(823)
Experience adjustments	132	-	132
	<u>(689)</u>	<u>(1,294)</u>	<u>(1,983)</u>
pension payment	-	(12)	(12)
Balance at December 31 2022	<u>\$ 13,020</u>	<u>(\$ 16,103)</u>	<u>(3,083)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined
Balance at January 1 2021	\$ 15,996	(\$ 17,863)	(\$ 1,867)
Interest expense (income)	49	(56)	(7)
	<u>16,045</u>	<u>(17,919)</u>	<u>(1,874)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(249)	(249)
Change in demographic assumptions	28	-	28
Change in financial assumptions	(619)	-	(619)
Experience adjustments	1,707	-	1,707
	<u>1,116</u>	<u>(249)</u>	<u>867</u>
pension payment	(2,545)	2,545	-
Balance at December 31 2021	<u>\$ 14,616</u>	<u>(15,623)</u>	<u>(\$1,007)</u>

- (d) The Bank of Taiwan was commissioned to manage the fund of the Company's defined benefit pension plan assets in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	<u>1.30%</u>	<u>0.70%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Morality Table for the years ended December 31, 2021 and 2020, respectively. Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022	(\$ <u>294</u>)	<u>\$ 304</u>	<u>\$ 301</u>	(\$ <u>292</u>)
Effect on present value of defined benefit obligation				
December 31, 2021	(\$ <u>372</u>)	<u>\$ 387</u>	<u>\$ 381</u>	(\$ <u>369</u>)
Effect on present value of defined benefit obligation				

The sensitivity analysis presented above is based on only one assumption is changed while other conditions remain constant. In practice, multiple assumptions may be changing at once or correlated with one another. The method utilized in sensitivity analysis is the same as the method utilized in calculating net pension liability on the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the yearended December 31, 2023 amount to \$233 thousand.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 9 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	395
1-2 year(s)		394
2-5 years		4,518
Over 5 years		9,357
	<u>\$</u>	<u>14,664</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$3,711 thousand and 3,584 thousand, respectively.

(12) Share-Based Payment

A. (In 2021, the company's share-based payment agreement was as follows:

<u>agreement type</u>	<u>payment date</u>	<u>Payment amount (thousand shares)</u>	<u>contract period</u>	<u>vested condition</u>
Cash Capital Increase Retains Employee Subscription	October 13, 2021	120 unit	29 days	Immediately vested

2021: no such situation.

B. The company uses the Black Scholes option pricing model to estimate the fair value of the stock option in the share-based payment transaction on the grant date. The relevant information is as follows:

<u>agreement type</u>	<u>payment date</u>	<u>share price</u>	<u>strike price</u>	<u>expected volatility</u>	<u>expected duration</u>	<u>expected risk free dividend rate</u>	<u>fair price per unit</u>
Cash Capital Increase Retains Employee Subscription	October 13, 2021	16.77	14	56.20%	29 days	- 0.47%	2.90

Note: The expected volatility is estimated by using the period from the time of listing to the date of issuance and the standard deviation of the stock return during the period.

C. The fees incurred in share-based payment transactions are as follows:

	<u>2022</u>	<u>2021</u>
Equity delivery	-	348

(13) Share capital

A. As of December 31, 2022, the Company's authorized capital was \$800,000 thousand, comprising 80,000 thousand shares, of which the paid-in capital was \$600,000 thousand with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding were as follows:

	<u>Expressed in thousand shares</u>	
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Number of shares as of beginning	60,000	56,350
Cash Capital Increase end of the year	-	3,650
	<u>60,000</u>	<u>60,000</u>

On September 14, 2021, the company passed the resolution of the board of directors for a cash capital increase of 3,650,000 shares, and on October 1, 2021, it was issued by the chairman at \$14 per share, with a total raised amount of \$51,100,000. The share capital increase was dated November 23, 2021, by when the shares have been fully paid and the change to the company registry has been completed.

C. Treasury shares

- (a) The company cancelled 1,650,000 treasury shares of the company on August 10, 2021 through a resolution of the board of directors, and took August 10, 2021 as the base date for capital reduction. The cancellation of treasury shares and capital reduction has been completed on August 30, 2021.
- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

- A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset against prior years' operating losses and then be distributed as follows: 10% as legal reserve, and appropriate or reverse for special reserve until the legal reserve equals the Company's paid-in capital. The remaining earnings, if any, may be appropriated along with the accumulated unappropriated earnings according to a resolution proposed by the Board of Directors and resolved by the shareholders' meeting.
- B. When the dividends are distributed, no less than 30% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve. However, if the shareholders' dividend is less than 10% Paid-up share capital, the distributable earnings may be retained and not distributed.
When the dividends are distributed, they can be distributed in cash or stocks, and the cash dividends are not mulcted deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose.
- C. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, With respect to the cumulative conversion adjustments under the shareholders' equity in the accounts, due to the choice to apply the exemption item of International Financial Reporting Standards No. 1, they are transferred to the retained earnings, and a special surplus reserve of the same amount is drawn. Therefore, the increase in retained earnings resulting from the conversion of international financial reporting standards is drawn into a special surplus reserve of \$5,957 thousand.

E. (a) The appropriations of earnings for 2022 and 2021 had been resolved at the shareholders' meeting on June 28, 2022 and August 28, 2021. Details are summarized below:

	<u>Year ended December 31, 2021</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve appropriated	\$ 8,713	
Special reserve	7,447	
Cash dividends	<u>30,000</u>	\$ 0.5000
	<u>\$ 46,160</u>	

(b) The details about the appropriation of 2022 earnings which was proposed at the Board of Directors' meeting on April 11, 2023 are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve appropriated	\$ 5,001	
Special reserve	1,435	
Cash dividends	<u>24,000</u>	\$ 0.4000
	<u>\$ 30,436</u>	

The appropriation proposal of 2022 earnings has not yet approved at the meeting of shareholder.

F. Refer to Note 6 (22) for further information relating to employees' compensation and directors' remuneration

(16) Other equity items

	For the year ended December 31,2022		
	Currency translation differences	Unrealized gains or losses on valuation	Total
January 1,2021	(\$68,164)	(\$1,260)	(\$69,424)
Valuation adjustments	-	4,798	4,798
Currency translation differences-Company	12,884	-	12,884
December 31,2021	<u>(\$55,280)</u>	<u>\$3,538</u>	<u>(\$,51,742)</u>

	For the year ended December 31,2021		
	Currency translation differences	Unrealized gains or losses on valuation	Total
January 1,2020	(\$60,735)	(\$1,260)	(\$61,995)
Currency translation differences-Company	(7,429)	-	(7,429)
December 31,2020	<u>(\$68,164)</u>	<u>(\$1,260)</u>	<u>(\$69,424)</u>

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	Bicycle parts					
	2022					
	Taiwan	Europe	China	Americas	Other	Total
Departmental Revenue	\$225,143	\$258,875	\$65,675	\$38,032	\$17,100	\$604,825
	Bicycle parts					
	2021					
	Taiwan	Europe	China	Americas	Other	Total
Departmental Revenue	\$242,965	\$175,532	\$107,837	\$36,447	\$18,145	\$580,926

B. Contract liabilities

The Company has recognized the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2020</u>
Receipts in advance	<u>\$ 5,463</u>	<u>\$ 5,168</u>	<u>\$ 2,363</u>

Revenue recognized that was included in the contract liability balance at the beginning of the year:

	<u>2022</u>	<u>2021</u>
Receipts in advance	<u>\$4,755</u>	<u>\$1,664</u>

(18) Interest income

	2022	2021
Interest income from bank deposits	\$240	\$49

(19) Other income

	2022	2021
Government grants	\$ 250	\$ -
Other income - others	2,459	2,503
	\$ 2,709	\$ 2,503

(20) Other gains and losses

	2022	2021
Foreign exchange losses-net	\$ 13,491	(\$ 4,306)
Gains (losses) on disposals of property, plant and equipment	533	238
Others	(1,000)	-
total	\$ 13,024	(\$ 4,068)

(21) Finance costs

	2022	2021
Interest expense from borrowings	\$14,909	\$13,549
Interest expense on lease liabilities	56	56
	\$14,965	\$13,605

(22) Expenses by nature

Year ended December 31, 2022

	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense	\$56,482	\$55,395	\$111,877
Depreciation on property, plant and equipment	16,322	10,054	26,376
Depreciation on right-of-use assets	474	762	1,236
Amortisation	-	3,537	3,537

Year ended December 31, 2021

	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense	\$56,713	\$53,147	\$109,860
Depreciation on property, plant and equipment	16,601	9,727	26,328
Depreciation on right-of-use assets	474	1,146	1,620
Amortisation	-	3,473	3,473

(23) Employee benefit expense

	2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Wages and salaries	\$46,683	\$43,933	\$90,616
Labor and health insurance fees	4,758	4,099	8,857
Pension costs	1,681	1,949	3,630
Directors remuneration	-	1,876	1,876
Other personnel expenses	3,360	3,538	6,898
	<u>\$56,482</u>	<u>\$55,395</u>	<u>\$111,877</u>
	2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Wages and salaries	\$46,730	\$42,030	\$88,760
Labor and health insurance fees	4,777	3,558	8,335
Pension costs	1,731	1,846	3,577
Directors remuneration	-	2,408	2,408
Other personnel expenses	3,475	3,305	6,780
	<u>\$56,713</u>	<u>\$53,147</u>	<u>\$109,860</u>

Note: in 2022 and 2021, the number of employees of the company was 164 and 163 respectively, of which 3 were directors who did not concurrently serve as employees.

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall appropriate 1% for employees' compensation and no higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.
- B. For the years ended December 31, 2022 and 2021 employees' compensation was accrued at \$944 thousand and \$1,502 thousand, respectively; while directors' remuneration was accrued at \$944 thousand and \$1,502 thousand. The aforementioned amounts were recognized in salary expenses. For the years ended December 31, 2022 and 2021, the employees' compensation and directors' remuneration were estimated and accrued based on 1.5% and 1.5% well as 1.5% and 1.5% respectively, of distributable profit of current year as of the end of reporting period.
- Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$15,688	\$10,054
Tax on undistributed surplus earnings	1,213	-
Prior year income tax overestimation	(713)	-
Total Current tax on profits for the year	16,188	10,054
Deferred tax:		
Origination and reversal of temporary differences	(3,550)	(742)
Income tax expense	\$12,638	\$9,312

(b) The income tax (charge)/credit relating to components of other comprehensive income were as follows:

	Years ended December 31,	
	2022	2021
Premeasurements of defined benefit obligations	(\$397)	\$173

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2021
Tax calculated based on profit before tax and statutory tax rate	\$12,212	\$19,427
Tax exempt income by tax regulation	(4)	-
Expenses disallowed by tax regulation	200	-
Investment tax credits	(2,445)	-
Temporary differences not recognised as deferred tax assets	2,858	-
Temporary differences not recognized as deferred tax liabilities	(683)	(7,142)
5% on undistributed surplus earnings	1,213	-
Prior year income tax overestimation	(713)	-
-hange in assessment of realization of deferred tax assets	-	(2,973)
Income tax expense	\$12,638	\$9,312

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 3,292	\$ 2,830	\$ -	\$ 6,122
Others	2,526	774	-	3,300
	<u>\$ 5,818</u>	<u>\$ 3,604</u>	<u>\$ -</u>	<u>\$ 9,422</u>
Deferred income tax liabilities:				
Foreign investment income	(36,509)	-	-	(36,509)
Pensions	(200)	-	(397)	(597)
Others	(9,425)	(54)	-	(9,479)
	<u>(\$46,134)</u>	<u>(\$ 54)</u>	<u>(\$ 397)</u>	<u>(\$ 46,585)</u>
Total	<u>(\$40,316)</u>	<u>\$ 3,550</u>	<u>(\$ 397)</u>	<u>(\$ 37,163)</u>
	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Allowance for inventory valuation and obsolescence losses	\$ 2,485	\$ 807	\$ -	\$ 3,292
Others	2,591	(65)	-	2,526
	<u>\$ 5,076</u>	<u>\$ 742</u>	<u>\$ -</u>	<u>\$ 5,818</u>
Deferred income tax liabilities:				
Foreign investment income	(36,509)	-	-	(36,509)
Pensions	(373)	-	173	(200)
Others	(9,425)	-	-	(9,425)
	<u>(\$ 46,307)</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>(\$ 46,134)</u>
Total	<u>(\$ 41,231)</u>	<u>\$ 742</u>	<u>\$ 173</u>	<u>(\$ 40,316)</u>

D. The Company has not recognized deferred income tax liabilities for taxable temporary differences related to investments in certain subsidiaries. The amounts of deferred income tax liabilities for temporary differences not recognized as of December 31, 2022 and 2021 were \$109,788 thousand and \$106,864 thousand, respectively.

E. the company's income tax returns through 2021 have been assessed.

(25) Earnings per share

	2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per (in dollars) share
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 48,424	60,000	\$ 0.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	48,424	60,000	
Assumed conversion of all dilutive potential ordinary shares - Employees' compensation	-	80	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 48,424	60,080	\$ 0.81
	2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per (in dollars) share
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 87,825	56,654	\$ 1.55
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	87,825	56,654	
Assumed conversion of all dilutive potential ordinary shares -Employees' compensation	-	82	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 87,825	56,736	\$ 1.55

When calculating diluted earnings per share, it is assumed that employee compensation is in the form of issuing shares in full during the current period, and when the potential ordinary shares have a diluting effect, it is included in the weighted average number of outstanding shares.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 15,428	\$ 10,496
Add: Ending balance of payable on equipment and construction	5,181	8,880
Reduce: Opening balance of payable on equipment and construction	(8,880)	-
Cash paid during the year	<u>\$ 11,729</u>	<u>\$ 19,376</u>

(27) Changes in liabilities from financing activities

	2022				
	Short-term Borrowing	Lease Liabilities	Long-term borrowings (including current portio	Dividends payable	Liabilities from financing activities- gross
1-Jan	\$339,900	\$2,831	\$ 462,922	\$ -	\$805,653
Changes in cash flow from financing activities	31,100	(1,217)	(47,868)	(30,000)	(47,985)
Increase in this period	-	-	-	30,000	30,000
Changes in other non-cash items	-	-	-	-	-
31-Dec	<u>\$371,000</u>	<u>\$1,614</u>	<u>\$415,054</u>	<u>\$ -</u>	<u>\$787,668</u>
	2021				
	Short-erm Borrowing	Lease Liabilities	Long-term borrowings (including current portion)	Dividends payable	Liabilities from financing activities- gross
1-Jan	\$387,500	\$2,145	\$431,578	\$ -	\$821,223
Changes in cash flow from financing activities	(47,600)	(1,612)	31,344	(30,739)	(48,607)
Increase in this period	-	-	-	30,739	30,739
Changes in other non-cash items	-	2,298	-	-	2,298
31-Dec	<u>\$339,900</u>	<u>\$2,831</u>	<u>\$462,922</u>	<u>\$ -</u>	<u>\$805,653</u>

7. Related Party Transactions

(1) Names and relationship with related parties

<u>Name of related party</u>	<u>abbreviation</u>	<u>Relationship with the Company</u>
JOYTECH INDUSTRIAL CO. PTE. LTD	JOYTECH	The Company's subsidiary
Novatec EU S.R.O	Novatec EU	The Company's subsidiary
Novatec WHEELS US, INC.	Novatec US	The Company's subsidiary
JOY NOVA INTERATION CO.,LTD.	JOY NOVA	The Company's sub-subsiidiary
TOY(H.K)TRADING CO., LIMITED	TOY(H.K)	The Company's sub-subsiidiary
NOVA INDUSTRIAL CORP.	NOVA INDUSTRIAL	The Company's sub-subsiidiary
PRIMA BUSINESS LIMITED	PRIMA	The Company's sub-subsiidiary
Joy Industrial (Shenzhen) CO., LTD.	Joy Industrial (Shenzhen)	The Company's sub-subsiidiary
NOVATEC WHEELS (SHEN ZHEN) CO., LTD.	NOVATEC (SHEN ZHEN)	The Company's sub-subsiidiary
Joy Cycle Parts (Kunshan) CO., LTD.	Joy Cycle Parts (Kunshan)	The Company's sub-subsiidiary
Xiamen Fengda Sports Technology Co., Ltd.	Xiamen Fengda Sports	The Company's sub-subsiidiary
JOY PRECISION INDUSTRY (TAI ZHOU) CO., LTD.	JOY TAI ZHOU	The Company's sub-subsiidiary

(2) Significant transactions with related parties

A. Sales revenue

	<u>2022</u>	<u>2021</u>
Joy Industrial (Shenzhen)	\$34,696	\$62,434
Subsidiary	19,139	11,748
Sub-subsiidiary	13,773	7,220
	<u>\$67,608</u>	<u>\$81,438</u>

The sales price of the company's goods sold to the above company is negotiated by both parties, and there is no significant difference with unrelated parties. Except that the collection period may be extended with the consent of the company, it is handled in accordance with the general sales conditions.

B. Purchases

	<u>2022</u>	<u>2021</u>
Joy Industrial (Shenzhen)	\$15,007	\$15,692
Xiamen Fengda Sports	99,336	72,364
	<u>\$ 114,343</u>	<u>\$88,056</u>

The purchase price of the company from the upper company is negotiated by both parties, and there is no significant difference with unrelated parties. Except that the payment period may be extended with the consent of both parties, it shall be handled in accordance with the general purchase conditions.

C. Accounts receivable - related parties

	Years ended December 31,	
	2022	2021
Joy Industrial (Shenzhen)	\$3,640	\$14,266
Subsidiary	7,943	1,061
Sub-subsidiary	9,699	1,728
	<u>\$21,282</u>	<u>\$17,055</u>

D. Accounts payable

	Years ended December 31	
	2022	2021
Joy Industrial (Shenzhen)	\$15,566	\$15,466
Subsidiary	2,371	5,160
Sub-subsidiary	494	1,064
	<u>\$18,431</u>	<u>\$21,690</u>

E. Provision of endorsements and guarantees: please refer to table2 for the explanation of endorsements and guarantees of others.

(3) Key management compensation

	Years ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$13,843	\$12,553
Post-employment benefits	410	410
	<u>\$14,253</u>	<u>\$12,963</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Pledged to secure</u>
	<u>31-Dec-21</u>	<u>31-Dec-20</u>	
Land	\$188,116	\$188,116	Short-term and long-term loans
Buildings, plant, and construction	370,886	382,351	Short-term and long-term loans
	<u>\$559,002</u>	<u>\$570,467</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted but not yet incurred in respect None.

10. Significant Disaster Loss None.

11. Significant Events after the Balance Sheet Date.

None.

12. Others

(1) Capital management

The Company's capital management objectives are to ensure the sustainable operation of the Company, maintain the best capital structure and protect shareholders' equity. Its capital structure considers the type of industry it belongs to, adheres to a prudent management attitude, and follows the dividend policy.

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(2) Financial instruments

A. Financial instruments by category

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$5,138	\$340
Financial assets measured at amortized cost		
Cash	93,374	127,857
Notes receivable	9,368	16,058
Account receivables	117,162	111,047
Other receivables	2,216	2,580
Refundable deposits	1,185	1,243
	<u>\$228,443</u>	<u>\$259,125</u>
 <u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$371,000	\$339,900
Notes payable	84,282	87,655
Accounts payable	38,842	48,070
Other payables	28,072	28,379
Long-term borrowings (including current portion)	415,054	462,922
	<u>\$937,250</u>	<u>\$966,926</u>
Lease liabilities	<u>\$1,614</u>	<u>\$2,831</u>

B. Financial risk management policies

(A) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial market and seeks to reduce the potential adverse impact on the Company's financial condition and financial performance.

(B) Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of surplus liquidity

C. The nature and extent of the material financial risk

(A) Market risk

Foreign exchange risk

- (a) The Company operates internationally and is exposed to foreign exchange risk arising, primarily with respect to the United States Dollar and Chinese Rimi. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities, and net investment in foreign operating institutions.
- (b) The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- (c) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD; certain subsidiaries' functional currency: CNY, SGD, HKD and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

December 31, 2022			
	Foreign currency amount		Book value
	(in thousands)	Exchange rate	NTD
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	\$4,216	30.71	\$129,473
Financial liabilities			
Monetary items			
USD: NTD	\$108	30.71	\$3,317
CNY: NTD	3,047	4.41	13,431
December 31, 2021			
	Foreign currency amount		Book value
	(in thousands)	Exchange rate	NTD
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	\$6,528	27.68	\$180,695
Financial liabilities			
Monetary items			
USD: NTD	\$134	27.68	\$3,709
CNY: NTD	3,860	4.34	16,752

- (d) The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$13,491 thousand and (\$4,306) thousand, respectively.

(e) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other Degree of comprehensive
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	\$1,295	\$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	(\$33)	\$ -
CNY::NTD	1%	(134)	-
2020			
Sensitivity analysis			
Degree of variation	Effect on profit or loss	Effect on other Degree of comprehensive	
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	\$1,807	\$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	(\$37)	\$ -
CNY::NTD	1%	(168)	-

Cash flow and fair value interest rate risk

- (a) The Company's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Part of the risk is offset by cash and cash equivalents held at floating interest rates. Loans issued at fixed interest rates expose the Company to fair value interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in NTD
- (b) According to the simulated execution results, the maximum impact of a 1% change in interest rate on the after tax net (loss) profit of the year 2022 and 2021 was \$6,288 thousand yuan and \$6,423 thousand respectively. These simulations are conducted semiannually to confirm that the maximum possible loss is within the limit set by the managements.

Price risk

The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of

these equity securities had increased/decreased by 1% with all other variables held constant, increased/decreased of the year 2022 and 2021 was \$51 thousand yuan and \$3 thousand respectively. as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(B) Credit risk

- (a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of equity instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- (b) For banks and financial institutions, after reviewing deposit ratings, only the counterparties with good credit quality are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.
- (c) The Company adopts the assumptions under IFRS 9, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (d) The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- (e) The Company will adopt a simplified method to estimate the expected credit loss based on the loss rate method for customers' accounts receivable
- (f) The Company incorporates forward-looking considerations for the future to adjust the loss rates established based on historical and current information for a particular period to estimate the provision for losses receivable. As of December 31, 2022 and 2021, the loss rate method is as follows:

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
<u>December 31 , 2022</u>			
Not past due	0.04%	\$103,409	45
1to30days	0.95%	1,901	18
31 to 90days	66.67%	3	2
		<u>\$105,313</u>	<u>65</u>
<u>December 31 , 2021</u>			
Not past due	0.00%	\$107,501	-
1to30days	0.00%	2,373	-
31 to 90days	10.66%	197	21
		<u>\$110,071</u>	<u>21</u>

- (g) Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022
	<u>Accounts receivable</u>
1-Jan	\$21
Reversal of impairment losses	44
31-Dec	<u>\$65</u>
	2021
	<u>Accounts receivable</u>
1-Jan	\$9
Reversal of impairment losses	12
31-Dec	<u>\$21</u>

(C) Liquidity risk

- (a) Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- (b) Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head -room as determined by the above-mentioned forecasts.
- (c) The Company has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	<u>\$48,000</u>	<u>\$13,000</u>

- (d) The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity Companying's based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	Less than 1year	Between 1 and 2 years	Between 2 and 5years	Over 5years	Total
Short-term borrowings	\$372,489	\$ -	\$ -	\$ -	\$372,489
Notes payable	84,282	-	-	-	84,282
Accounts payable	20,411	-	-	-	20,411
Accounts payable- related parties	18,431	-	-	-	18,431
Other payables	28,072	-	-	-	28,072
Lease liability(Including current and non-current)	1,113	263	246	8	1,630
Long-term borrowings(including current portion)	52,831	50,146	106,654	268,238	477,869

Non-derivative financial liabilities:

December 31, 2021	Less than 1year	Between 1 and 2 years	Between 2 and 5years	Over 5years	Total
Short-term borrowings	\$342,370	\$ -	\$ -	\$ -	\$342,370
Notes payable	87,650	5	-	-	87,655
Accounts payable	26,380	-	-	-	26,380
Accounts payable- related parties	21,690	-	-	-	21,690
Other payables	28,379	-	-	-	28,379
Lease liability(Including current and non-current)	1,276	1,113	463	54	2,906
Long-term borrowings(including current portion)	54,153	50,643	129,474	284,640	518,910

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, The related information of natures of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Recurring fair value measurements Financial assets at fair value through other comprehensive income- Equity securitie	\$ -	\$ -	\$ 5,138	\$ 5,138
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Recurring fair value measurements Financial assets at fair value through other comprehensive income- Equity securitie	\$ -	\$ -	\$ 340	\$ 340

C. For the years ended December 31, 2022 and 2021, from Level 3. is as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 340	\$340
recognized in other comprehensive income	4,798	-
Ending balance	<u>\$ 5,138</u>	<u>\$340</u>

D. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

E. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

31-Dec-22	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 5,138	Market Approach	Lack of market liquidity	30%	The higher the market liquidity discount, the lower the fair value
31-Dec-21	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument:					
Unlisted shares	\$340	Net asset value	Lack of market liquidity	-	The higher the market liquidity discount, the lower the fair value

F. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income of financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

				<u>2022</u>	
				Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Unlisted shares	Lack of market liquidity	±10%	\$514	(\$514)	
				<u>2021</u>	
				Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	
Financial assets					
Unlisted shares	Lack of market liquidity	±10%	\$34	(\$34)	

13. Supplementary Disclosures

A. Significant transactions Information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- (e) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid- in capital or more: None.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- (i) Trading in derivative instruments undertaken during the reporting periods: None.
- (j) Significant inter-company transactions during the reporting periods: Please refer to table 4.

B. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

C. Information on investments in Mainland China

- (a) Basic information: Please refer to table 6.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. Segment Information

Not applicable.

JOY INDUSTRIAL. CO, LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Cash on hand and petty cash		\$ 588
Cash in banks:		
Checking accounts and NTD demand deposits		27,660
Foreign currency demand deposits	USD2,045K at exchange rate approximately 30.71	62,686
	Other	2,440
		<u>\$ 93,374</u>

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JOYINDUSTRIAL. CO, LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Item	Description	Amount	Note
A client		\$ 28,125	
B client		19,469	
C client		7,871	
D client		7,367	None of the balance of each remaining client is greater than 5% of this account balance
Others		<u>33,113</u>	
		\$ 95,945	
Less: Allowance for uncollectible accounts		<u>(65)</u>	
		<u>\$ 95,880</u>	

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JOYINDUSTRIAL CO, LTD...
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Item	Description	Amount		Note
		Cost	Market Value	
Raw materials		\$28,655	\$ 31,121	Replacement cost metho
Work in progress		33,330	43,358	Net Realisable Value
Finished goods		40,675	60,127	Net Realisable Value
Goods		106,326	119,371	Net Realisable Value
		<u>\$208,986</u>	<u>\$253,977</u>	
Less: Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories		(30,610)		
		<u>\$178,376</u>		

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JOYINDUSTRIAL. CO, LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership%	Amount	Unit Price	Total Amount	Collateral	Note
JOYTECH	21,057,104	\$ 710,426	-	\$ -	-	(\$3,636)	21,057,104	100%	\$ 706,790	\$0.03	\$ 706,790	None	2
Novatec EU	-	17,715	-	1,773	-	-	-	100%	19,488	-	19,488	None	1
Novatec US	-	7,826	-	-	-	(41)	-	100%	7,785	-	7,785	None	2
		<u>\$ 735,967</u>		<u>\$ 1,773</u>		<u>(\$3,677)</u>			<u>\$ 734,063.</u>		<u>\$ 734,063</u>		

NOTE: Exchange differences on translation of financial statements of domestic foreign operating agencies and exchange differences and increased investment amounts

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JOYINDUSTRIAL. CO., LTD...
STATEMENT OF SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Type of loan	Amount	Contract period	Range of Interest rate	Financing limit	Mortgage or guarantee	Note
Guaranteed loan	\$ 40,000	2022.09.16~2023.09.01	2.40%	\$ 40,000	Land and Buildings	Financial institution
Guaranteed loan	120,000	2022.01.11~2023.01.11	2.12%	120,000	Land and Buildings	Financial institution
Guaranteed loan	200,000	2022.11.30~2023.02.28	2.11%	200,000	Land and Buildings	Financial institution
Credit loan	<u>11,000</u>	2022.11.11~2023.05.09	2.30%	<u>42,000</u>	Note	Financial institution
	<u>\$371,000</u>			<u>\$ 402,000</u>		

Note: The above loans are guaranteed by the SME Credit Guarantee Fund.

JOY INDUSTRIAL. CO., LTD.
STATEMENT OF Notes Payable
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Item	Description	Amount	Note
A		\$ 17,278	
B		9,777	
C		5,448	
D		5,060	
E		5,044	None of the balance of each remaining supplier is greater than 5% of this account balance
Other			
		41,675	
		<u>\$ 84,282</u>	

Statement 7

JOYINDUSTRIAL. CO, LTD...
STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Type of loan	Amount	Contract period	Range of Interest rate	Financing limit	Mortgage or guarantee	Note
Guaranteed loan	\$ 309,000	2017.04.24~2035.04.24	2.13%	330,000	Land and Buildings	Financial institution
Guaranteed loan	22,383	2019.07.30~2027.08.24	2.20%	45,000	Land and Buildings	Financial institution
Guaranteed loan	53,143	2021.09.29~2026.09.29	2.36%	70,000	Land and Buildings	Financial institution
Guaranteed loan	9,333	2020.11.04~2025.11.04	2.50%	16,000	note	Financial institution
Guaranteed loan	11,353	2020.12.07~2025.12.07	1.85%	15,000	note	Financial institution
Guaranteed loan	5,333	2020.08.10~2025.08.10	2.50%	10,000	note	Financial institution
Guaranteed loan	2,109	2020.10.08~2023.10.08	2.47%	5,000	note	Financial institution
Guaranteed loan	2,400	2020.12.09~2025.12.09	2.50%	4,000	note	Financial institution
	<u>\$ 415,054</u>			<u>\$ 495,000</u>		

Note: The above loans are guaranteed by the SME Credit Guarantee Fund.

Item	Volume (thousands)	Amount	Note
Hub parts	946 PCS	\$ 432,601	
Parts-Others	4,587 PCS	161,014	
Wheel	1 PCS	565	
Parts- quick release	148 PCS	13,227	
		<u>607,407</u>	
Less: Sales returns		(2,098)	
Sales discounts		<u>(484)</u>	
		<u>\$ 604,825</u>	

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<u>Item</u>	<u>Amount</u>
<u>Beginning inventories</u>	\$ 56,018
Add: Purchase for the year	126,037
Less: Ending inventories	(106,326)
Transfer to various expenses	<u>75,729</u>
Cost of goods purchased and sold	
Beginning raw materials	25,666
Add: Purchase for the year	212,043
Less: Ending inventories	(28,655)
Transfer to various expenses	(137)
Raw materials used	<u>208,917</u>
Add: Direct labor	30,092
Manufacturing expense	118,410
Manufacturing cost	<u>357,419</u>
Add: Beginning work in progress	38,490
Less: Ending work in progress	(33,330)
Transfer to various expenses	(266)
Cost of finished goods	<u>362,313</u>
Add: Beginning finished goods	15,260
Less: Ending finished goods	(40,675)
Transferred to various expenses	(1,566)
Loss on scrapping of finished goods	<u>335,332</u>
Cost of goods manufactured and sold	411,061
Gain on physical inventories	(4,857)
Loss on slow-moving inventories and valuation loss	14,150
Warranty cost	1,413
Operating costs	<u><u>\$ 421,767</u></u>

Item	Description	Amount	Note
manufacturing overhead outsourced		\$ 59,278	
Depreciation		16,796	None of the balance of each remaining client is greater than 5% of this account balance
Wages and salaries		15,509	
Consumable		6,529	
Other expenses		<u>20,298</u>	
		<u>\$ 118,410</u>	

JOY INDUSTRIAL. CO, LTD.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Wages and salaries	\$7,743	\$25,034	\$11,156	\$43,933
Import/export (customs) expense	6,541	-	-	6,541
Freight				
Depreciation	3,585	5,635	1,596	10,816
Insurance expense	2,744	2,835	961	6,540
advertising expense	3,311	31	-	3,342
Shipping expenses	1,813	8	26	1,847
Professional service fees	-	5,672	916	6,588
Utilities expense	-	4,544	351	4,895
Amortisations	-	1,233	2,304	3,537
Employee benefits	-	2,769	-	2,769
Other	3,018	11,129	3,261	17,408
	<u>\$28,755</u>	<u>\$58,890</u>	<u>\$20,571</u>	<u>\$108,216</u>

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JOY INDUSTRIAL CO, LTD.

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands ofNTD
(Except as otherwise indicated)

(Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 30, 2021 (Note 5)	Balance at December 31, 2021 (Note 7,8 and 9)	Actual amount drawn down (Note 2)	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 2)	Note
1	Joy Industrial (Shenzhen)	JOY (Tai zhou)	Other - receivables	Y	\$ 18,024	\$ 17,632	\$ -	4.35%	2	\$ -	Additional Operating capital	\$ -	N	\$ -	\$ 190,049	\$ 304,078
2	Novatec (Shenzhen)	JOY (Tai zhou)	Other-receivables	Y	72,096	26,449	26,449	3.85%	2	-	Additional Operating capital	-	N	-	69,135	69,135
3	Joy Cycle Parts (Kunshan)	JOY (Tai zhou)	Other-receivables	Y	17,632	17,632	\$ 17,632	3.85%	2	-	Additional Operating capital	-	N	-	31,329	31,329

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: (1) Joy Industrial Shenzhen is engaged in capital lending between foreign companies whose parent company directly or indirectly holds

100% of the voting shares, it shall not exceed 100% of its enterprise net worth and 40% of the parent company's net worth.

(2) Novtec Shenzhen is engaged in capital loans between foreign companies whose parent company irectly or indirectly holds 100% of the voting shares, to the extent that it does not exceed 100% of its corporate net worth and 40% of the parent company's net worth.

(3) Joy Cycle Parts Kunshan is engaged in capital lending between foreign companies whose parent company directly or indirectly holds 100% of the voting shares, to the extent that it does not exceed 100% of its net worth and 40% of the net worth of the parent company.

Note 3: (1) for a single enterprise that needs short-term financing funds, the amount of individual loans granted by Joy Industrial Shenzhen shall not exceed 100% of its net worth and 25% of the net worth of the parent company.

(2) For a single enterprise with business contacts, the amount of individual loans made by Novtec Shenzhen shall not exceed 100% of its net worth and 25% of the net worth of the parent company.

(3) For a single enterprise that needs short-term financing funds, the amount of individual loans made by Joy Cycle Parts Kunshan shall not exceed 100% of its corporate net worth and 25% of the parent company's net worth.

Note 4: (1) have business dealings with the company.

(2) Where there is a need for short-term financing.

JOY INDUSTRIAL. CO, LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 4)	Maximum outstanding endorsement/ guarantees amount as of December 31, 2022 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with Collateral (Note 8)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 9)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 9)	Provision of endorsements/ guarantees to the party in Mainland China (Note 9)	Note
		Relationship with the endorser/ guarantor (Note 3)	Company name											
0	JOY INDUSTRIAL. CO, LTD.	Joy Industrial (Shenzhen)	2	\$ 304,078	\$ 114,903	\$ 112,404	\$15,244	\$ -	0.15	\$ 380,098	Y	N	Y	
0	JOY INDUSTRIAL. CO, LTD.	Xiamen Fengda	2	304,078	22,365	22,040	-	-	0.03	380,098	Y	N	Y	
1	Joy Industrial (Shenzhen)	JOY INDUSTRIAL. CO, LTD.	3	304,078	87,867	83,752	40,000	61,876	0.21	380,098	N	Y	N	

Note 1: The "balance and amount" mentioned in this table, except for the actual moving and disbursing amount (Note 7) item B, refer to the date of the fact (the date of the resolution of the board of directors, the date of the transaction signing, the date of payment) in accordance with Article 7 of the handling standards. or other dates that are sufficient to determine the transaction object and the transaction amount, whichever is the former) to endorse the guarantee amount or amount for others.

Note 2: The description of the serial number column is as follows:

(1) The company enters 0

(2) Invested companies are numbered in sequence starting from the Arabic numeral 1 according to the company type, and the codes of the same company shall be the same.

Note 3: There are the following seven types of relationship between the endorser and the endorsed object, and the type can be indicated:

(1) Companies with business relationships.

(2) A company in which the company directly or indirectly holds more than 50% of the voting shares.

(3) Companies that directly or indirectly hold more than 50% of the voting shares of the company.

(4) Between companies in which the company directly or indirectly holds more than 90% of the voting shares.

(5) A company that is endorsed and guaranteed by all the capital contributors according to their shareholding ratio due to the joint investment relationship.

(6) A company that is endorsed and guaranteed by each of the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

(7) Joint and several guarantees for the performance of the pre-sale house sales contract between the peers in accordance with the Consumer Protection Law.

Note 4: In accordance with the operating procedures for endorsement and guarantee for others, the company has set the limit of endorsement guarantee for individual objects and the maximum amount of endorsement guarantee, and the calculation method is explained below.

(1) The maximum limit of endorsement and guarantee by the company shall not exceed 50% of the company's net worth. The limit of endorsement and guarantee for a single enterprise shall not exceed 40% of the company's net worth.

(2) The maximum limit of Shenzhen Traffic's endorsement guarantee and the limit of endorsement guarantee for a single enterprise shall not exceed 100% of the net worth of the latest financial report; and the maximum limit shall not exceed 50% of the parent company's net worth. The guarantee limit shall not exceed 40% of the parent company's net worth.

Note 5: Accumulate the highest balance of endorsement guarantees by others from the current year to the reporting month.

Note 6: Guaranteed amount/amount for endorsement by others that still exists until the reporting month.

Note 7: The actual expenditure amount of the endorsed guarantee company within the range of the endorsement guarantee amount/amount.

Note 8: The amount guaranteed by property in the endorsement guarantee.

Note 9: It is only necessary to enter Y if it belongs to the endorsement guarantor of the company to the subsidiary company, the endorsement guarantor of the subsidiary company to the company, or the endorsement guarantor of the mainland region.

JOY INDUSTRIAL. CO, LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures) December 31, 2022

As of December 31, 2022

Table 3

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Expressed in thousands of NTD (Except as otherwise indicated)			Note
					Book value	Ownership (%)	Fair value	
JOY INDUSTRIAL. CO, LTD	TAICHUNG INTERNATIONAL ENTERTAINMENT	-	Current financial assets at fair value through profit or loss	2	\$ 5,138	-	\$ 5,138	

Note 1: the term "securities" in this table refers to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of International Accounting Standard No. 39 "financial instruments: recognition and measurement".

Note 2: if the issuer of securities is not a related party, this column is not required.

Note 3: for the book amount measured at fair value, please fill in the book balance after fair value evaluation adjustment and deducting accumulated impairment in column B; For non-fair value measurement, please fill in the book balance of original acquisition cost or amortized cost minus accumulated impairment in column B of book amount.

Note 4: if the listed securities have restricted users due to the provision of guarantees, pledged loans or other agreements, the number of guaranteed or pledged shares, the amount of guaranteed or pledged loans and the restricted use shall be indicated in the remarks column.

JOY INDUSTRIAL. CO, LTD.
 Significant inter-company transactions during the reporting periods
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
						Transaction terms	(Note 3)	
0	JOY INDUSTRIAL. CO, LTD.	Xiamen Fengda Sports Technology Co., Ltd.	2	Purchases	\$ 99,336	Pricing according to the profit status of different products	5%	

Note 1: the business transaction information between the parent company and the subsidiary company shall be indicated in the number column respectively, and the number shall be filled in as follows:

(1). the parent company fills in 0.

(2). subsidiaries are numbered sequentially starting from the Arabic numeral 1 according to the company type.

Note 2: (1) the relationship with the trader is parent company to subsidiary.

(2) The relationship with the trader is parent company to subsidiary company.

Note 3: the ratio of the transaction amount to the consolidated total revenue or total assets shall be calculated in the way that the ending balance accounts for the consolidated total assets if it is an asset liability item; If it is a profit or loss item, it shall be calculated in the way that the cumulative amount during the period accounts for the consolidated total revenue.

Note 4: the disclosed amount is a transaction that accounts for more than 3% of the total consolidated revenue or total assets.

JOY INDUSTRIAL CO, LTD.
Names, locations and other information of investee companies (excluding investees in Mainland China)
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main Businesses	Original investment amount		Shares	Percentage Of ownership	Book value	Net income (loss) of the investee	Investment Income (loss) recognized by the Company	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021						
JOY INDUSTRIAL CO, LTD.	JOYTECH	Singapore	Holding company	\$ 616,491	\$ 616,491	21,057,104	100	\$ 706,790	(\$493)	(\$13,644)	Note
JOY INDUSTRIAL CO, LTD.	NOVATEC(EU)	Slovakia	Mainly trading the same products as our company	10,121	10,121	-	100	19,488	3,286	3,286	Note
JOY INDUSTRIAL CO, LTD.	NOVATEC(US)	United States	Mainly trading the same products as our company	8,685	8,685	-	100	7,785	131	131	Note
JOYTECH	JOY NOVA	Anguilla	Holding company	66,971	66,971	4,726,393	100	31,337	4,523	4,523	Note
JOYTECH	PRIMA	Anguilla	Holding company	110,000	110,000	1,000,000	100	69,137	(5,965)	(5,965)	Note
JOY NOVA	TOY(H.K)	Hong Kong	Holding company	30,380	30,380	10,000	100	15,316	2,211	2,211	Note
JOY NOVA	NOVA INDUSTRIAL	British Virgin Islands	Holding company	36,591	36,591	50,000	100	16,019	2,312	2,312	Note

Note : The investment income recognized by the company includes unrealized profits and losses and realized interests of forward and reverse current transactions

Table 6

Investee in Mainland China	Main Businesses	Paid-in capital	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan of Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note2)	Book value of investments in December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	NOTE
					Remitted to Mainland China	Remitted back to Taiwan							
Joy Industrial (Shenzhen)	Bicycles, automobiles, transportation equipment Production and trading of spare parts	\$ 190,737	(note 1)	\$ 190,737	\$ -	\$ -	\$ 190,737	\$ 24,938	100%	\$ 27,147	\$ 409,305	\$ -	
Novatec Wheels (Shenzhen)	Production and trading of bicycle flower drums, hardware products, transportation equipment motors, controllers and other parts.	3,747	(note 1)	110,000	-	-	110,000	(5,965)	100%	(7,152)	69,135	-	
Joy Cycle Parts	Production of precision stamping dies, molds, bicycle flower drums, flywheel, transmission and other parts production and trading	24,415	(note 1)	90,000	-	-	90,000	4,524	100%	5,272	31,329	-	
Joy Precision (Tai Zhou)	Production and trading of spare parts for bicycles	309,069	(note 1)	229,578	-	-	229,578	(23,990)	100%	(22,753)	241,081	-	
Xiamen Fengda Sports	Design, development, and production of carbon fiber coated molds, heating forming bicycles and related accessories	28,595	(note 3)	-	-	-	-	17,936	83%	(2,011)	38,826	-	

Note 1: reinvest in mainland companies through investment in companies established in third regions.

Note 2: the financial statements have been reviewed by the certified public accountant of the parent company in Taiwan.

Note 3: other methods (investment in mainland China by subsidiary companies).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment
JOY INDUSTRIAL. CO, LTD.	\$ 620,315	\$ 632,315	\$ -

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(End of report)