



CATHAY CONSOLIDATED, INC.

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Cathay Consolidated, Inc.

2023 Annual Report

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Attachment 1: The financial report of 2023

I. Letter to Shareholders

Dear Shareholders,

Welcome everyone to take the time to attend this year's shareholders' meeting. On behalf of the company, I would like to express my highest gratitude to all shareholders for their support and encouragement. Hereby report the company's 2023 operating conditions and future prospects as follows:

一、OPERATING PERFORMANCE IN 2023

The implementation results of operating plan

(一) The implementation results of operating plan:

Looking back at the economic situation in 2023, inflationary pressure in major countries has cooled slightly. However, the unresolved Russia-Ukraine war and the ongoing Red Sea attack crisis have caused commodity and shipping prices to soar, adversely affecting global economic development. Affected by the sluggish consumption in the end market, the shipment performance of Cathay two major product lines, outdoor and medical, was relatively unstable in the first half of the year. In the second half of the year, through the injection of seasonal product orders, the overall revenue performance in 2023 was in line with that of Quite last year.

The company's operating income in 2023 reached NT\$2,564,771 thousands, a decrease of 0.9% from last year (2022). The improvement of the company's production line production efficiency and the application of raw material procurement strategies have resulted in a decrease in operating costs in 2023, an increase in gross profit margin of 32%, an increase of 3% compared to 29% in 2022, and an overall net profit after tax of NT\$529,789 thousands. Growth in 2022 was 6.1%.

Unit: NT\$ thousands

	2023	2022	Percent Change (%)
Net sales	2,564,771	2,589,138	-0.9%
Cost	1,731,277	1,838,268	-5.8%
Gross profit	833,494	750,870	11.0%
Rate of Gross profit	32%	29%	12.1%
Operating expenses	218,132	198,473	9.9%
Selling expenses	43,137	44,665	-3.4%
Administrative expenses	116,073	104,871	10.7%
Research and development expenses	58,922	48,937	20.4%
Operating income	615,362	552,397	11.4%
Nonoperating Income and Expenses	40,676	62,331	-34.7%
Income before income tax	656,038	614,728	6.7%
Net income	529,789	499,514	6.1%

(二) Budget implementation : The company does not need to announce financial forecasts for the year 2023, so it is not applicable.

(三) Profitability analysis

		2023	2022
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Capital structure	Debts ratio (%)	30.99	32.81
	Long term funds to fixed assets (%)	222.85	239.65
Liquidity	Current ratio (%)	348.28	353.75
	Quick ratio (%)	190.49	206.56
Return on investment	Return on total assets (%)	17.06	18.73
	Return on total stockholders' equity (%)	24.93	28.05
	Net income to sales (%)	20.66	19.29
	EPS(NT\$)	7.52	7.34

(四) Research and development status

The global population continues to age and the prevalence of chronic diseases increases. Countries around the world have invested in creating and optimizing the existing medical care environment. The 2023-year R&D team of Cathay will focus on product development in the medical field, ranging from critical illness beds and transport beds used in medical institutions, blood pressure belts and other single-use medical consumables, to the development of high-tech multi-functional home sleep beds, Cathay will continue to actively strengthen the technology and innovation capabilities of the R&D team, and use years of practical experience to expand the product line in the medical field. To meet the needs of customers and the market.

二、Summary of 2024 business plan and future development strategies

The overall economic environment is affected by unfavorable factors such as rising inflation prices and continued rise in interest rates. End consumers' willingness to consume has decreased, and market demand has been sluggish. This has caused customers' purchasing strategies to shift to urgent order operations, producing in small quantities and making dynamic adjustments based on market sales. To improve risk management and control, Cathay will flexibly adjust to respond to changes in the general environment. Hereby, the business plan for 2024 is explained as follows:

(一) Expand production capacity, optimize process equipment, and strengthen vertical integration

In 2024, the second phase of the factory building on Dexing 1st Road was completed. 17 sets of highly intelligent equipment and the third TPU Fabric Coating Line were installed. It is expected to be put into trial mass production in the first quarter and the second half of the year respectively. As the production capacity expansion of the two major business groups is gradually put in place, the market supply will be expanded to meet the needs of customers for different product uses. In 2024, Cathay will continue to promote the optimization of various equipment and processes, make good use of vertical integration and active management, and ensure smooth production and delivery operations, in order to create a sustainable future development and growth for the company.

(二) Reduce geopolitical risks and expand overseas sales bases

The economic situation in China and the United States, the two major markets, is extremely uncertain. Coupled with the recent intensification of geopolitical risks, Cathay will evaluate the establishment of a subsidiary in the United States as an overseas sales base. With its geographical advantages, it can respond to customer needs immediately and expand relationships, call of cooperation with customers.

(三)Promote ESG sustainable development strategy

In order to pursue the sustainable development of the enterprise and integrate the government's net-zero carbon emission strategy and schedule, Baguan Company has established an ESG work promotion group, and has successively obtained ISO:14064-1 and ISO:14067 certifications, and is committed to reducing greenhouse gases. Quantify and search for recyclable raw materials, reduce the carbon emissions of products, and achieve the goal of sustainable development of the enterprise.

(The company has not disclosed its financial forecast for 2024, so there is no expected sales volume.)

三、Affected by the external competitive environment, regulatory environment and overall operating environment

Overall, although inflation in the global economy has slowed down significantly in 2024, central banks of various countries have adopted a wait-and-see attitude and still have doubts about whether inflation can be controlled and whether interest rates can be reduced; the war in Ukraine and the Red Sea conflict have led to rising supply chain costs, and Cathay use a diversified product portfolio to respond to changes in the economic climate of various industries, and deepen strategic cooperation with brand customers to diversify the risks of a single market. As far as the regulatory environment is concerned, the company has always complied with relevant regulations and passed various strict quality system certifications, and continues to provide customers with products of uniform quality using high-tech innovative technologies. Under the influence of the business cycle and other external factors, only by grasping product development opportunities and continuously optimizing the company's product line can we move forward steadily in the fiercely changing market competition. Here, we would like to thank all shareholders for their long-term support. We will take advantage of the company's advantages and continue to develop towards the company's future operating goals, grow together with our customers, and create the company's greatest interests.

Sincerely yours,

Chairman

George T.S. Liu



II. Company Profile

一、Date of Incorporation:

Established in 6 17,1982.

二、Company History

1982

June: Cathay Consolidated Inc. was formed as a limited liability company with principal business of general import and export.

1982~2007

Import and export sports equipment for the main business.

2008

January: Corporate reorganization as a joint stock limited liability company with procurement of land and plant at Long De Industrial Park of Yilan. Ventured in production of functional fabrics.

2009

April: Capacity expansion to accommodate inflatable medical mattresses, bed spreads and other product portfolio growth.

August: The first ISO 12402-7 certified Asian market provider of personal floatation devices and fabrics for inflatable life jackets with TPU lamination process.

August: Accreditation of FAA TSO C13f in the production of flame-retardant fabrics for aviation life jackets made under the TPU lamination process.

2010

June: Accreditation of the ISO 9001 quality management system.

2011

February: Accreditation of the FAA TSO C70a in the production of flame-retardant fabrics for aviation life rafts made under the TPU lamination process.

March: Accreditation of the Adidas A01 in the production of eco-friendly shoe materials for the making of high-end sports shoes.

2012

April: Bulk shipment of medical grade beds for the burn patients and other related products.

2013

February: Accreditation of UL 1191 in the production of fabrics for life preserver made with components for personal flotation devices under the TPU lamination process.

July: Accreditation of the SOLAS MSC.200 on fabrics under the International Convention for

the Safety of Life at Sea.

2014

- May:** First series of camping mattress launch with shipment to five continents.
- October:** Successful development of the fabrics for insulated bag meeting US FDA standard.

2015

- March:** Medical grade air mattress products with accreditation of the FDA.
- July:** Medical grade air mattress products with accreditation of the FDA.

2016

- October:** The Quality Assurance Lab was accredited the ISO/IEC 17025 on general requirements for the competence of testing and calibration laboratories.

2017

- October:** Scheduling for mass production with bulk shipment of ICU bed related products.

2018

- June:** The Fabrics Division accredited with the AS 9100 in aerospace quality management.

2019

- July:** Taipei Exchange approved the stocks application and validation.

2020

- November:** Certified by OEKO-TEX® step.
- November:** Listed on Taiwan Stock Exchange.
- December:** Capital increase in cash, and the paid-in capital after the capital increase was NT\$678,453K.

2021

- July:** Dexing 1st Road Ziqiang No. 3 Factory obtained the factory registration certificate.
- September:** Won the 6th Taiwan Mittelstand Award selected by the Industrial Development Bureau of the Ministry of Economic Affairs.
- December:** The second phase of the construction of the new factory in Dexing 1st Road obtained the approval letter from the Ministry of Economic Affairs for the qualification of "Investment by Domestic Corporations".

2022

- June:** Issued the first guaranteed convertible corporate bond of NT\$200,000,000.
- August:** Issue Employee Restricted Stock Awards (RSAs) for new shares, the paid-in capital after issuance was NT\$ 689,453,000.

September: Approved by Bluesign as a green product partner.

2023

Juune: Obtained ISO 14064-1:2018 greenhouse gas emission verification report.

October: Products applied for certification by key customers have obtained OEKO-standard-100 certification.

2024

February: Obtained Completion Permit of Dexing 1st Road Ziqiang No. 3 Plant Phase II Project.

III. Corporate Governance Report

— 、 Organization

(一) Organizational Chart



(二) Major Corporate Functions

Department	Functions
Audit Office	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Administration Dept.	Responsible for the company's financial operations, information, human resources and labor safety, and coordinating the company's accounting, taxation, business analysis, human resources, safety and health and other related businesses.
Fabric Division B1	Responsible for Thermoplastic Polyurethane (TPU) films and Technical Fabrics production and development.
Fabric Division B3	Responsible for processing TPU technical fabrics to manufacture variety of inflatable products for different purposes.
Sales Dept.	Responsible for corporate image planning, maintaining and enhancing external public relations, corporate marketing activities worldwide, and analyzing industry data and trends. It is also in charge of formulating and implementing corporate marketing and product plans.
Quality Control Dept.	In accordance with the company's quality policy, through the use of sophisticated detection quality techniques and detailed experimental plans, product verification and ensuring product quality are performed, as well as quality improvement operations.

二、Directors, Supervisors and Management Team

(一)Directors and Supervisors

1.Directors and Supervisors：

3,25,2024；Unit：Share：%

Title	Name	Nationality/ Country of Origin	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief	George Liu	R.O.C.	96.12.26	111.7.7	3	11,752,044	16.47%	12,151,359	17.03%	976,670	1.37%	23,272,483	32.62%	1.Master of Engineering (Electrical) · Cornell University 2.General Manager of Cathay Consolidated, Inc. 3.General Manager of Caremed Supply Inc.	CEO of Cathay Director ofBlanket Capital Incorporated Director ofSurpassing International Holdings Ltd. Director of Xylary Develop Group Ltd.- Chief of DING-CHENG INVESTMENT Chief of Hong Xi Investment Inc.	Director	Syu Guang-Huei	father in law
Director	Syu Guang-Huei	R.O.C.	108.4.15	111.7.7	3	—	—	—	—	37,312	0.05%	—	—	1.Bachelor of School of Medicine, Taipei Medical University 2.Attending physician of Taipei Medical University Hospital	—	Chief	George Liu	son in law
Director	Joanna Hsiao	R.O.C.	111.7.7	111.7.7	3	—	—	—	—	—	—	—	—	1.Bachelor of the General Business Administration Department at Pacific Lutheran University 2.Assistant Vice President of Nam Liong Global Corporation	—			

Title	Name	Nationality/ Country of Origin	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Stephen Wendell Howard	US	2019.9.11	2022.7.7	3	—	—	—	—	—	—	—	—	Chief of Bemis Associates Inc.	—	—	—	—
Independent director	Pan Sian	R.O.C.	2019.9.11	2022.7.7	3	—	—	—	—	—	—	—	—	1.PHD of Yamaguchi University 2.Honorary Professor of Internal medicine of School of Medicine, Taipei Medical University 3.Dean of Taipei Medical University Hospital 4.Chairperson of School of Medicine, Taipei Medical	—	—	—	—
Independent director	Shih Sin-Chuan	R.O.C.	2019.9.11	2022.7.7	3	—	—	—	—	—	—	—	—	1.MBA of Ming Chuan University 2.CFO of Caremed Supply Inc. 3.TAROKO TEXTILE CORP.	—	—	—	—
Independent director	David Biing	R.O.C.	2022.7.7	2022.7.7	3	—	—	—	—	—	—	—	—	1.Master of the Department of Mechanical Engineering at National Cheng-Kung University (NCKU) 2.General Manager of FORD LIO HO MOTOR CO., LTD.	—	—	—	—
Independent director	Chen Xian-Zhi	R.O.C.	2023.5.18	2023.5.18	2.1	—	—	—	—	—	—	—	—	1.B.S. degree of National Chung Hsing University 2.Manager of Hua Nan Commercial Bank, Ltd. 40 Years	—	—	—	—
Independent director	Celia Syu	R.O.C.	2023.10.26	2023.10.26	1.7	—	—	—	—	—	—	—	—	1.Master of Department of Electrical Engineering , National Cheng Kung University	—	—	—	—

Title	Name	Nationality/ Country of Origin	Date First Elected	Date Elected	Term (Years)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
														2.Executive Vice General Manager of Sparklan 3.Senior Assistant General Manager of Neousys Technology 4.Sales Assistant General Manager of HP Taiwan Information Technology Ltd.				

Note: 1. The chairman and the general manager of the company are the same person. Based on operational considerations, in order to improve decision-making execution and operational efficiency, in terms of corporate governance, the relevant proposals that belong to the decision-making authority of the board of directors are fully discussed with the members of the board of directors and followed by the resolution of the board of directors. Through the approval, the management team is empowered with planning and execution.

2.Independent director - David Biing resigned on September 2, 2022, and took effect on January 1, 2023.

3.Independent Director Mr. Chen Xianzhi was elected on May 18, 2023, and was dismissed due to his death on October 15, 2023.

4. Major shareholders of the institutional shareholders :

Name of Institutional Shareholders	Major Shareholders
Surpassing International Holdings Ltd.	George Liu (100%)
Hong Xi Investment Inc.	George Liu
Xylary Develop Group Ltd.	George Liu (100%)

5. Major shareholders of the Company's major institutional shareholders: Not applicable

6. Professional qualifications and independence analysis of directors and supervisors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
George Liu		—	—	✓	—	—	—	—	—	✓	—	✓	✓	—	✓	✓	—
Syu Guang-Huei		—	—	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	—	✓	✓	—
Joanna Hsiao		—	—	✓	✓	✓	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	—
Stephen Wendell Howard		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Pan Sian		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Shih Sin-Chuan		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
David Biing		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chen Xian-Zhi		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Celia Syu		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note: A. please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
 6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
 7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
 8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 9. Not been a person of any conditions defined in Article 30 of the Company Law.
 10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
- B. Independent director - David Biing resigned on September 2, 2022, and took effect on January 1, 2023.
- C. Independent Director Mr. Chen Xianzhi was elected on May 18, 2023, and was dismissed due to his death on October 15, 2023.

7. Diversity and independence of the board of directors

(1) Diversity of the board of directors

The composition of the board of directors of the company is based on the "Corporate Governance Code" and the "Director Election Method" to consider the diversity of board members from various aspects. The company has a total of 7 directors, including 3 independent directors; the members have rich experience and expertise in the fields of finance, business, industrial technology and management. The company has 1 director with employee status accounting for 14%, 1 independent director whose tenure is less than 3 years, 1 director who is over 80 years old, 2 directors who are 70-79 years old, and 1 director who is 60-69 years old, 3 directors under the age of 60. Except for Stephen Wendell Howard, who is an American male, the other directors are 5 ROC males and 1 ROC female. We achieved the goal of Corporate Governance in 2023.

Title	Name	Diversified core projects					
		Operating judgment	Management	Financial & Accounting	Industry knowledge	International market view	Leadership decision-making
Director	George Liu	✓	✓	✓	✓	✓	✓
Director	Syu Guang-Huei	✓	✓	✓	✓	✓	✓
Director	Joanna Hsiao	✓	✓	✓	✓	✓	✓
Director	Stephen Wendell Howard	✓	✓	✓	✓	✓	✓
Independent director	Pan Sian	✓	✓	✓	✓	✓	✓
Independent director	Shih Sin-Chuan	✓	✓	✓	✓	✓	✓

Independent director	David Biing	✓	✓	✓	✓	✓	✓
Independent director	Chen Xian-Zhi	✓	✓	✓	✓	✓	✓

(2) Independence of the board of directors

As of the publication date of the annual report, the company has a total of 7 directors, including 3 independent directors, accounting for 43% of the independent directors. The independent directors do not have the conditions specified in Items 3 and 4 of Article 26-3 of the Securities Exchange Act. There are 2 directors with a familial relationship within the second degree of kinship in the company. If the seats are spouses and relatives within the second degree, the seats do not exist more than half of a company's directors.

(二)Management Team

3,25,2024 ; Unit : Share ; %

Title	Name	Nationality / Country of Origin	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	George Liu	R.O.C	2008.9.16	12,151,359	17.03%	976,670	1.37%	23,272,483	32.62%	1.Master of Engineering (Electrical) , Cornell University 2.General Manager of Cathay Consolidated, Inc. 3.General Manager of Caremed Supply Inc.	CEO of Cathay Director ofBlanket Capital Incorporated Director ofSurpassing International Holdings Ltd. Director ofXylary Develop Group Ltd.- Chief of DING-CHENG INVESTMENT Chief of Hong Xi Investment Inc.	—	—	—
Vice President	Vincent H. Lee	R.O.C	2008.9.16	97.9.16	962,103	1.35%	—	—	—			—	—	—
Sales Vice President	Julia Cheng	R.O.C	2021.4.1	66,666	0.09%	—	—	—	—	Walse University	—	—	—	—
Assistant Manager	Brad Huang	R.O.C	2008.2.12	286,059	0.40%	180,000	0.25%	—	—		—	—	—	—
Assistant Manager	Vincent Lee	R.O.C	2012.6.1	232,177	0.33%	—	—	—	—		—	—	—	—
Assistant Manager	Jason Chen	R.O.C	2024.2.1	—	—	—	—	—	—		—	—	—	—
Chief Internal Audit	Power Shih	R.O.C	2017.4.1	143,568	0.20%	—	—	—	—		—	—	—	—

三、Remuneration of Directors, Supervisors, President, and Vice President

(一)Remuneration of Directors

Unit: NT\$ thousands : Share

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		
Chief	George Liu	—	—	—	—	9,758	9,758	—	—	9,758 1.84%	9,758 1.84%	6,733	6,733	-	-	-	—	-	—	16,491 3.11%	16,491 3.11%	-
Director	May Syu																					
Director	Syu Guang-Huei																					
Director	Joanna Hsiao																					
Director	Stephen Wendell Howard	1,650	1,650	—	—	—	—	—	—	1,650 0.31%	1,650 0.31%	—	—	—	—	—	—	—	—	1,650 0.31%	1,650 0.31%	-
Independent director	Pan Sian																					
Independent director	Shih Sin-Chuan																					
Independent director	David Biing																					
Independent director	Chen Xian-Zhi																					

Independent director	Celia Syu																			
*Except as disclosed in the table above, the remuneration received by company directors for providing services (such as serving as non-employee consultants, etc.) to all companies included in financial report in the most recent year: None.																				

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Shih Sin-Chuan 、 Pan Sian 、 Chen Xian-Zhi 、 Celia Syu	Shih Sin-Chuan 、 Pan Sian 、 Chen Xian-Zhi 、 Celia Syu	Shih Sin-Chuan 、 Pan Sian 、 Chen Xian-Zhi 、 Celia Syu	Shih Sin-Chuan 、 Pan Sian 、 Chen Xian-Zhi 、 Celia Syu
NT\$1,000,000～NT\$2,000,000	Stephen Wendell Howard 、 Cyue Cing-Sian 、 Joanna Hsiao	Stephen Wendell Howard 、 Cyue Cing-Sian 、 Joanna Hsiao	Stephen Wendell Howard 、 Cyue Cing-Sian 、 Joanna Hsiao	Stephen Wendell Howard 、 Cyue Cing-Sian 、 Joanna Hsiao
NT\$2,000,001 ～ NT\$3,500,000	Syu Guang-Huei	Syu Guang-Huei	Syu Guang-Huei	Syu Guang-Huei
NT\$3,500,001 ～ NT\$5,000,000	George Liu 、	George Liu 、	—	—
NT\$5,000,001 ～ NT\$10,000,000	—	—	—	—
NT\$10,000,001 ～ NT\$15,000,000	—	—	George Liu	George Liu
NT\$15,000,001 ～ NT\$30,000,000	—	—	—	—
NT\$30,000,001～ NT\$50,000,000	—	—	—	—
NT\$50,000,001 ～ NT\$100,000,000	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	9	9	9	9

(二) Remuneration of the President and Vice President

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
CEO	George Liu	13,875	13,875	216	216	2,036	2,036	4,500	-	4,500	-	20,627 3.89%	20,627 3.89%	None
Vice President	Vincent H. Lee													
Vice President	Julia Cheng													

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	—	—
NT\$1,000,001 ~ NT\$2,000,000	—	—

NT\$2,000,001 ~ NT\$3,500,000	—	—
NT\$3,500,001 ~ NT\$5,000,000	—	—
NT\$5,000,001 ~ NT\$10,000,000	George Liu 、 Vincent H. Lee 、 Julia Cheng	George Liu 、 Vincent H. Lee 、 Julia Cheng
NT\$10,000,001 ~ NT\$15,000,000	—	—
NT\$15,000,001 ~ NT\$30,000,000	—	—
NT\$30,000,001 ~ NT\$50,000,000	—	—
NT\$50,000,001 ~ NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	3	3

(三)Employees' Profit Sharing Paid to Management Team

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	George Liu	-	6,220	6,220	1.17%
	Vice President	Vincent H. Lee				
	Sales Vice President	Julia Cheng				
	Assistant Manager	Brad Huang				
	Assistant Manager	Vincent Lee				
	Assistant Manager	Jason Chen				
	Chief Internal Audit	Power Shih				

(四)Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- 1.The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Unit: NT\$ thousands

Title	2022		2023	
	Total remuneration paid to directors, supervisors, presidents and vice presidents	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	Total remuneration paid to directors, supervisors, presidents and vice presidents	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)
Directors	8,997	1.80%	8,997	1.70%
Presidents and Vice Presidents	19,231	3.85%	20,627	3.89%

- 2.The policy, standards and combination of remuneration, the procedures for setting remuneration, and their correlation with operating performance and future risks.

The company's remuneration policy is based on the salary level of the position in the peer market, the scope of the position's responsibilities within the company, and the contribution to the company's operating goals. The procedure for setting remuneration is based on the individual's degree of participation in the company's operations and the value of his contribution, as well as with reference to industry standards.

四、Implementation of Corporate Governance

(一)Board of Directors

1.A total of 8(A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	George Liu	8	0	100%	
Director	Syu Guang-Huei	8	0	100%	
Director	Joanna Hsiao	7	0	88%	
Director	Stephen Wendell Howard	0	0	0%	
Independent director	Shih Sin-Chuan	8	0	100%	
Independent director	Pan Sian	8	0	100%	
Independent director	Chen Xian-Zhi	2	0	100%	2023.5.18 newly-elected , 112.10.15 dismissal
Independent director	Celia Syu	1	0	50%	2023.10.26 newly-elected

Other mentionable items:

- 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:
 - (1)Matters listed in Article 14-3 of the Securities and Exchange Act: For all resolutions of the board of directors in 2023, please refer to pages 34 to 35. The resolutions on the matters listed in Article 14-3 of the Securities and Exchange Act are all approved by independent directors.
 - (2)If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
- The implementation of directors' recusal of interest-related proposals shall state the director's name, content of the proposal, reasons for recusal due to interests, and participation in voting:None
- Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
every year	2023	一、Performance 二、Board Members	Questionnaire	一、good 二、good

On February 22, 2024, the 2023 annual performance evaluation results were submitted to the board of directors of the company.

- Objectives of strengthening the function of the board of directors:

- (1) The company has purchased liability insurance for directors and important employees. The current insurance amount is US\$10 million to diversify the legal liability risks of directors and important managers and improve corporate governance capabilities.
- (2) Provide information on courses, lectures, seminars, etc. for members of the company's board of directors, as a reference for further study, so as to improve their knowledge and capabilities in corporate governance, business management, and risk management.
- (3) Three of the company's current seven directors are independent directors. The composition of directors has diverse backgrounds, including professional backgrounds in different industries, academics, and financial accounting, and nationalities from different countries in China, Europe and the United States.

(二) Audit Committee

1.A total of 6 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows :

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Shih Sin-Chuan	7	0	100%	
Independent director	Pan Sian	7	0	100%	
Independent director	Chen Xian-Zhi	1	0	100%	2023.5.18 newly-elected , 112.10.15 dismissal
Independent director	Celia Syu	1	0	100%	2023.10.26 newly-elected

Other mentionable items:

1. If any of the following situations occurs in the operation of the audit committee, the audit committee meeting date, period, content of proposals, independent directors' objections, reserved opinions, or content of major proposals, the results of the audit committee's resolutions, and the company's opinions on the audit committee shall be stated, deal with.

(1) Items listed in Article 14-5 of the Securities and Exchange Act: Reported to the Board of Directors after approval by the Audit Committee.

	Proposal content and follow-up processing	Resolutions of Audit Committee	Resolutions of of board
2,9,2023	<ol style="list-style-type: none"> 1. Approved the 2022 business report and financial statements. 2. Approved the 2022 employees' compensation and directors' compensation distribution proposal. 3. Approved the 2022 surplus distribution table. 4. Approved the Company's 2022 external audit for the appointment of Ernst & Young CPA firm. 5. Approved internal control system 	Ratified without objection	Ratified without objection

		statement of 2022.		
3,30,2023	1.	1.Slightly adjust the Company's 2022 annual dividend distribution.	Ratified without objection	Ratified without objection
4,25,2023	1.	Approved the financial statements for the first quarter of 2023 and the accountant's review of the report.	Ratified without objection	Ratified without objection
5,18,2023	1.	Amendments to some provisions "Employee Restricted Stock Awards (RSAs) Method of 2022"	Ratified without objection	Ratified without objection
7,27,2023	1.	Approved the H1 financial statements of 2023 and the accountant's review of the report.	Ratified without objection	Ratified without objection
10,26,2023	1.	Approved the third quarter financial statements of 2023 and the accountant's review of the report.	Ratified without objection	Ratified without objection
12,14,2023	1. 2. 3.	Approved the company's 2024 annual operating plan and budget. Approved the formulation of the company's 2024 annual audit plan. 7.Respond to the company's ERP, it plans to revise part of the "internal control system" for sales, purchasing, production, payroll, electronics, etc.	Ratified without objection	Ratified without objection

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.

(2)The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

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

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on 8/12/2019. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights (一) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.	None
(二) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	None
(三) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.	None
(四) Does the company establish internal rules against insiders trading with undisclosed information?	✓		To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	None
3. Composition and Responsibilities of the Board of Directors				
(一) Does the Board develop and implement a diversified policy for the composition of its members?	✓		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.	None

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(二) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These functional committees shall be responsibilities for the Board of Directors.	Will be set according to operational needs in the future
(三) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board.	None
(四) Does the company regularly evaluate the independence of CPAs?	✓		The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.	None
四、Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
五、Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates Fubon Securities Co., Ltd. Inc. to deal with shareholder affairs.	None
七、Information Disclosure				
(一) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company has set up a Chinese/English website (http://cathayconsolidated.com) to disclose information regarding the Company’s financials, business and corporate governance status.	None
(二) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company has assigned an appropriate person to handle information collection and disclosure. Contact person: Vincent H. Lee, TEL: +886-3-9109568 The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	None
(三) Does the company announce and submit the annual financial report within two months after the end of the fiscal year, and announce and submit the first, second, and third quarter financial reports and operating conditions for each	✓		The company announced and filed its annual financial report for 2023 on February 22, 2024, and announced and filed its first, second, and third quarter financial reports and operating conditions for each month in advance before the	None

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
month in advance before the prescribed deadline?			prescribed deadline.	
八、Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Status of employee rights and employee wellness: Please refer to the “Employees” section on pages 71 of this annual report. (2) Status of risk management policies and risk evaluation: Please refer to the “Risk Management” section on pages 71-72 of this annual report. (3) The Company has purchased D&O insurance for its directors and supervisors since year 2006. (4) Directors’ and supervisors’ training records:	None
九、Has the company implemented a self-evaluation report 2 on corporate governance or has it authorized any other professional organization to conduct such evaluation? None				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

(四)Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Pan Sian	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent director	Shih Sin-Chuan	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent director	Wu Cun-Yi	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent director	Chen Xian-Zhi		-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent director	Celia Syu		-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of 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, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

2.Attendance of Members at Remuneration Committee Meetings

(1)There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Pan Sian	4	0	100%	
Independent director	Shih Sin-Chuan	4	0	100%	
Director	Syu Guang-Huei	2	0	100%	2023.02.09 newly-elected , 2023.05.18 dismissal
Independent director	Chen Xian-Zhi	2	0	100%	2023.5.18 newly-elected , 112.10.15 dismissal
Independent director	Celia Syu	1	0	50%	2023.10.26 newly-elected

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

	Proposal content and follow-up processing	Resolutions of Audit Committee	Resolutions of of board
02,09,2023	1. Approved the 2022 employees' compensation and directors' compensation distribution proposal. 2. Pass the 2022 year-end bonus of the manager. 3. Established the company's 2022-year Employee Restricted Stock Awards vested conditions.	Ratified without objection	Ratified without objection
03,30,2023	1. A proposal of the "Employee Restricted Stock Awards (RSAs)".		
05,18,2023	1. 6Amendments to some provisions "Employee Restricted Stock Awards (RSAs) Method of 2022"	Ratified without objection	Ratified without objection
12,14,2023	1. 4Approved the company's 2022employees' compensation distribution proposal of managers.	Ratified without objection	Ratified without objection

(五) Implementation of promoting sustainable development and differences with the code of practice for sustainable development of listed companies

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Explanation ²									
一、 Does the company declare its corporate social responsibility policy and examine the results of the implementation?		✓	The company currently implements relevant environmental protection operations in accordance with relevant laws and regulations, and the risk of major abnormalities is low, and relevant risk management policies or strategies have not been formulated.	Will be set according to operational needs in the future								
二、 Does the company provide educational training on corporate social responsibility on a regular basis?		✓	The company currently implements relevant environmental protection operations in accordance with relevant laws and regulations, and the risk of major abnormalities is low, and there is no dedicated (part-time) unit to promote corporate social responsibility.	Will be set according to operational needs in the future								
三、 Environmental issues												
(一) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		1. The company has started to promote a greenhouse gas inventory team since 2023 to inventory greenhouse gas emissions according to ISO14064-1, and actively promotes ISO14064-1 independent third-party verification (certification date: 2023/6/28) (Unit : mt; CO2e) <table><tr><th>Year \ Type</th><th>2022</th></tr><tr><td>Type 1</td><td>3,165</td></tr><tr><td>Type 2</td><td>4,297</td></tr><tr><td>Type 3</td><td>1,562</td></tr></table>	Year \ Type	2022	Type 1	3,165	Type 2	4,297	Type 3	1,562	None
Year \ Type	2022											
Type 1	3,165											
Type 2	4,297											
Type 3	1,562											
(二) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓											
(三) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓											
(四) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?												
			2. The company has obtained the fixed pollution source operation permit and the water pollution prevention permit management and use approval in accordance with the regulations. Applicable pollution facility installation permits or pollution operation permits are handled in accordance with regulations, and waste treatment and water pollution prevention and control measures are also in compliance with environmental protection and legal regulations.									
			3. The industrial waste derived from									

Evaluation Item	Implementation Status 1			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
			<p>the production process of the company's products is classified and stored in the factory in accordance with the "Waste Disposal Law" and the "Industrial Waste Storage and Cleaning Method and Facility Standards". All wastes will be removed and processed by qualified cleaning and disposal companies, and the operations will be declared in accordance with regulations.</p> <p>4. The company has purchased a horizontal heat medium boiler, which can reduce sulfur oxide (SOX) emissions, and uses the heat energy recovered by the regenerative oxidizer (RTO) to generate heat to reduce the consumption of high-grade diesel.</p> <p>5. The company has purchased a regenerative oxidizer (RTO), which can provide 98% of the volatile organic gas (VOCs) destruction and removal rate and 93% of the heat recovery rate.</p> <p>6. The company's paper use part promotes paperless or more recycled paper to reduce the amount of office paper usage. In addition, each office site cooperates with continuous garbage classification and resource recycling operations to reduce waste.</p> <p>7. In line with the government's net zero carbon emission policy goal, the company started to use solar panels in the No. 6 factory on Dexing 4th Road in March 2021. As of December 2023, it has reduced carbon emissions by 693,390KG.</p>	
四、Preserving Public Welfare				
(一) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. The company formulates company employee management methods and employee rules in accordance with the Labor Standards Law and other related regulations.	None
(二) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		2. The articles of association of the company stipulate that if the company makes a profit during the	
(三) Does the company provide a healthy and safe working environment and organize	✓			

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
training on health and safety for its employees on a regular basis?			<p>year, at least one percent shall be allocated for employee compensation, and the board of directors shall decide to distribute it in stock or cash</p> <p>3. The company has established an employee welfare committee to provide employees with employee travel, dinner parties and related welfare subsidies.</p> <p>4. The company provides a safe and healthy working environment for employees, and conducts regular safety and health inspections for employees.</p> <p>5. The company has established a complete welfare system to provide new employee training and professional education and training to enhance the development of employees' career capabilities.</p> <p>6. The company has a dedicated customer service line, and has dedicated personnel responsible for handling customer related issues.</p> <p>7. The company evaluates suppliers based on the needs of various products, and has established relevant evaluation methods.</p> <p>8. The contract signed between the company and the supplier has relevant restrictions and clauses for termination of the contract.</p>	
(四) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓			
(五) Does the company provide its employees with career development and training sessions?	✓			
(六) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓			
五、 P Does the company refer to internationally accepted reporting standards or guidelines to prepare sustainability reports and other reports that disclose the company's non-financial information? Has the previous report obtained the confidence or assurance opinion of a third-party verification unit?		✓	The company complies with various laws and regulations and strives to protect the environment, but it has not yet prepared a sustainability report or other reports that disclose the company's non-financial information.	Will be set according to operational needs in the future
六、 If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: Not applicable				
<p>七、 A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:</p> <p>The company attaches great importance to the rights and interests of stakeholders, and set up a special area for stakeholders on the company website to provide a good communication platform to understand the reasonable</p>				

Evaluation Item	Implementation Status 1			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
expectations and needs of stakeholders, whether it is economic, social, or environmental questions, complaints or Recommendations and other internal and external issues, the Group upholds the principle of good faith to properly handle and provide feedback or improvement plans to achieve effective communication.				

(六) Ethical Corporate Management

Evaluation Item	Implementation Status 1			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
一、Establishment of ethical corporate management policies and programs				
(一) (1)Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The company has formulated the "Code of Integrity Management", which stipulates that all employees must be honest and fair and abide by government laws and regulations when performing company business. The members of the board of directors and the management also uphold the principle of honesty for the company's business philosophy.	None
(二) (2)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		In addition to publishing relevant regulations and documents related to professional ethics on the company's internal website for colleagues to inquire at any time, the company also promotes the company's core values and compliance systems to colleagues through multiple methods such as education courses, posters, and promotional essays. In addition, in order to ensure that the company's behavior meets the high requirements of laws and regulations and professional ethics, the company provides a reporting system for employees to use for dishonest behaviors. Please refer to Evaluation Item 3 for details. Regarding any behavior that may violate professional ethics, the company takes a serious attitude toward all confirmed cases, and takes strict disciplinary measures including termination of employment or business relations, and takes legal actions in a timely manner.	None
(三) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The company has formulated the "Code of Integrity Management", which clearly sets out the company's integrity management policy, and publicizes its employees.	None

Evaluation Item	Implementation Status 1			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
二、Fulfill operations integrity policy				
(一) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		In accordance with the provisions of the "Code of Integrity Management", the company should immediately stop its business dealings with people who have acted in good faith in business dealings or partners, and list them as objects of refusal to implement the company's business integrity policy.	None
(二) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The company is checked by an audit unit in accordance with internal control regulations and regularly reports to the board of directors.	None
(三) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The company has set up "Integrity Management Operating Procedures and Behavior Guidelines". If there is a conflict of interest in the execution of the business, it must be notified to the supervisor in advance and avoided. All proposals of the board of directors shall be avoided when there is a conflict of interest, shall not participate in the discussion, and shall not participate in the voting when they leave the meeting.	None
(四) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		The company has formulated the accounting system, internal control system and related management measures, and the audit unit will conduct monthly inspections in accordance with the audit plan and report to the board of directors.	None
(五) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		Through internal meetings, the company publicizes and makes employees clearly understand its integrity management philosophy and norms.	None
三、Operation of the integrity channel				
(一) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		Relevant dishonest behaviors can be reported through the employee complaint mailbox, and the management department is responsible for reporting and handling.	None
(二) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The head of the company's management department directly accepts the whistleblower's matters, and the relevant documents and materials are regarded as confidential documents. All personnel involved in the processing are responsible for the complete confidentiality of the process involved.	None
(三) Does the company provide proper whistleblower protection?	✓		The company assumes the confidentiality responsibility for the informant and has	None

Evaluation Item	Implementation Status 1			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			not done any improper handling of it.	
四、Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The company's relevant and reliable corporate social responsibility information is disclosed in this annual report and can be found at the public information observatory.	None
五、If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The company has formulated the "Code of Integrity Management" and "Operating Procedures and Conduct Guidelines for Integrity Management", and there is no major difference between its operation and the "Code of Integrity Management of Listed OTC Companies".				
六、Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). In addition to complying with the relevant laws and regulations, the company's relevant regulations and systems also treat employees equally, and protect employees' rights regardless of nationality.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

(七)Corporate Governance Guidelines and Regulations

The Company has a "Corporate Governance Best Practice Principles", the content of which is mainly formulated with reference to the relevant provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

In addition to the "Corporate Governance Code of Practice", the company also has the "Management Measures to Prevent Insider Trading", "Integrity Management Operating Procedures and Conduct Guidelines", "Board of Directors Performance Evaluation Methods", "Organizational Rules of the Salary and Remuneration Committee", "Corporate Social Responsibility Code of Practice" and other relevant regulations serve as the standard for the company to promote the corporate governance system.

The above-mentioned corporate governance-related rules and regulations of the company are disclosed on the "Corporate Governance" page of the "About Cathay" section of the company's website and the "Corporate Governance-related Rules and Regulations" under the "Corporate Governance" section of the Public Information Observatory.

Please refer to the Company's website at <http://cathayconsolidated.com> and <http://mops.twse.com.tw>

(八)Other Important Information Regarding Corporate Governance

Please refer to the Company's website at <http://cathayconsolidated.com>

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

(九)Internal Control Systems

1.Statement of Internal Control System: Please refer to page 36.

2.Those who entrust an accountant to review the internal control system shall disclose the accountant's review report: Not applicable.

Cathay Consolidated, INC.
Statement of Internal Control System

Date: February 22, 2024

Based on the findings of a self-assessment, Cathay Consolidated, INC. (Cathay) states the following with regard to its internal control system during the year 2023:

1. Cathay's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Cathay takes immediate remedial actions in response to any identified deficiencies.
3. Cathay evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies of Taiwan (herein below, the Regulations).
The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Cathay has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Cathay believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Cathay's annual report for the year 2023 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law of Taiwan.
7. This statement was passed by the board of directors in their meeting held on February 22, 2024, with none of the 6 attending directors expressing dissenting opinions, and affirming the content of this Statement.

Cathay Consolidated, INC.

George T.S. Liu
Chairman and Chief Executive Officer

(+) In the most recent year and as of the date of publication of the annual report, the company and its internal personnel have been punished in accordance with the law, or the company has punished its internal personnel for violating the provisions of the internal control system, and the results of the punishment may have a significant impact on shareholders' rights and interests or securities prices. , the content of the punishment, main deficiencies and improvements should be listed: None.

(十一) Major Resolutions of Shareholders' Meeting

1. Shareholders' meeting

Date	Major resolutions
05,18,2023 Shareholders' meeting	<ol style="list-style-type: none"> 1. Approval of the 2022 business report and financial statements. 2. Approval of the distribution of 2022 retained earnings and employee profit sharing. 3. Re-elect one independent director 4. Removal non-compete cases for some new directors and their representatives
07,27,2023 Shareholders' Extraordinary Meeting	<ol style="list-style-type: none"> 1. Amendments to some provisions of the company's "Articles of Incorporation " 2. Amendments to some provisions of the company's "Rules of Procedure for Shareholders Meetings " 3. Amendments to some provisions "Employee Restricted Stock Awards (RSAs) Method of 2022"
10,26,2022 Shareholders' Extraordinary Meeting	<ol style="list-style-type: none"> 1. Re-elect one independent director 2. Removal non-compete cases for some new directors and their representatives

2. Major Resolutions of Board Meetings

Date	Major resolutions
01,06,2023	<ol style="list-style-type: none"> 1. Set the base date for the issuance of new shares for the first domestic Secured Convertible bond (CB) into ordinary shares.
02,09,2023	<ol style="list-style-type: none"> 1. Approved the 2022 business report and financial statements. 2. Approved the 2022 employees' compensation and directors' compensation distribution proposal. 3. Approved the 2022 annual dividend distribution. 4. To set the ex-dividend base date for cash dividends for 2022. 5. Pass the 2022 year-end bonus of the manager. 6. Established the company's 2022-year Employee Restricted Stock Awards vested conditions. 7. Approved the Company's 2022 external audit for the appointment of Ernst & Young CPA firm. 8. Approved internal control system statement of 2022. 9. New second factory building project in Dexing 1st Rd 10. Issue the first domestic Secured Convertible bond (CB). 11. Issue Employee Restricted Stock Awards (RSAs) 12. Approved the company's proposal to apply to financial institutions for the renewal of the annual credit line. 13. Approval of the 2023 shareholders' meeting.
03,30,2023	<ol style="list-style-type: none"> 1. Slightly adjust the Company's 2022 annual dividend distribution. 2. A proposal of the "Employee Restricted Stock Awards (RSAs)". 3. Invite the board of directors to review the candidacy of independent

Date	Major resolutions
	<p>director.</p> <ol style="list-style-type: none"> 1.Set the base date for the issuance of new shares for the first domestic Secured Convertible bond (CB) into ordinary shares 5. The Company intends to apply for an annual credit line from a financial institution.
04,25,2023	<ol style="list-style-type: none"> 1. Approved the financial statements for the first quarter of 2023 and the accountant's review of the report. 2. Establish the Company's "Chief Corporate Governance Officer Establishment and Scope of Responsibilities". 3. The company intends to appoint the Chief Corporate Governance Officer. 4. Proposal to Amend the Company's "Table of Powers and Responsibilities".
05,18,2023	<ol style="list-style-type: none"> 1. Appoint a member of Audit Committee. 2. Appoint a member of Remuneration Committee. 3. Amendments to some provisions of the company's "Articles of Incorporation ". 4. Amendments to some provisions of the company's "Rules of Procedure for Shareholders Meetings ". 5. Amend the Company's "Table of Powers and Responsibilities" 6. Amendments to some provisions "Employee Restricted Stock Awards (RSAs) Method of 2022" 7. Nominate candidates for an independent director 8. The first Shareholders' Extraordinary Meeting of 2023 will be held.
07,27,2023	<ol style="list-style-type: none"> 1. The H1 financial statements of 2023 2. Set the base date for the issuance of new shares for the first domestic Secured Convertible bond (CB) into ordinary shares 3. The second Shareholders' Extraordinary Meeting of 2023 will be held. 4. Invite the board of directors to review the candidacy of independent director 5. The Company intends to apply for an annual credit line from a financial institution
10,26,2023	<ol style="list-style-type: none"> 1. The Q3 financial statements of 2023 2. Appoint a member of Audit Committee. 3. Appoint a member of Remuneration Committee 4. Set the base date for the issuance of new shares for the first domestic Secured Convertible bond (CB) into ordinary shares 5. Set the base date for the capital reduction
12,14,2023	<ol style="list-style-type: none"> 1. Approved the company's 2024 annual operating plan and budget. 2. Approved the formulation of the company's 2024 annual audit plan. 3. The company plans to evaluate the feasibility of investing a subsidiary in U.S 4. Approved the company's 2022employees' compensation distribution proposal of managers. 5. To establish the Company's "Information Security Management Measures" 6. The company intends to appoint the Chief Information Security officer 7. Respond to the company's ERP, it plans to revise part of the "internal control system" for sales, purchasing, production, payroll, electronics, etc. 8. Approved the company's proposal to apply to financial institutions for the renewal of the annual credit line.

(十二)Major Issues of Record or Written Statements Made by Any Director or Supervisor
Dissenting to Important Resolutions Passed by the Board of Directors
None

(十三)Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and
Heads of Accounting, Finance, Internal Audit and R&D:
None

五、Information Regarding the Company's Audit Fee and Independence

(一) Audit Fee

The amount of auditing and non-auditing fees paid to certified accountants and their affiliated firms and related enterprises, as well as the content of non-auditing services, shall be disclosed in any of the following circumstances:

- 1.If the accounting firm is changed and the audit fees paid in the year of change are less than the audit fees in the year before the change, the amount of audit fees before and after the change and the reasons should be disclosed: None.
- 2.If the public audit funds have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in public audit funds should be disclosed: None.

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young CPA firm	Steven Chang	Andrew Fuh	2023.1.1 ~ 2023.12.31	

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young CPA firm	Steven Chang Andrew Fuh	1,890	-	-	-	210	2,100	2023	

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六、Replacement of CPA

None

七、The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during : None 。

八、Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(一)Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2023		As of March. 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chief	George Liu	—	—	—	—
Director	Syu Guang-Huei	—	—	—	—
Director	Joanna Hsiao				
Director	Stephen Wendell Howard	—	—	—	—
Independent director	Pan Sian	—	—	—	—
Independent director	Shih Sin-Chuan	—	—	—	—
Independent director	Chen Xian-Zhi	—	—	—	—
Independent director	Celia Syu				
Major Shareholders	Surpassing International Holdings Ltd.	—	—	—	—
Major Shareholders	Bemis Associates UK Limited	(8,997,112)	—	—	—
Vice President	Vincent H. Lee	—	—	—	—
Sales Vice President	Julia Cheng	33,333	—	—	—
Assistant Manager	Brad Huang	12,000 (216,000)	—	—	—
Assistant Manager	VincentLee	18,000	—	—	—
Assistant Manager	Jason Chen	—	—	—	—
Chief Internal Audit	Power Shih	9,000	—	—	—

(二)Shares Trading with Related Parties :

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Bemis Associates UK Limited	Fund planning	2023/5~2023/10	Public subscription	None	8,997,112	market price
Brad Huang	Gift	2023/09/12	Public subscription	Sun	16,000	market price

	Gift	2023/09/12	Public subscription	Spouse	200,000	market price
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(三)Shares Pledge with Related Parties : None ◦

九、Relationship among the Top Ten Shareholders

As of 03/25/2024 ; Unit : Share ; %

Name	Current Shareholding		Spouse's/minor's		Shareholding by Nominee Arrangement		Spouse's/minor's		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Surpassing International Holdings Ltd. (George Liu)	13,525,391	18.95%	-	-	-	-	George Liu	chairman	—
							Xylary Develop Group Ltd.	chairman is the same	—
							Hong Xi Investment Inc.	chairman is the same	—
George Liu	12,151,359	17.03%	976,670	1.37%	23,272,483	32.62%	Surpassing International Holdings Ltd.	chairman	—
							Yi-Chen Liu	Chairman's sun	—
							Yu-Chen Liu	Chairman's minor children	
							Xylary Develop Group Ltd.	chairman	—
							Hong Xi Investment Inc.	chairman	—
Hong Xi Investment Inc. (George Liu)	4,961,580	6.95%	—	—	—	—	Surpassing International Holdings Ltd.	chairman is the same	—
							George Liu	chairman	—
							Xylary Develop Group Ltd.	chairman is the same	—
Xylary Develop Group Ltd. (George Liu)	4,640,512	6.50%	—	—	—	—	Surpassing International Holdings Ltd.	chairman is the same	—
							George Liu	chairman	
							Hong Xi Investment Inc.	chairman is the same	
Bemis Associates UK Limited	2,764,098	3.87%	—	—	—	—	—	—	—
Renaissance Capital Limited Partnership	1,500,000	2.10%	—	—	—	—	—	—	
Vincent H. Lee	962,103	1.35%	—	—	—	—	—	—	—
Yi-Chen Liu	571,430	0.80%	—	—	—	—	George Liu	Father	—
Yu-Chen Liu	571,430	0.80%	—	—	—	—	George Liu	Father	—
Industrial Technology Investment Corporation	500,000	0.70%	—	—	—	—	—	—	—

十、Ownership of Shares in Affiliated Enterprises

None

IV.Capital Overview

一、Capital and Shares

(一)Source of Capital：

1.Issued Shares

As of 03/25/2024

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2020 /02	10	90,000,000	900,000	61,965,363	619,653	Cash capital increase NT\$ 25,000,000	None	2020/2/24 NO.10901022450
2020 /12	10	90,000,000	900,000	67,845,363	678,453	Cash capital increase NT\$ 58,800,000	None	2020/12/228 NO.10901223580
2022 /08	10	90,000,000	900,000	68,945,363	689,453	Issue Employee Restricted Stock Awards (RSAs) capital increase NT\$ 11,000,000	None	2022/8/31 NO.11101169070
2023 /02	10	90,000,000	900,000	70,372,257	703,723	CB convert capital increase NT\$ 14,268, 940	None	2023/2/3 NO. 11230005110
2023 /04	10	90,000,000	900,000	70,784,695	707,846,950	CB convert capital increase NT\$ 4,124,380	None	2023/4/19 NO. 11230062890
2023 /09	10	90,000,000	900,000	71,287,687	712,876,870	CB convert capital increase NT\$ 5,029,920	None	2023/9/20 NO. 11230154980
2023 /12	10	90,000,000	900,000	71,329,567	713,295,670	CB convert capital increase NT\$ 598,800 RSAs eliminate to reduce NT\$ 180,000	None	2023/12/5 NO. 11230215140
2024 /03	10	90,000,000	900,000	71,344,847	713,448,470	CB convert capital increase NT\$ 269,460 RSAs eliminate to reduce NT\$ 116,660	None	2024/3/19 NO. 11330037860

2.Type of Stock

As of 03/25/2024；Unit：Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	71,344,847	18,655,153	90,000,000	

3.Information for Shelf Registration: None.

(二)Status of Shareholders

As of 03/25/2024 ; Unit : Share ; %

Item	Governme nt Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	-	56	7,997	17	8,070
Shareholding (shares)	-	-	9,189,338	39,450,781	22,704,728	71,344,847
Percentage	0.00%	0.00%	12.88%	55.30%	31.81%	100.00%

(三)Shareholding Distribution Status

1.Common Shares

As of 03/25/2024 ; Unit : Share ; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-----999	2,151	318,833	0.45%
1,000-----5,000	5,067	8,801,429	12.34%
5,001-----10,000	435	3,548,280	4.97%
10,001-----15,000	129	1,663,423	2.33%
15,001-----20,000	73	1,372,066	1.92%
20,001-----30,000	77	2,026,023	2.84%
30,001-----40,000	38	1,390,227	1.95%
40,001-----50,000	17	781,432	1.10%
50,001----100,000	45	3,536,368	4.96%
100,001----200,000	18	2,625,053	3.68%
200,001----400,000	8	2,287,570	3.21%
400,001----600,000	5	2,489,100	3.49%
600,001----800,000	0	0	0.00%
800,001--1,000,000	1	962,103	1.35%
1,000,001or over	6	39,542,940	55.43%
Total	8,070	71,344,847	100.00%

2.Preferred Shares

None.

(四)List of Major Shareholders :

As of 3/25/2024

Shareholding Shareholder's Name	Shares	Percentage
Surpassing International Holdings Ltd.	13,525,391	18.95
George Liu	12,151,359	17.03
Hong Xi Investment Inc.	4,961,580	6.95
Xylary Develop Group Ltd.	4,640,512	6.50
Bemis Associates UK Limited	2,764,098	3.87
Renaissance Capital Limited Partnership	1,500,000	2.10
Vincent H. Lee	962,103	1.35
Yi-Chen Liu	572,430	0.80
Yu-Chen Liu	572,430	0.80
Industrial Technology Investment Corporation	500,000	0.70

(五)Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items		Year	2022	2023	1/1/2024- 3/31/2024
Market Price per Share	Highest Market Price		141	168.5	146
	Lowest Market Price		59.9	100.5	110
	Average Market Price		95.63	142.09	129.68
Net Worth per Share	Before Distribution		29.47	31.44	28.26
	After Distribution		24.07	Note 5	undistribution
Earnings per Share	Weighted Average Shares		68,090	70,487	71,040
	Diluted Earnings Per Share		7.34	7.52	1.75
	Adjusted Diluted Earnings Per Share		—	—	—
Dividends per Share	Cash Dividends		5.368536	5.00 (Note4)	
	Stock Dividends	Dividends from Retained Earnings	—	Note 5	—
		Dividends from Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price / Earnings Ratio (Note 1)		10.36	16.69	17.69
	Price / Dividend Ratio (Note 2)		14.16	25.10	—
	Cash Dividend Yield Rate (Note 3)		7.06	3.98	—

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: The 2021 earnings distribution has been approved by the board of directors on February 22, 2024.

Note 5: Fill in the information based on the distribution situation decided by the shareholders' meeting in the next year.

(六)Dividend Policy and Implementation Status

1.Dividend Policy

The company's dividend policy requires consideration of the environment and, in response to future funding needs and long-term financial planning, an annual allocation of no

less than 10% of the distributable surplus shall be allocated to shareholders' dividends, but the cumulative distributable surplus is lower than the actual income. When the reserves are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with Article 240 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.

2. Proposed Distribution of Dividend

Unit : NTD\$

Items	Amount
Beginning Unappropriated retained earnings	199,847,247
Retract the dividends of RSAs were unvested	95,046
Add: Net profit after tax of 2023	529,788,957
Less : 10% Legal Surplus Reserve	529,884,003
Distributable net profit	52,988,400
Distributable items:	676,742,850
Cash dividend (NT\$ 5 per share)	356,724,232
Stock dividend (NT\$ 1 per share)	71,344,850
Unappropriated retained earnings after Distribution	248,673,768

(七) Employee Bonus and Directors' and Supervisors' Remuneration

1. Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation

For the distribution of annual profit, at least 1% shall be reserved for the employee bonus and up to 5% for the director bonus. However, the profit shall be reserved to cover the previous loss first. The bonus shall be issued by shares or in cash as the director bonus shall be paid in cash. The aforementioned distribution shall be made upon a resolution at a meeting of the board of directors by a majority vote at the meeting of board of directors attended by directors representing two-thirds of the directors; the resolution shall be reported to the shareholders' meeting.

2. 2022 Directors' Compensation and Employees' Profit Sharing

	Board Resolution (2/22/2024)
	Amount (NT\$ thousands)
Directors' Compensation (Cash)	10,413
Employee's Profit Sharing (Cash)	26,769

3. 2021 Directors' Compensation and Employees' Profit Sharing

	Board Resolution (2/9/2023)	Actual Result (Note)
	Amount (NT\$ thousands)	Amount (NT\$ thousands)
Directors' Compensation (Cash)	9,758	9,758
Employee's Profit Sharing (Cash)	26,020	25,782

(八) Buyback of Treasury Stock : None .

二、 Bonds :

Issuance		Domestic Unsecured
Issue Date		06/02/2022
Denomination		NT\$100,000
Offering Price		112.93% of Par
Total Amount		NT\$200,000K
Coupon (Per Annum)		0
Tenure and Maturity Date		3 years ,06/02/2025
Repayment		According to Article 5 of these Measures, the coupon rate of the convertible corporate bonds is 0%, so there is no need to set the date and method of interest payment. In addition, except that the bondholders are converted into ordinary shares of the company in accordance with Article 10 of these regulations, or the company redeems them in advance in accordance with Article 17 of these regulations, or the company buys back and cancels.
Outstanding		NT\$33,500K
Credit Rating		0
Underwriter (Lead Underwriter)		Yuanta Securities Co., Ltd.
Trustee		Yuanta Commercial Bank Co., Ltd.
Guarantor		Hua Nan Commercial Bank, Ltd.
Legal Counsel		fbllaw.com.tw
Auditor		Ernst & Young CPA
Redemption or Early Repayment Clause		<ol style="list-style-type: none"> 1. The closing price exceeds the current conversion price by 30% (inclusive) or more for 30 consecutive business days, Received in cash at the face value of the bond outstanding. 2. If the outstanding balance of is less than NT\$20,000,000 (10% of the original total issue amount), the company may, at any time thereafter, withdraw the outstanding CB. 3. If the bondholder does not reply in writing to the company's stock affairs agency before the bond reference date stated in the "Bond Recall Notice", the company will recover it in cash on the due date.
Covenants		None
Other Rights of Bondholders	The amounts of ordinary shares, overseas depositary receipts or other securities that have been converted (exchanged or subscribed) as of the publication date of the annual report	NT 24,292K
	Issuance and conversion (exchange or subscription) measures	Please refer to the Company's first domestic guaranteed conversion corporate bond issuance and conversion measures.
Dilution Effect and Other Adverse Effects on Existing Shareholders		None

Custodian	None
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三、Global Depository Receipts：None。

四、Employee Stock Options：

Employee Restricted Stock Awards (RSAs)

Type of Employee Restricted Stock	Employee Restricted Stock Awards for Year 2022
Date of Effective Registration	06/28/2022
Issue Date	07/28/2022
Number of Employee Restricted Stock Issued	1,100,000 shares
Issued Price	0
Employee Restricted Stock as a Percentage of Shares Issued	1.60%
Vesting conditions of Employee Restricted Stock	Employee is still on-the-job on each vested day, and the company has determined that they have not violated the company's labor contract, employee code of conduct, trust contract, corporate governance code of practice, integrity management code, work rules, and non-compete. For matters such as the confidentiality code or the contract agreement with the company, and to achieve the personal and performance evaluation indicators set by the company and the company's operating goals, the vested ratios on the vested days in each year are as follows: 1.The first year: Those who have obtained 2 units or less will all vest, and those who have obtained more than 3 (include) units will vest one-third. 2. The second year: Those who have obtained more than 3 (include) units will vest one-third. 3. The third year: Those who have obtained more than 3 (include) units will vest one-third.
Restricted Rights of Employee Restricted Stock	RSAs under the custody shall not be sold, pledged, transferred, and gave as gifts to others or any other means of disposal.
Custody Status of Employee Restricted Stock	316,334 shares

五、Status of New Shares Issuance in Connection with Mergers and Acquisitions：None。

六、Financing Plans and Implementation

Please refer to page 44 of the Chinese annual report.

V.Operational Highlights

— 、Business Activities

(一)Business Scope

1.Main areas of business operations :

(1)The Fabric B1 mainly produces high-tech polyurethane (Thermoplastic Polyurethane, TPU for short). Depending on the physical and chemical properties of TPU, it can produce functional leather fabrics and films.

(2)The Fabric B3 mainly produces inflatable products for various industries, and provides a full range of services and complete solutions to customers in medical, outdoor and other finished components. Such as: development cases, process improvement and quality issues and other related matters.

2.Revenue distribution :

Unit ; NT\$ thousands ; %

Year Major Divisions	2022		2023	
	Amount	%	Amount	%
Outdoor	1,433,212	55.35%	1,510,180	58.88%
Medical	589,733	22.78%	527,091	20.55%
Aviation	376,264	14.53%	333,592	13.01%
Military	189,929	7.34%	193,908	7.56%
Total	2,589,138	100.00%	2,564,771	100.00%

3.The company's current products and services

(1)The Fabrics Division is mainly engaged in the application of thermoplastic polyurethane (TPU). According to the different physical and chemical properties of TPU, it can produce two types of technical fabrics and films, and can also be used in the following Four major categories of products:

A. Outdoor <ul style="list-style-type: none"> • Lightweight and comfortable inflatable camping sleeping pad • Lightweight and comfortable inflatable camping (neck) pillow • Outdoor waterproof storage bag • Outdoor mobile water storage bag • Camping sleeping pad inflatable bag • Cool bag for outdoor use • Scuba Diving Buoyancy Control Vest • Diving suitcase backpack • Inflatable canoe • Camping tent • Snowshoes 	B. Medical <ul style="list-style-type: none"> • Sphygmomanometer • Various types of medical inflatable chair cushions • Deep venous thrombosis lower limb inflatable compression sleeve • High frequency chest wall vibration vest • Various medical grade air mattresses • Such as: burn and scald beds, intensive care unit beds, home care beds, nursing center beds and medical institution beds • Various medical transport beds and transport stretchers • Medical grade roll-over bed • Inflatable air bag type phlegm slapping vest
C. Aviation <ul style="list-style-type: none"> • Aviation life jacket • Inflatable water life jacket 	D. Military <ul style="list-style-type: none"> • Oil arresting line • Oil storage tank

<ul style="list-style-type: none"> • Water life-saving buoyancy vest • Inflatable escape slide • Inflatable life raft • Life raft tent 	<ul style="list-style-type: none"> • Anti-static desk mat • Mechanical protective cover • Car door seam sealing strip • Cooling vests and hats for workers in heavy machinery, outdoor and high-temperature places, helmet linings, and cooling vests and sleeping pads for clothing • Car airbag • Inflatable waist support for car • Industrial aprons, raincoats and protective clothing • Use rain boots for fishing and river tracing • Bulletproof vest outer cover
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(2)The Finished Products Division mainly produces the company's inflatable products for various functions, and provides full-service and complete solutions to medical, outdoor and other finished component customers. Such as: development cases, process improvement and quality issues.

4.New products development

The company continues to develop TPU products that meet customers and the market. In addition to existing products, it is also expected to develop innovative and high-quality lightweight products in the future, and continue to cooperate with customers to expand more industrial applications. The new products that our company plans to develop are as follows:

(1)Medical grade transport bed :

According to statistics from Mordor Intelligence, the market size of medical transport hospital beds will grow at a compound annual growth rate of 3.2% from 2023 to 2028. Road traffic accidents and the increasing proportion of injuries and illnesses in the elderly population are two major factors. The company expects to develop medical-grade transport beds. Most hospital beds are used in emergency ambulances to transport patients. During the transport process, mattresses are easily contaminated with external dirt, blood from patients' injuries and wounds, bacteria, etc. To avoid the risk of cross-infection, transport bed mattresses are limited to one patient at a time. Need to be lightweight, antibacterial and anti-fouling.

(2)Super fiber cloth :

Russia's invasion of Ukraine in 2022 and the situation in the Taiwan Strait of international concern have caused countries around the world to begin to examine their own military strength. European countries and the two major powers of the United States and China have increased their defense budgets, actively evaluated firepower and ammunition inventories and military equipment systems, and increased arms expenditures. Bulletproof vests are a type of equipment for individual soldiers to protect their bodies. They are divided into two types: police type and military type. According to the materials, they are divided into soft, hard and soft-hard composites. We plans to develop super fiber cloth can improve protection and meet the requirements of high flexibility, concealment and lightweight.

(3)Intelligent medical mattress

For bedridden patients, the skin is prone to ulceration or necrosis due to long-term compression, which is a common form of bedsores. There are three main factors that cause bedsores: pressure, temperature and humidity. The inflatable smart medical mattress developed by our company introduces the novel material graphene and uses strong thermal conductivity properties to improve the heat dissipation of the medical mattress and is equipped with sensors to monitor heart rate, breathing and other states, and the smart device automatically adjusts the softness and hardness of the mattress to reduce the pressure on the patient's body when turning over or getting up.

(4)High-end bag materials

In recent years, awareness of environmental sustainability has increased. End consumers have paid more and more attention to this issue and are even willing to make more efforts for environmentally friendly products. Many brand companies have listed this issue as an important goal and have begun to look for materials and packaging that are more environmentally friendly. In addition to using environmentally friendly recycled raw materials, the high-end bag materials developed by our company will respond to industry environmental protection needs and enter the high-end brand market by enhancing the multi-functionality of the bag materials and novel designs.

(二)Industry Overview

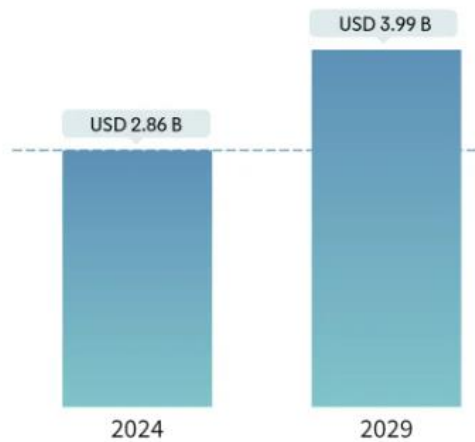
Please refer to page 49 of the Chinese annual report.

1.Current Status and Future Development

TPU is a thermoplastic elastomer. The main materials are long-chain diols, short-chain diols and diisocyanates. Antioxidants, anti-UV agents, water-repellent agents and pigments can be added to the application surface to produce a variety of different properties. TPU has emerged as a new emerging plastic material. Due to the composition of its molecular bonds, TPU has excellent tensile strength, tear strength, abrasion resistance, low temperature resistance, aging resistance, hydrolysis resistance and other excellent properties. It is an environmentally friendly material and has good thermoplasticity. After processing, it can be applied to a wide range of products. The products it is applied to also have excellent properties such as waterproof, breathable, windproof, coldproof, antibacterial and anti-ultraviolet, making it a new type of rapidly developing technology. Material. In addition, TPU has both the high elasticity of traditional rubber materials and the high mechanical properties of plastic materials, supplemented by physical properties such as tear resistance, wear resistance, oil resistance and brittleness resistance, which make TPU's performance in product applications better than traditional materials. It is more excellent and gradually replaces traditional rubber and PVC materials. The application types of TPU are mainly films and molded components. TPU film products are obtained by rolling TPU particles through processes such as calendaring and film blowing. They are processed on fabrics or shoe materials and can achieve good waterproof and breathable effects; molded components, is mainly used to replace traditional plastic or rubber materials, such as waterproof and airtight strips of industrial machinery. In addition, because of its biocompatibility, it is non-toxic and less likely to cause allergic reactions than other plastic materials, so it is also used in Gradually growing in the medical market.

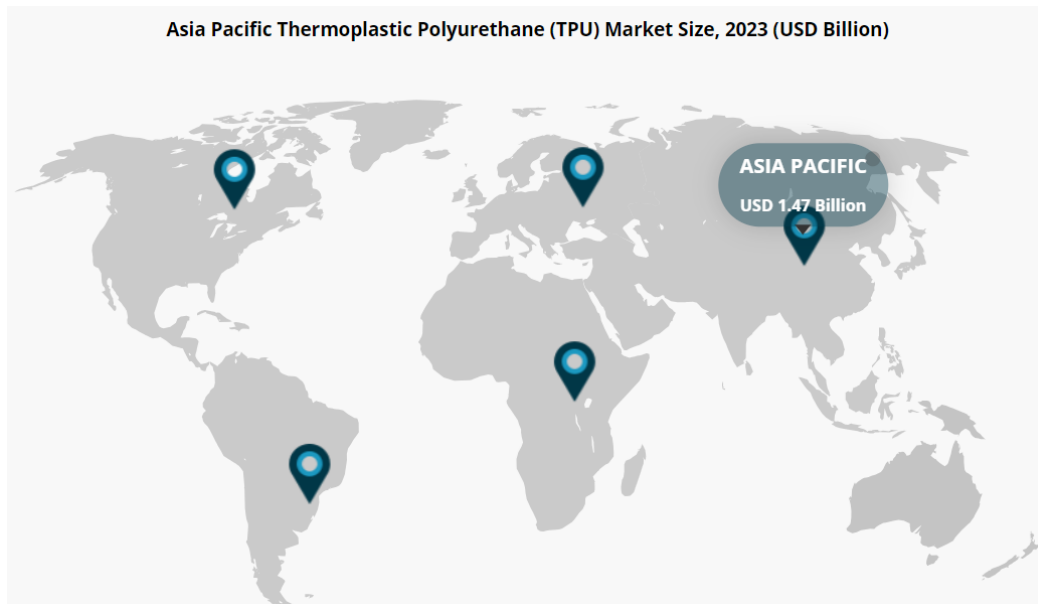
Thermoplastic Polyurethane (TPU) Market

Market Size in USD Billion
CAGR 6.86%



DATA : Mordor Intelligence

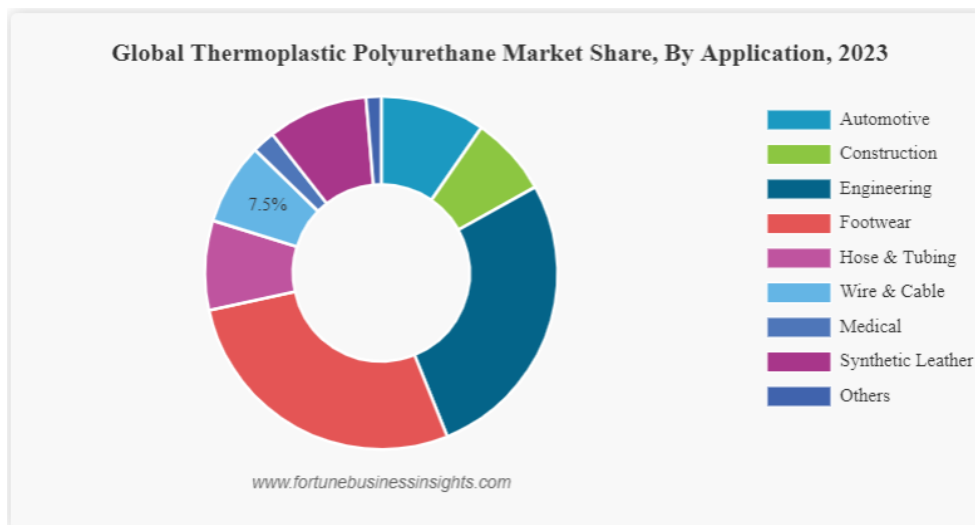
The Mordor Intelligence market analysis report pointed out that the TPU market size in 2024 is estimated to be US\$2.86 billion, and is expected to reach US\$3.99 billion in 2029, with a compound growth rate of 6.86%. TPU film has the basic properties of other plastic materials and rubber, making it widely used in the fields of footwear and clothing. Most of the global footwear production is concentrated in the Asia-Pacific region. According to Fortune Business Insights, the Asia-Pacific market size will reach US\$1.47 billion in 2023. As the demand for footwear and consumer goods markets increases and the manufacturing industry continues to improve the application technology of TPU, it is expected that in the future Demand for TPU will grow significantly within 5 years.



DATA : Fortune Business Insights

The main suppliers of TPU are major international manufacturers, such as BASF (Germany), Lubrizol (US), Covestro (Germany), Huntsman (US), Wanhua Chemical (China), Polyfilm (US), Epaflex (Italy), Coim Group (Italy), Mitsui Chemicals (Japan) and Avient (US), etc., after processing, TPU raw materials are used in a wide range of applications, including automotive interiors and parts, film products for the garment and shoe industry, outdoor

waterproof and airtight products, industrial use Sealing components, durable textile coatings, durable products for sports and leisure, industrial or furniture pipes, medical dressings or containers, etc.



DATA : Fortune Business Insights

Among TPU applications, the ones most closely related to the general public are shoes and clothing products. TPU film has good waterproof properties and can absorb water and moisture through its "hydrophilic base" and then use diffusion and convection methods. It is discharged to the outer layer of clothing to achieve moisture permeability. This waterproof and breathable property provides the wearer with a good and comfortable experience. Therefore, it has become a good material for functional clothing and is widely used in sports equipment or outdoor clothing and shoes such as mountaineering and hiking.

According to a report by the Textile Association and Maximize Market Research, the global functional apparel market will reach US\$294.7 billion in 2022 and is expected to expand to US\$492.86 billion in 2029, with a compound annual growth rate (CAGR) of 7.62%. The design of clothing focuses on functionality and must have moisture wicking properties, heat insulation, and UV protection. North America dominates the global functional apparel market, with a market value of US\$116.52 billion in 2022, followed by the European market and the Asia-Pacific market. The market competition for functional apparel is fierce. Major brands are constantly innovating and actively developing new and improved products. Due to the increase in the incidence of work-related health conditions such as stress and obesity, people are paying more and more attention to fitness and health care concepts. In addition, middle-class consumers can As disposable income increases, outdoor activities such as hiking, camping, fishing and cycling have become popular. Various factors have driven the rapid growth of demand for functional clothing.

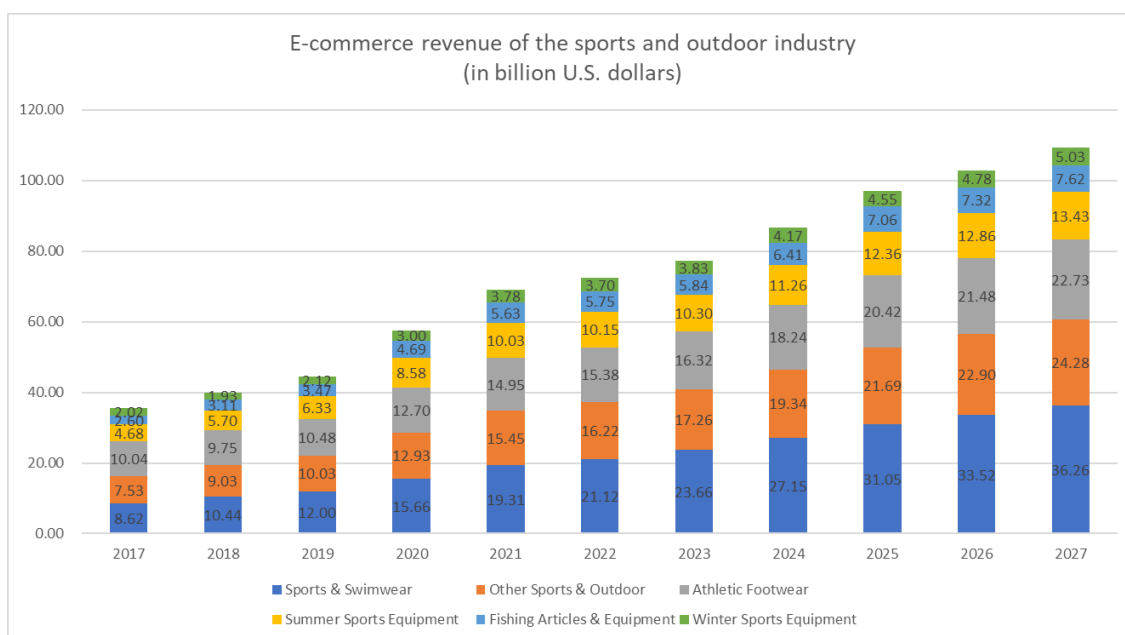


The company is a secondary and tertiary processing plant for TPU products. Hereby we describe its main application areas:

(1) Outdoor

With the development of science and technology and urbanization, outdoor activities have become an emerging sports trend, including camping, fishing, hunting, cross-country, snow activities and water sports. Related services and supplies are becoming more professional and refined, making it a major emerging industry. According to statistics from the Outdoor Industry Association, outdoor leisure activities in the United States drive more than US\$800 billion in consumer spending every year. The increase in people's leisure expenditures and changes in leisure habits have led to an increase in participation in outdoor activities. Among them, camping activities have the highest expenditure, driving the growth of the camping equipment industry. According to Lucintel, an international market research agency, the aging of the population and the retirement wave will also drive the popularity of camping activities. In addition, with the advancement of technology, transportation and information flow are facilitated, making camping activities easier and safer.

The global demand for outdoor and sporting goods is increasing year by year, and it has become a new lifestyle habit, driving the output value of outdoor and sporting goods to increase year by year. The American Camping Association (Kampgrounds of America) predicts that the number of new camping families in the United States in 2022 About 500 households, a year-on-year growth of about 7.6%; the main consumer groups are young generations and middle- and high-income families. In addition, with the rise of the e-commerce market, according to statistics agency Statista, the U.S. outdoor sporting goods market will reach 109.35 billion in 2027



In terms of outdoor products and equipment, major brands continue to improve product performance and specifications to provide consumers with a comfortable experience, including waterproof and windproof clothing, mountain boots, tents, sleeping bags, mattresses, dining utensils, gas stoves, lighting equipment, Various related products such as cold storage appliances and thermal insulation bags. Among them, products such as inflatable camping sleeping pads, cooler bags and waterproof backpacks that emphasize waterproof, antibacterial and anti-fouling properties are the areas where air-tight TPU functional fabrics focus, replacing traditional PVC or rubber materials.

(2)Medical

The biotechnology industry white paper points out that global economic activities will gradually recover in 2022, and the demand in the non-emergency or routine surgical medical market that was previously affected by the epidemic has basically returned to normal. In 2022, product sales in various regions will be greatly affected by inflation, geopolitical conflicts, etc. However, compared to consumer products, medical equipment products are mostly in rigid demand. With the medical cost burden and disability issues brought about by global aging and chronic diseases, countries have begun to gradually introduce digital technology to integrate medical and digital technology. The combination will promote the growth of the global medical equipment market.

According to a research report by BMI Research, the global medical equipment market size will be 483.27 billion yuan in 2022, an increase of 6.4% from 2021. It is expected to grow to 589.68 billion US dollars in 2025, with a compound growth rate of approximately 6.7% from 2021 to 2025. In 2022, the global medical device regional market will still be dominated by the American market, accounting for 51.7% of the global market; followed by the Western European market and the Asia-Pacific market, accounting for 23.5% and 18.2% of the global market respectively. Overall, the ranking order of each regional market will not change much in the future. The Americas, Western Europe and the Asia-Pacific region will still rank among the top three markets, but their proportions may increase or decrease slightly, as shown in the figure below.

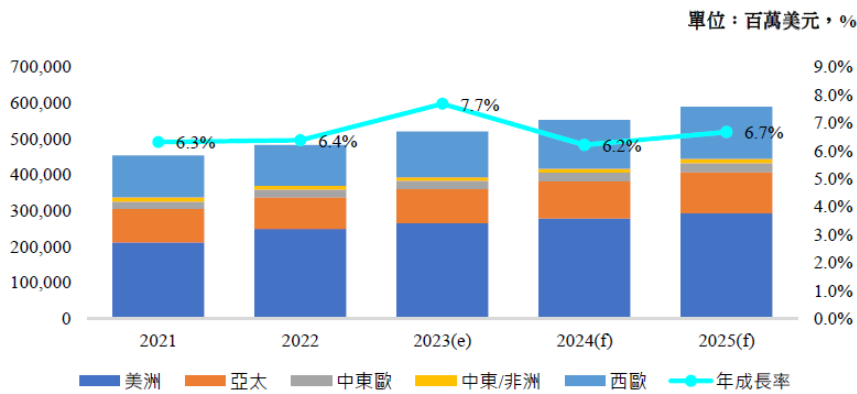
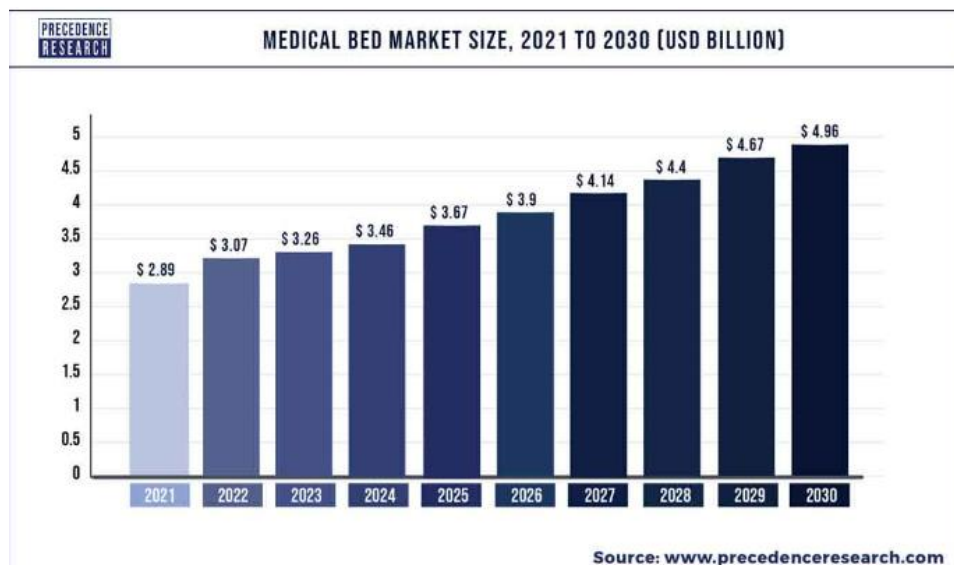


圖 2-2 全球醫療器材市場規模分布

資料來源：BMI，2023 年；財團法人工業技術研究院產業科技國際策略發展所，2023 年 5 月。

DATA：Domestic Biotechnology Industry White Paper in 2023

According to Precedence Research's research estimates on the medical mattress market, the global medical bed market size is estimated to be US\$3.07 billion in 2022, and is expected to reach US\$4.96 billion in 2030, with a compound annual growth rate of 6.19%. The rising incidence of hospitalizations and medical emergencies worldwide has prompted countries around the world to pay attention to investment in medical infrastructure. The elderly population suffering from chronic diseases is increasing year by year, and the improvement of ICU bed technology are the main factors driving the growth of the medical mattress market.



DATA：Precedence Research

Fabric used in medical consumables such as stretchers, transport beds and mattresses must be antibacterial and easy to clean. In order to prevent blood and other body fluids from contaminating surrounding equipment, some products have high requirements for waterproofing, so the cloths used are mostly made of plastic materials. Processing, the medical bed TPU upper and lower covers and pipes sold by our company fall into this category and must have a high degree of safety.

(3)Aviation

Aviation supplies are mainly used in water activities, including life rafts and life jackets. The latter is especially the most important application. In order to maintain the good operation of life jackets, there are high requirements for waterproof, friction resistance

and tear resistance. Therefore, in addition to traditional PVC or rubber coatings, TPU materials are also gradually emerging. In recent years, water sports have shown an increasing trend year by year. Due to safety considerations, the demand for life jackets has increased, and product specifications have continued to improve. According to a Technavio research report, the size of the life jacket market will increase by US\$1.097 billion from 2022 to 2027, with a CAGR of 7.02%, of which the Asia-Pacific region will contribute 32% of the growth.



DATA : Technavio

Overall, the development of China's plasticizing industry is mature. Nowadays, process design, material application, appearance, etc. are becoming increasingly mature, driving the related functional fabric ecological chain derived from plasticized materials, and China is a functional fabrics center. , has a fairly complete supply system, so the company has good technology and abundant resources in the design and manufacturing of functional fabrics. However, neighboring countries, with their advantages of low cost and trade procurement, compete with our manufacturers for exports. Although it has brought impact, China's suppliers and major international brands have formed a close cooperation system over the years, and China still plays a pivotal role in the global supply chain.

2.Relationship with Up-, Middle- and Downstream Companies

The main raw materials of the upstream industry to which the company belongs are TPU particles, raw fabrics, pastes for laminating and other various additives. Therefore, the price of raw materials for the petrochemical industry in the upstream industry of the company is affected by international oil prices and international raw material supply and demand market conditions. The company belongs to the midstream of the TPU industry. Through various downstream processing procedures, the terminal market is applied to various outdoor products, medical applications, life-saving protection and other products.

3.Product Trends and Competition

(1)Product Trends

At present, TPU functional fabrics have three major development directions, namely lightweight, antibacterial and anti-fouling, and high pressure resistance.

A.Lightweight

One major application area of TPU functional fabrics is outdoor products. Products used include inflatable sleeping pads, waterproof insulation bags, waterproof backpacks, etc., to provide users with a good experience during outdoor sports. With the characteristics of sturdiness and durability, they are actively lightweighting.

B.Antibacterial

In the medical field, surgical gowns, bedclothes for sickbeds, and bedclothes for medical beds need to have the characteristics of preventing bacteria from breeding and can quickly and completely clean blood stains or patient body fluids. Therefore, the fabrics used must have antibacterial and antifouling properties, and TPU functionality In order to have a place in the medical field, fabrics are actively developing anti-static and anti-bacterial functions.

C.High pressure resistance

A large number of plastic materials are currently used in the industrial field, such as PVC, LDPE, natural rubber and neoprene. The materials used need to have high environmental resistance, such as high and low temperature, high pressure, abrasion resistance and tear resistance; All life-saving appliances must have good air-tightness to prevent air leakage, and have pressure resistance to maintain the good function of the underwater life-saving equipment. Compared with the traditional plastic and rubber materials on the market, TPU has more excellent characteristics, so TPU is actively promoted as an alternative material.

As mentioned above, TPU functional fabric is a material with multiple properties, which can be changed according to the different products used. It has good resistance characteristics and excellent waterproof and air-tightness. With the rise of lightweight issues, and manufacturers in recent years Actively develop various application fields, making TPU functional fabrics emerge in the market.

(2)Product Competition

In terms of market competition, traditional TPU film manufacturers mostly focus on blown film technology, or in order to save equipment costs, they purchase assembled laminating machines. The film produced is prone to uneven thickness, which can easily cause the finished product to be laminated. There is a problem of uneven thickness, so most of them are used in shoes or garments with lower requirements. In order to strengthen the company's competitiveness, the company currently constructs two coating production lines and all machinery and equipment are imported from abroad. The precision of the film thickness produced by the company is higher than that of the industry, so that the company's highly demanded products are deeply favored by customers. Through the frequent interaction with customers, the company can grasp the pulse of the industry earlier, which is relatively comparable to the industry. Get an earlier time for layout to seize market opportunities, instead of price competition with peers in the Red Sea. In addition, the company has both secondary processing and tertiary processing production lines, which can immediately solve customer problems.

(三)Research and Development

Please refer to page 56 of the Chinese annual report.

(1)The technical level and research development

The company is a manufacturer specializing in the application of thermoplastic polyurethane (TPU). It is a supplier with both secondary and tertiary processing R&D technology and mass production capabilities. As for the secondary processing production system, the main system is to follow the accumulated production experience and standard operating procedures in the past, use the difference in physical and chemical properties of TPU, and produce high moisture permeability through processing processes such as pasting, coating and embossing. The functional fabrics with superior characteristics, such as water resistance, high ductility, low temperature resistance, impact resistance, and bending resistance. The research and development focus of secondary processing is mainly on the adjustment of paste formulations, the development of advanced coating technology and other supporting production technologies in response to product needs. . The three-processing production system is based on the needs of the end customer. The TPU functional fabric is cut, high-frequency and stitched to produce TPU finished products or components, which are delivered to customers for sale or subsequent assembly and finished products; its The scope of application is expanded to various levels such as outdoor, medical, lifesaving, industrial applications and others. The focus of research and development is mainly on product design, production technology improvement and process improvement.

(2)Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years

UUnit : NT\$ thousands

Year Item	2022	2023
R & D Expenses	48,937	58,922
Revenue,net	2,589,138	2,564,771
%	1.89%	2.30%

(3)Research and Development Achievements of the CRI in the Past Two Years

- A.Overview of Product Development
- B.Overview of Research Achievement
- C.Research Scope
- D.Other R&D Related Projects
- E.Ongoing Projects
- F.Launch Date
- G.Key Success Factors

(四)Long-term and Short-term Development

Please refer to page 59 of the Chinese annual report.

1.Short-term Development :

(1)Marketing strategy

By actively watching exhibitions, participating in exhibitions and increasing the frequency of visits to existing customers, we will deeply cultivate the market in which our customers belong. In addition to developing potential customers, we will expand our business through existing customer bases and expand related products to new customer bases.

(2)Production, R&D and product development direction

Through the customer's introduction of the diverse aspects of its products to understand customer needs, and transform the customer's needs into development projects that can generate revenue. In addition, the existing skilled product lines and production equipment are applied to facilitate the rapid acquisition of new customer groups.

(3)Operation management policy

The company's engineering, quality assurance, and production units are organized into a cross-functional task force to assist customers in their needs and transfer them to new product development projects. And 30% of R&D resources will be used to develop new business opportunities, whether it is functional leather fabrics, films and finished component products.

2.Long-term Development

(1)Marketing strategy

Integrate existing sales product channels, strengthen operation management and customer service, and expand the business scope to the global market.

(2)Production, R&D and product development direction

Based on the airtight and waterproof characteristics of TPU after processing, we continue to develop new products and optimize the manufacturing process to increase and expand the relevant sales product portfolio in the global market.

(3)Operation management policy

In accordance with the increase of existing customer base and new business, the establishment of overseas bases and vertical integration of industries will be carried out in a timely manner to improve production efficiency and reduce costs.

二、Market and Sales Overview

(一)Market Analysis

1.Sales Region

Unit ; NT\$ thousands ; %

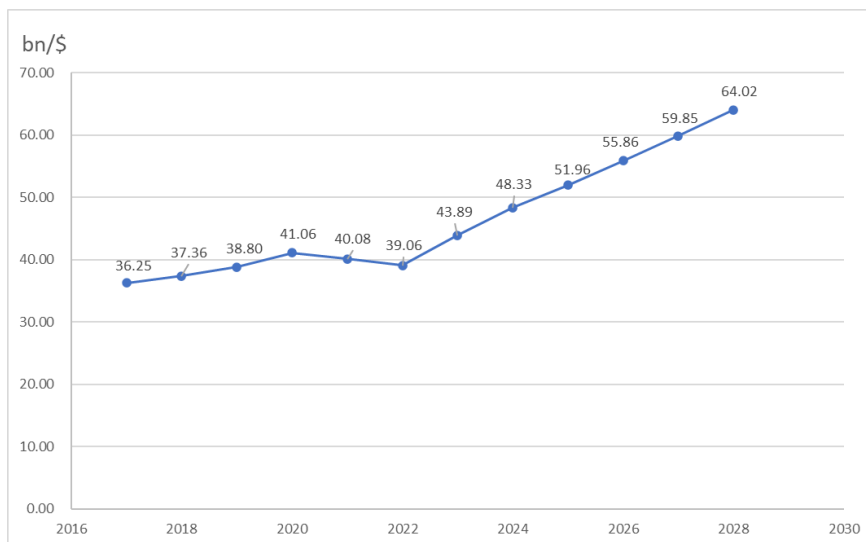
Year Area		2022		2023	
		Amount	%	Amount	%
Taiwan		112,252	4.34%	76,643	2.99%
Export	Americas	950,731	36.72%	945,421	36.86%
	Asia	862,726	33.32%	1,128,287	43.99%
	Other Area	663,429	25.61%	414,420	16.17%
	Subtotal	2,476,886	95.66%	2,488,128	97.01%
Total		2,589,138	100.00%	2,564,771	100.00%

2. Market Share

Taiwan's textile industry chain is relatively mature, and it is one of the main international supply bases for functional fabrics. The company mainly produces TPU functional fabrics and has secondary and tertiary processing capabilities. Most of its customers are international brand manufacturers or their foundries. Target the high-end market as a market segment. The company's 2023 annual operating income was NT 2,564,771K, of which more than 90% were exclusively engaged in the export market. Product application areas are mainly divided into:

(1) Outdoor

The outdoor products industry is a sunrise industry that has developed with the rise of people's leisure lifestyle close to nature. It is a branch of the broad sports industry, but it has its own distinctive features in terms of main consumer groups, product functions, application environments and cultural connotations. Outdoor products refer to some equipment needed to participate in various adventure travel and outdoor activities. These equipments include: moisture-proof mats or sleeping pads, tents, backpacks, sleeping bags, cold/warm insulation products, windproof clothing, pants and gloves, mountain boots, cold-proof hats, etc.



DATA : Statista , compiled by Cathay

As people gradually realize the need to protect the environment, the market for camping equipment made of environmentally friendly materials is also growing. According to statistics from the Outdoor Industry Association, an estimated 40.5 million Americans (accounting for 13.7% of the adult population) have gone camping at least once. Statistics on the replacement frequency of camping equipment show that an inflatable camping sleeping pad lasts 2.3 years and a cooler bag lasts 2.3 years. 3.1 years.

frequency of replacing gear

Camping Participants, ages 18+

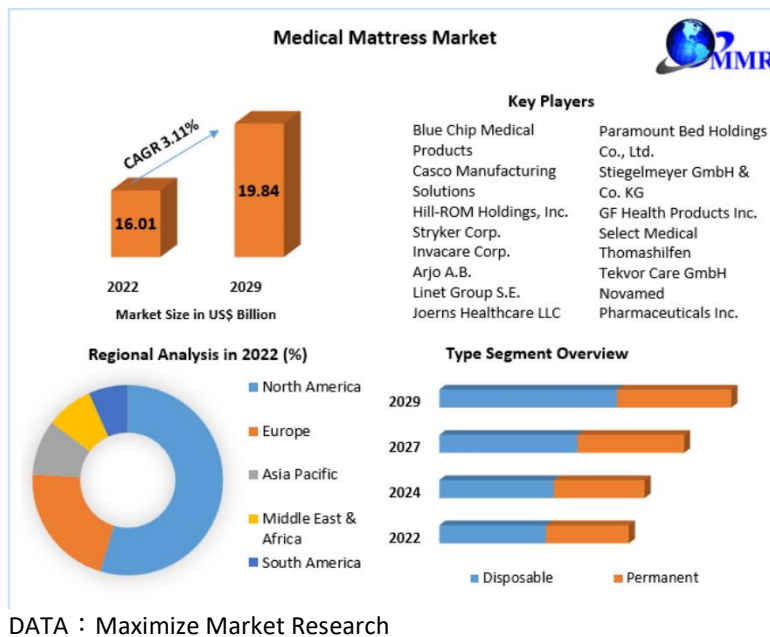
Most Replaced Camping Items	Average # of Years
Coolers	3.1
Tents	3.0
Sleeping bags	2.9
Camping chairs	2.7
Camp stoves	2.5
Canopy or shelters	2.4
Portable outdoor grills	2.4
Flashlights and headlamps	2.4
Airbeds	2.3
Battery lanterns	2.2
Fueled lanterns	1.9

DATA : Outdoor Industry Association

(2)Medical

The company's medical products mainly include various medical-grade inflatable beds, transport beds and stretcher cloths. With the advent of an aging society, pressure ulcers have gradually become a common problem in the treatment process. In addition to turning the patient over, pressure ulcers can be reduced. , waterproof and breathable mattresses also provide patients with a more comfortable care environment. The treatment process requires home care, which is an indispensable part of the use of air mattresses. Pressure ulcers that penetrate deep into the skin or subcutaneous layer can be treated with home care, It can be relieved by turning over and covering with wound dressing.

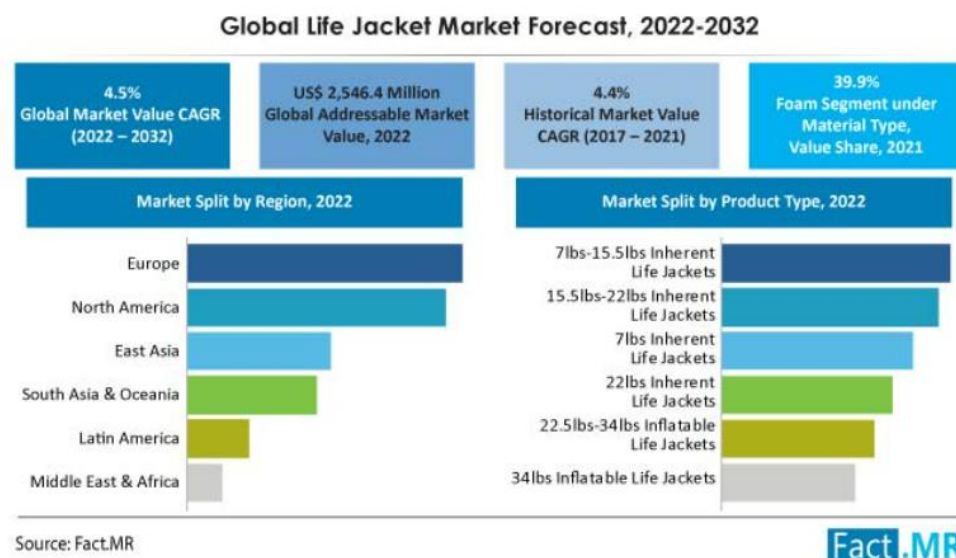
According to Maximize Market Research, the market value of medical-grade hospital beds will be US\$16.01 billion in 2022 and is expected to grow to US\$19.84 billion in 2029, with a compound annual growth rate of 3.11%. Major medical-grade hospital bed manufacturers such as Hill-Rom, Arjo, and Stryker are all customers of our company. Medical-grade hospital beds are widely used in the fields of medical care and sports. Medical-grade mattresses can improve patients' sleep quality, reduce wound friction, and relieve pressure on the back of the body. Developing countries around the world have begun to pay attention to basic medical facilities. The proportion of chronic diseases in the elderly population is gradually increasing, and the demand for medical beds, mattresses, stretchers, etc. in medical institutions is increasing year by year.



(3)Aviation

A.Inflatable life jackets

Inflatable life jackets are functional equipment that allow people to float in the water through automatic inflation. They can be used in dangerous work activities, sports and entertainment activities. Life jackets are not limited to leisure use. Professionals engaged in commercial fishing, offshore oil and gas operations and mining, and maritime transportation need to rely on life jackets as important safety equipment to protect their lives while working; sustainable and environmentally friendly materials are the most popular in the current market. With the increasing attention to the issue, manufacturers continue to improve and innovate the use of environmentally friendly materials in the production of life jackets to solve environmental problems. Combined with these factors, the global demand for life jackets is growing year by year. The company sells life jackets to customers mainly in Europe and North America. According to the Fact MR. research report, the global life jacket market value will grow to US\$3.94 billion in 2032, with a compound annual growth rate of 4.5%.



DATA : Fact.MR

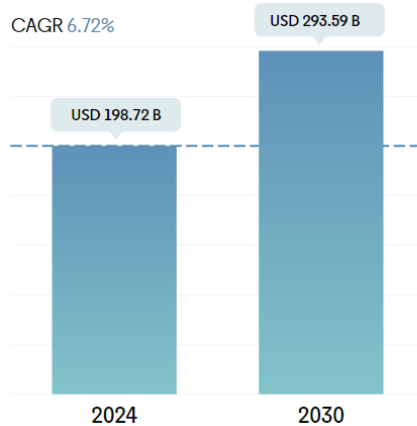
B.Aviation escape slide

According to statistics from Mordor Intelligence, the aviation market is estimated to be worth US\$198.72 billion in 2024 and is expected to grow to US\$293.59 billion in 2030, with a compound annual growth rate of 6.72%. According to Statista statistics, the top 10 aircraft manufacturers in the world in 2023 are as follows, of which Airbus and Boeing are both terminals or direct customers of the company.

Commercial Aviation Market

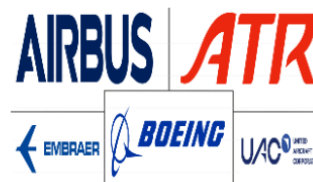
Market Size in USD Billion

CAGR 6.72%



Study Period	2017 - 2030
Market Size (2024)	USD 198.72 Billion
Market Size (2030)	USD 293.59 Billion
Largest Share by Sub Aircraft Type	Passenger Aircraft
CAGR (2024 - 2030)	6.72 %
Largest Share by Region	Asia-Pacific

Major Players



DATA : Mordor Intelligence

Rank	Company	Revenue (in billion USD)	Employees (approximately)
1	Boeing	66.61	140,000
2	Lockheed Martin	65.98	116,000
3	Airbus	61.79	134,000
4	General Dynamics	39.41	106,000
5	Northrop Grumman	36.6	95,000
6	Textron Aviation	12.869	12,000
7	Bombardier	6.9	15,500
8	Dassault	5.969	12,500
9	Embraer	4.5	18,000
10	Daher	1.3	10,500

DATA : Statista , compiled by Cathay

The latest Commercial Market Outlook 2023 released by the American company Boeing predicts that the number of global aircraft will double to 48,600 by 2042. Looking at the next 20 years, Boeing believes that the global aviation market is still developing in a positive direction, including the expected global economic GDP growth of 2.6%, which will drive the fleet to grow by 3.5%, and transportation volume will increase by 6.1%. The overall market demand for commercial passenger aircraft is estimated to be approximately 42,595 aircraft, of which nearly half of the delivered aircraft will be replaced with newer aircraft that are more energy-efficient and fuel-efficient to reduce greenhouse gas emissions. In terms of local differences, the Asia-Pacific region, especially China, will account for more

than 40% of global aircraft demand, followed by North America and Europe. The overall market development focus will gradually shift to the Asia-Pacific region, and aircraft manufacturers will continue to invest in new passenger aircraft of suitable sizes to meet the market need.

3.The future supply and demand situation and growth of the market

Because TPU is a thermoplastic material with a wide range of hardness, it can be used as a soft and hard material, and it is non-toxic, non-polluting, and recyclable. In response to the rising awareness of environmental protection in the world, it has developed rapidly in recent years and has become one of the best materials to replace PVC. The TPU film can be made into a film through the process or the TPU film can be laminated with the pasted fabric, which can be widely used in our daily life.

However, in the early days, because the price of TPU was more than five times higher than that of PVC, only a few high-end medical devices were used. In recent years, the increase in mass production has increased the supply, and the price has gradually fallen below three times that of PVC. In the fields of electronics, medical, aerospace and automotive.

4.Market Analysis of Major Product Categories

(1)Product development advantages

The company has extensive knowledge in the application of functional fabrics. The production technology from raw materials to finished products has been accumulated over many years and has been quenched by major international factory customers. The company interacts closely with customers during the development process and has on-site engineering expertise and technical support. This enables the company to provide products that meet customer needs and have stable quality, gaining the trust of customers.

(2)Production capacity advantage

Compared with competitors, the company has two sets of imported laminating equipment, as well as secondary processing and tertiary processing production lines, which can shorten the production cycle from raw materials to finished products. The production capacity it possesses is higher than that of its competitors. Advantage.

(3)R&D technical advantages

Our engineering staff has in-depth material science knowledge and the ability to convert customer concepts and drawings into mass-produced modules, allowing them to quickly provide customer product solutions, thereby stimulating potential new business opportunities.

(4)Management team with rich background

The company interacts closely with customers to grasp customer needs in real time. When customers have needs, we assign project personnel to start, plan, and execute the project, control and integrate the team's work, and proactively propose feasible solutions to complete customer needs within the specified time. needs.

5.Favorable and Unfavorable Factors in the Long Term

(1)Favorable Factors

- A.Accumulated R&D energy and strong technical strength over the years
- B.Flexible customized mass production capacity
- C.The accumulation of strong production experience has led to superior cost control

and quality control capabilities

D.Years of cultivating niche markets to accumulate a broad brand customer base

E.Product application categories are increasing year by year

(2)Unfavorable Factors

A.The development period of new applications is longer

B.Compared with the world's major manufacturers, because of their more resources, they will win customers with a preferential package sales strategy. The company is currently small in scale, unable to propose the same conditions, and has less negotiation chips

(3)Countermeasures

A.Maintain good communication with customers and arrange the development of new application products in advance to shorten the development timeline

B.Research and develop new products first, so that customers can continue research and development based on new products, so as to improve customers' willingness to open a case

(二)Production Procedures of Main Products

1.Major Products and Their Main Uses

The company is mainly engaged in the development and production of environmentally friendly material TPU (Thermoplastic Urethane, thermoplastic polyurethane elastomer) functional fabrics and their processed products. TPU products have a wide range of applications. The company is currently mainly engaged in outdoor, medical, life-saving and industrial applications. The field is the main axis, and other fields are actively developed.

Main Uses	Major Products			
	Outdoor	Medical	Aviation	Industrial
Inflatable	✓	✓	✓	✓
High frequency welding possible	✓	✓	✓	✓
Can be hot-melt bonded	✓	✓	✓	
Antibacterial and mildew proof	✓	✓	✓	
Biocompatibility	✓	✓		✓
Velcro	✓	✓		✓
Water repellent	✓	✓	✓	
UV resistant	✓			
Resistant to twists and turns	✓	✓	✓	✓
Wear resistance	✓	✓	✓	✓
Water pressure resistance	✓		✓	✓
Flame retardant	✓		✓	✓
High moisture permeability		✓		
low noise				✓
Elastic materials				✓
Oil resistant				✓

2.Major Products and Their Production Processes

(三)Supply Status of Main Materials

The company's main raw materials are TPU particles, original fabrics, pastes and bridging agents. The company's main suppliers are long-term cooperative manufacturers, and maintain a good and stable cooperative relationship with suppliers, and diversify sources to ensure the stability of supply.

(四)Major Suppliers and Clients

Please refer to page 67 of the Chinese annual report.

1.Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands ; %

Item	2022				2023				2024(End of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	260,242	21.08%	-	A	348,360	25.18%	-	A	68,276	20.73%	-
2	B	146,588	11.87%	-	B	113,775	8.23%	-	B	33,458	10.16%	-
3	C	130,826	10.59%	-	C	153,917	11.13%	-	C	26,546	8.06%	-
4	Others	696,903	56.46%	-	Others	767,208	55.46%	-	Others	201,122	61.06%	-
	Net Total Supplies	1,234,559	100.00%		Net Total Supplies	1,383,260	100.00%		Net Total Supplies	329,402	100.00%	

Reason for change:

The company's main procurement items are TPU rubber particles and fabrics. In 2022, the global supply and demand of raw materials gradually returned to normal. The company's inventory safety stock level was lowered, and many alternative suppliers were found to reduce raw material costs. Therefore, the overall net purchase amount decreased compared with 2022.

2.Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands ; %

Item	2022				2022				2024(End of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	a	348,546	13.46%	-	a	459,377	16.14%	-	a	121,120	19.76%	-
2	b	187,775	7.25%	-	b	349,417	12.27%	-	b	53,380	8.71%	-
	Others	2,052,817	79.29%	-	Others	2,037,970	71.59%	-	Others	438,501	71.54%	-
	Net Sales	2,589,138	100.00%		Net Sales	2,846,764	100.00%		Net Sales	613,001	100.00%	

Reason for change:

Company a and b adjusted their inventory plan in response to the client, and some orders were delayed for shipment, so the sales amount decreased slightly.

(五) Production in the Last Two Years

1. Production value for the last two years

Unit: NT\$ thousands

Year Output Major Products	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Functional fabric (thousands Y)	14,573	16,146	1,765,430	14,573	11,836	1,525,627
Finished products and components						
Camping mattress(PCS)	486,000	376,933	371,080	486,000	229,349	259,654
Medical mattress(PCS)		94,644	137,689		77,032	122,355
Bladder(PCS)	3,600,000	1,275,780	105,859	360,000	984,860	81,719
Oyhers(PCS)		1,573,402	121,215		1,122,818	140,427
Total	-	-	2,380,058	-	-	1,989,355

Explanation of the reasons for the increase or decrease:

In 2022, the positioning of the new factory and new machine of the finished component business group was completed, and the production capacity was expanded in response to new orders from customers.

2. Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Year Sales Major Products	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Outdoor	-	34,573	-	1,398,639	-	22,162	-	1,488,018
Medical	-	46,142	-	543,591	-	10,766	-	516,324
Aviation	-	10,213	-	366,051	-	9,335	-	324,257
Military	-	21,324	-	168,605	-	34,380	-	159,529
Total	-	112,252	-	2,476,886	-	76,643	-	2,488,128

Note: The products are not listed here because of the different pricing units.

Explanation of the reasons for the increase or decrease:

In 2022, aviation products passed customer certification and were mass-produced and shipped; medical products went through a year of destocking, and the order volume returned to normal in 2022. Due to the injection of new customer orders for outdoor products, the overall sales amount in 2022 increase from 2021years.

(六)Human Resources

Year		2022	2023	2024 (End of March 31)
Number of Employees	Direct	230	224	230
	Indirect	148	146	140
	Total	378	370	370
Average Age		39.4	39.8	40
Average Years of Service		4.8	5.6	5.6
Education %	Masters	4.23%	5.14%	4.59%
	Bachelor's Degree	28.31%	33.78%	33.51%
	Senior High School	50.79%	49.73%	50.54%
	Below Senior High School	16.67%	11.35%	11.36%

三、Environmental Protection Expenditure

(一)Total Losses and Penalties

None

四、Labor Relations

Please refer to page 85 of the Chinese annual report.

五、Information security management

(一)The company's information security risk management structure, information security policies, specific management plans, and resources invested in information security management:

- 1.Information security risk management structure: The company has an information unit under the administrative department of the logistics management group, which is responsible for the planning of the company's internal information system and computer equipment and the risk management of the company's information security.
- 2.Information Security Policy: The company's internal control system has established relevant management and control of electronic data processing cycles, and the company network has also set up a firewall to isolate external infringement. Authorized software, and set to keep updating the virus pattern and sweeping the virus to avoid virus intrusion.
- 3.Specific management plan: In accordance with the management cycle mechanism of planning, execution, inspection and action (Plan-Do-Check-Act, PDCA), the information personnel review the applicability of information security policies and the continuous improvement of protection measures, implement supervision, Audits ensure the continuous effectiveness of information security norms; when employees violate relevant norms and procedures, they will be dealt with in accordance with the information security violation handling process, and personnel sanctions will be imposed according to the violations (including employee performance appraisals for the year or necessary legal actions); in addition, Based on performance indicators and maturity evaluation results, regular review and implementation of improvement measures including information security measures, education and training, and publicity will ensure that the company's important and confidential information will not be leaked.
- 4.Resources for information security management: The company currently has two information

personnel responsible for the company's information security management, and the enterprise information security risk management will continue to improve the structure.

- (二) List the losses suffered due to major information security incidents in the most recent year and as of the date of publication of the annual report, the possible impacts and countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.

None

六、Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Plant structure contract	Chi-Fu construction co., ltd.	From 2022.2 to completion	the Phase II plant	None
Equipment purchase contract	Davis-Standard LLC	From 2021.11 to delivery	T-Die3	None
Long-term loans	Chang Hwa Bank	2021.10.22 ~2036.10.21	Land	None
Long-term loans	Chang Hwa Bank	2020.7.13~2030.6.15	Property, plant	None
Long-term loans	Chang Hwa Bank	2020.8.7~2030.6.15	Property, plant	None
Long-term loans	Chang Hwa Bank	2020.11.18~2030.6.15	Property, plant	None
Long-term loans	Chang Hwa Bank	2020.12.8~2030.6.15	Property, plant	None
Long-term loans	Chang Hwa Bank	2021.4.29 ~2030.6.15	Property, plant	None
Long-term loans	Chang Hwa Bank	2023.4.17 ~2033.4.15	Working Capital	None
Long-term loans	Chang Hwa Bank	2021.4.29 ~2028.4.15	Working Capital	None
Long-term loans	Chang Hwa Bank	2022.12.5~2027.11.15	Working Capital	None
Long-term loans	Chang Hwa Bank	2021.4.29 ~2028.4.15	Working Capital	None
Long-term loans	Chang Hwa Bank	2021.11.12 ~2028.4.15	Machinery	None
Long-term loans	Chang Hwa Bank	2022.6.2~2029.5.15	Machinery	
Long-term loans	Hua Nan Commercial Bank, Ltd.	2022.6.24~2029.6.15	Machinery	
Long-term loans	Hua Nan Commercial Bank, Ltd.	2023.11.29~2029.6.15	Machinery	

VI. Financial Information

— 、Five-Year Financial Summary

(一) Balance Sheet -- Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years (Note 1)					
		2019	2020	2021	2022	2023	2024(End of March 31)
Current assets		849,447	1,174,676	1,498,076	1,889,390	1,987,854	2,124,132
Property, Plant and Equipment		626,955	750,592	829,730	1,023,142	1,202,714	1,224,742
Intangible assets		549	1,093	800	762	904	859
Other assets		41,222	48,901	73,789	72,783	59,544	53,463
Total assets		1,518,173	1,975,262	2,402,395	2,986,077	3,251,016	3,403,196
Current liabilities	Before distribution	447,104	297,110	524,668	534,107	570,767	944,766
	After distribution	602,017	466,723	728,204	914,117	927,491	undistribution
Non-current liabilities		134,709	219,216	322,184	445,658	436,800	441,937
Total liabilities	Before distribution	581,813	516,326	846,852	979,765	1,007,567	1,386,703
	After distribution	736,726	685,939	1,050,388	1,359,775	1,364,291	undistribution
Equity attributable to shareholders of the parent		936,360	1,458,936	1,555,543	2,006,312	2,243,449	2,016,493
Capital stock		594,653	678,453	678,453	703,722	713,565	713,448
Capital surplus		19,904	417,366	417,366	592,721	646,481	645,809
Retained earnings	Before distribution	321,803	363,117	459,724	755,702	905,576	673,274
	After distribution	166,890	193,504	256,188	375,692	548,852	undistribution
Other equity interest		-	-	-	(45,833)	(22,173)	(16,038)
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	936,360	1,458,936	1,555,543	2,006,312	2,243,449	2,016,493
	After distribution	781,447	1,289,323	1,352,007	1,626,302	1,886,725	undistribution

Note 1: The Company has applied the International Financial Reporting Standards for the first time since 2019, and the financial information of each year mentioned above is verified by an accountant.

Note 2: The Company has no subsidiaries, so there is no requirement for the preparation of consolidated statements.

(二)Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note 1)					
	2019	2020	2021	2022	2023	2024(End of March 31)
Revenue	1,442,715	1,531,351	2,068,395	2,589,138	2,564,771	613,001
Gross profit	358,254	390,503	485,812	750,870	833,494	173,671
Income from operations	220,614	249,768	316,010	552,397	615,362	122,020
Non-operating income and expenses	4,607	(1,422)	11,487	62,331	40,676	33,477
Income before tax	225,221	248,346	327,497	614,728	656,038	155,497
	-	-	-	-	-	-
Net income (Loss)	180,523	196,227	266,220	499,514	529,789	124,361
Other comprehensive income (income after tax)	-	-	-	-	-	-
Total comprehensive income	180,523	196,227	266,220	499,514	529,789	124,361
Net income attributable to shareholders of the parent	180,523	196,227	266,220	499,514	529,789	124,361
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	180,523	196,227	266,220	499,514	529,789	124,361
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	3.08	3.15	3.92	7.34	7.52	1.75

Note 1: The Company has applied the International Financial Reporting Standards for the first time since 2018, and the financial information of each year mentioned above is verified by an accountant.

Note 2: The Company has no subsidiaries, so there is no requirement for the preparation of consolidated statements.

(三)Auditors' Opinions from 2016 to 2020

1.The name and audit opinion of the visa accountant in the most recent year

Year	Accounting Firm	CPA	Audit Opinion
2019	Ernst & Young CPA firm	James. C. Huang Andrew Fuh	Unqualified opinion
2020	Ernst & Young CPA firm	James. C. Huang Andrew Fuh	Unqualified opinion
2021	Ernst & Young CPA firm	James. C. Huang Andrew Fuh	Unqualified opinion
2022	Ernst & Young CPA firm	Steven Chang Andrew Fuh	Unqualified opinion
2023	Ernst & Young CPA firm	Steven Chang Andrew Fuh	Unqualified opinion

2.If there is any change of accountant in the last five years, the company, previous and successor accountants should list the reasons for the change:

In 2021, due to the internal operation adjustment of the accounting firm, the accountant was replaced.

二、Five-Year Financial Analysis

(一) Financial Analysis – Based on IFRS

<div>Year</div> <div>Item</div>		Financial Analysis for the Last Five Years					2024 (End of March 31)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	38.32	26.14	35.25	32.81	30.99	40.75
	Ratio of long-term capital to property, plant and equipment	170.84	223.58	226.31	239.65	222.85	200.73
Solvency (%)	Current ratio	189.99	395.37	285.53	353.75	348.28	224.83
	Quick ratio	78.73	221.61	120.96	206.56	190.49	125.51
	Interest earned ratio (times)	39.82	67.41	124.16	97.02	238.35	175.91
Operating performance	Accounts receivable turnover (times)	6.43	7.37	7.31	6.84	5.85	4.96
	Average collection period	57	49	50	53	62	74
	Inventory turnover (times)	2.19	2.39	2.45	2.37	2.16	2.00
	Accounts payable turnover (times)	8.76	7.44	6.56	7.32	7.49	6.27
	Average days in sales	167	153	149	154	169	182
	Property, plant and equipment turnover (times)	2.51	2.22	2.62	2.79	2.30	2.02
	Total assets turnover (times)	1.02	0.88	0.94	0.96	0.82	0.74
Profitability	Return on total assets (%)	13.11	11.44	12.25	18.73	17.06	15.04
	Return on stockholders' equity (%)	21.19	16.38	17.66	28.05	24.93	23.35
	Pre-tax income to paid-in capital (%)	37.87	36.60	48.27	87.35	91.94	87.18
	Profit ratio (%)	12.51	12.81	12.87	19.29	20.66	20.29
	Earnings per share (NT\$)	3.08	3.15	3.92	7.34	7.52	1.75
Cash flow	Cash flow ratio (%)	80.30	110.05	5.84	113.67	92.84	9.83
	Cash flow adequacy ratio (%)	66.42	64.08	58.76	80.26	76.98	70.02
	Cash reinvestment ratio (%)	21.56	8.24	(5.98)	13.69	4.60	3.03
Leverage	Operating leverage	1.83	1.77	1.69	1.46	1.46	1.53
	Financial leverage	1.03	1.02	1.01	1.01	1.00	1.01

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Increase in current ratio and quick ratio: mainly due to the issuance of convertible corporate bonds, and the increase in cash and equivalent cash.
2. Decrease in interest coverage ratio: mainly due to increase in borrowings and issuance of corporate bonds, resulting in increase in interest expenses.
3. Increase in return on assets, return on equity, pre-tax net profit to paid-in capital ratio, and net profit ratio: mainly due to revenue growth, which increases pre-tax and after-tax net profit.
4. Increases in cash flow ratios, cash flow allowance ratios and cash reinvestment ratios: mainly due to the decrease in inventories and the increase in net cash inflows from operating activities.

Note 1: The Company has applied the International Financial Reporting Standards for the first time since 2016, and the financial information of each year mentioned above is verified by an accountant.

三、Supervisors' /Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for allocation of quarterly earnings. The CPA firm of Ernst & Young was retained to audit Cathay's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and quarterly earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to relevant requirements of the Article 14-4 of Securities and Exchange and the Article 219 of Company Law, we hereby submit this report.

Cathay Consolidated, Inc.

Chairman of the Audit Committee:

February 22, 2024

四、Financial Statements for the Years Ended December 31, 2023 and 20212, and Independent Auditors' Report

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

— 、 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	1,987,854	1,889,390	98,464	5.21
Fixed Assets	1,202,714	1,023,142	179,572	17.55
Other Assets	904	762	142	15.71
Total Assets	59,544	72,783	(13,239)	(18.19)
Current Liabilities	3,251,016	2,986,077	264,939	8.87
Long-term Liabilities	570,767	534,107	36,660	6.86
Total Liabilities	436,800	445,658	(8,858)	(1.99)
Capital stock	1,007,567	979,765	27,802	2.84
Capital surplus	713,565	703,722	9,843	1.40
Retained Earnings	646,481	592,721	53,760	9.07
Total retained earnings	905,576	755,702	149,874	19.83
Other equity interest	(22,173)	(45,833)	23,660	51.62
Total Stockholders' Equity	2,243,449	2,006,312	237,137	11.82
<p>Explain the main reasons for major changes in the company's profit and loss in the last two years (changes in the previous and later periods of more than 20%, and the amount of change reaches NT\$10 million), their impact, and future response plans.</p> <p>1. The main reasons and impacts of major changes:</p> <p style="padding-left: 40px;">Increase in other equity: Mainly due to apportion the shares that meet vesting condition of Employee Restricted Stock Awards (RSAs).</p> <p>2. Future response plans for those with significant influence:</p> <p style="padding-left: 40px;">The above changes have no material adverse effects on the company, and there is no major abnormality in the company's overall performance, there should be no need to formulate a response plan.</p>				

二、Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Net Sales	2,564,771	2,589,138	(24,367)	(0.94)
Cost of Sales	1,731,277	1,838,268	(106,991)	(5.82)
Gross Profit	833,494	750,870	82,624	11.00
Operating Expenses	218,132	198,473	19,659	9.91
Operating Income	615,362	552,397	62,965	11.40
Non-operating Income and Expenses	40,676	62,331	(21,655)	(34.74)
Income Before Tax	656,038	614,728	41,310	6.72
Tax Benefit (Expense)	126,249	115,214	11,035	9.58
Net Income	529,789	499,514	30,275	6.06
<p>Explain the main reasons for major changes in the company's profit and loss in the last two years (changes in the previous and later periods of more than 20%, and the amount of change reaches NT\$10 million), their impact, and future response plans.</p> <p>1. Effect of changes on the company's future business: The decrease in non-operating income and expenses was mainly due to exchange rate fluctuations and the strong appreciation of the US dollar.</p> <p>2. Future response plans for those with significant impacts: The above changes have no significant adverse impact on the Company, and there are no major abnormalities in the Company's overall performance, so there is no need to formulate response plans.</p>				

三、Analysis of Cash Flow

(一)Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item	2023	2022	Difference Amount	Difference (%)
Net Cash Flow from Operating Activities	529,902	607,145	(77,243)	(12.72)
Net Cash Flow from Investment Plans	(246,257)	(260,229)	13,972	(5.37)
Net Cash Flow from Financing Plans	(384,366)	101,521	(485,887)	(478.61)
Analysis of change in cash flow in the current year: 1. Operating activities: mainly due to the increase in inventories. 2. Investment activities: Mainly due to the amount of real estate, plant and equipment acquired decreased in 2023, resulting in a decrease in cash expenditure. 3. Fund-raising activities: Mainly due to the distribution of cash dividends and the repayment of bank loans, resulting in cash outflow.				

(二)Remedy for Cash Deficit and Liquidity Analysis : The company has no cases of insufficient liquidity Cash Flow Analysis for the Current Year

(三)Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
599,963	694,961	(361,539)	933,385	Not applicable	Not applicable
1. Analysis of cash flow changes in the next year: (1) Operating Activities: Net cash inflows are expected to be generated mainly from operating profit in the current period. (2) Investment Plans: It is expected to generate net cash outflow, mainly for the acquisition of real estate, plant and equipment. (3) Financing Plans: It is expected to generate net cash outflows, mainly due to the distribution of cash dividends and the repayment of bank loans. 2. Remedial measures and flow analysis of estimated cash shortage: The company's estimated cash outflows in the next year are mainly in response to future operating needs. In addition to being covered by cash inflows from operating activities, when the cash balance is insufficient, it will raise funds or use financing borrowings to cope with it.					

四、Major Capital Expenditure Items

In order to meet the needs of future operations, the company passed the board of directors on February 24, 2022 to build the second phase of a new factory at No. 3, Dexing 1st Rd., Su'ao Township, Yilan County, Longde Industrial Zone, mainly due to the increase in new products and new customer needs. Continued expansion, the current factory area is not enough for use, and the expansion of the factory will benefit the company's overall revenue and profit.

Due to the company's well operating conditions and stable cash inflows from operating activities, the source of funds for major capital expenditures in recent years is mainly from its own working capital, so there is no major impact on the company's finances.

五、Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The company has not reinvested in the most recent year, and there is no reinvestment plan in the coming year.

六、Analysis of Risk Management

(一)Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1.Interest rate

(1)Impact on the company's profit and loss

The company's financing activities all take place in China, and the interest income and expenditure are mainly affected by the fluctuation of domestic interest rates. However, the trend of the one-year fixed deposit interest rate of Bank of Taiwan in the past 10 years has been observed. The domestic interest rate has not fluctuated much in the past five years. The interest expenses in 2022 and 2023 were NT\$ 6,402K and NT\$ 2,764K, which accounted for 0.73%, 0.11%, and 1.04%, 0.42% of the operating income and pre-tax net profit in each year respectively; and the interest income in 2022 and 2023 was NT\$ 1,728K, and NT\$ 7,697K, the percentage of operating income and pre-tax net profit in each year were 0.26%, 0.30%及0.28%, 1.17% respectively. On the whole, the company's interest income and interest expenses account for a small proportion of operating income and pre-tax net profit, so the impact of interest rate changes on the company's profit and loss is still limited.

(2)Specific response measures

The company is based on the principle of prudent and conservative financial management. The financial staff usually keep close contact with the bank to keep abreast of interest rate changes, and regularly evaluate the interest rate of various bank projects, review the impact of changes in financial market interest rates on the company's funds, and adjust the position of idle funds in a timely manner , And adjust response measures at any time in accordance with changes in interest rates.

2.The impact of exchange rate changes on the company's profit and loss and future countermeasures

(1)Impact on the company's profit and loss

The company's main sales income quotes are mostly priced in U.S. dollars, and about 30-40% of the raw materials purchased from abroad are also priced in U.S. dollars. Therefore, some exchange rate risks can be reduced through natural hedging methods. The company's net foreign currency exchange (profit) and loss for the first half of year 2022 and year 2023 were NT\$ 44,968 K and NT\$2,794 K, accounting for (1.59) %, 0.11%, and 7.32%, 0.43%, so the impact of exchange rate fluctuations on the company's profit and loss is still limited.

(2)Specific response measures

In order to cope with the risk of exchange rate changes, the company continues to

strengthen the concept of financial personnel's exchange risk avoidance. Through the online exchange rate real-time system and maintaining close contact with financial institutions, it keeps abreast of the latest exchange rate information and judges the future trend of the exchange rate as an adjustment of foreign currency positions. Based on the reference, and take appropriate response measures to reduce the impact of exchange rate risk.

3.The impact of inflation on the company's profit and loss and future countermeasures

(1)Impact on the company's profit and loss

The company's past profits and losses as of the date of publication of the annual report have not had a significant impact on inflation, so the impact of inflationary pressure on the company's profits and losses should be limited.

(2)Specific response measures

In the future, the company will continue to pay close attention to the fluctuations in the market price of upstream raw materials and maintain good interaction with suppliers. When necessary, we will adopt appropriate price adjustments and stable cost measures to respond to changes in the market environment and reduce inflation for the company's operations. The impact of profit.

(二)Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- 1.Since its establishment, the company has focused on its business operations and adheres to the principle of financial stability and conservatism, and has not engaged in high-risk or high-leverage transactions.
- 2.In the most recent year and as of the publication date of the annual report, the Company has not engaged in high-risk, high-leverage investments, capital loans, or endorsement guarantees from others. Based on operational risk considerations, if it is necessary to carry out fund lending to others or endorsement guarantee operations in the future, it will be handled in accordance with the company's "Making loans to and endorsements to Others Operation Management Procedures" and "Regulations of Guarantee Operation Management Procedures".
- 3.The company's derivatives operations in 2023 were all handled in accordance with the company's " Processing Procedures of Acquisition or Disposal of Assets ".

(三)Future Research & Development Projects and Corresponding Budget

The company is mainly engaged in the manufacturing and sales of outdoor, medical, life-saving, military applications and other functional fabrics and finished components. R&D is an important foundation for the company's development. In addition to continuing to understand the needs of customers, to meet customer high-quality It is expected that in the future, technology and R&D plans will cut into the market with higher added value and move towards a road of diversified products and services, with a view to expanding the market.

1.Future development plan

In order to ensure a high degree of competitive advantage, the company will flexibly adjust the content of its R&D plan at any time in line with its operating strategy and market demand.

2.Research and development direction

The company's future research and development direction is as follows:

- (1) Develop medical transport beds, increase the product line of medical products, and expand existing products and services.
- (2) Develop TPU functional fabrics with different functions to increase the diversity of military products.
- (3) Develop high-end smart home sleep mattresses and vertically integrate existing markets.
- (4) Develop high-end bag materials, respond to the rising awareness of environmental protection, use environmentally friendly recycled raw materials, and respond to the needs of the high-end brand market.

3. Estimated R&D Expenses

The company allocates research and development funds according to the development progress of new products and new technologies, and continuously invests research and development resources to meet the market and meet the needs of customers to ensure the company's competitive advantage. Therefore, the company will appropriately plan and adjust the estimated investment in research and development expenses based on the company's operating conditions and needs.

(四) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The company's management and operation have always followed the relevant domestic and foreign laws and regulations, and paid close attention to important domestic and foreign policy development trends and changes in laws and regulations related to the company's operations, collected relevant information to provide business-level decision-making reference, and solicit professional opinions from lawyers, accountants, etc. Discuss appropriate countermeasures to comply with the requirements of policies and regulations and reduce the impact of the company's financial business. Therefore, the company's financial business has not been affected by important domestic and foreign policy and legal changes in the most recent year and as of the printing date of the annual report.

(五) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The company has an excellent R&D team, perfect research facilities and flexible process adjustment. Through participating in various international exhibitions and collecting business information from various aspects such as business and procurement, we can quickly grasp the pulse of technology and adjust the response in a timely manner, and improve it at the same time. The company's research and development capabilities are used to respond to technological changes in the industry where the company operates and the evolution of technological development. In the most recent year and up to the date of publication of the annual report, the Company has not had any adverse impact on the financial business due to technological changes.

(六) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its establishment, the company has faced customers and shareholders with a pragmatic, stable and responsible attitude, and focused and encouraged employees to participate in social welfare. The company has always been committed to maintaining the company's corporate image. Therefore, in the most recent year and as of the date of

publication of the annual report. The company has no internal and external matters that change the corporate image.

(七)Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans :
None

(八)Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

On February 24, 2022, the company passed the resolution of the board of directors to build the second phase of the new factory at No. 3, Dexing 1st Rd., Su'ao Township, Yilan County, Longde Industrial Zone, the expansion of the second phase of the new factory has been completed in early 2024. In the future, the production capacity of functional fabrics and finished components will be expanded to meet customer delivery dates. The company's expanded factories have been carefully assessed market demand and expanded in line with operational growth. No significant risks.

(九)Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

1.Purchase:

The company's main purchasing raw materials are mainly TPU rubber particles, fabrics, pastes and TPU color particles. The purchase proportions of the top ten suppliers in 2023 and 2022 were 74.67% and 75.12% respectively, of which the largest supplier The proportion of Shanghai Lubrizol's purchases in 2023 reached 25.18%. The technical threshold of mainly TPU rubber particles is high. The global market is still controlled by a few major manufacturers including Shanghai Lubrizol, and in order to achieve favorable transactions for its customers All conditions will have minimum purchase quantity requirements. In order to maintain smooth supply and stable quality, the company purchases a high proportion of its goods from Shanghai Lubrizol. However, the company has established long-term and good cooperative relationships with various suppliers over the years, and has not had any interruptions due to specific suppliers over the years. In the event that goods cannot be purchased smoothly, the company should have no risk of concentration of goods.

2.Sales:

The company mainly sells TPU functional fabrics and finished components. Its main sales targets are outdoor product and medical product brand manufacturers or their designated OEMs. The increase or decrease in the sales amounts of major sales customers is mainly affected by the market launch of end products. Changes may occur due to changes in market conditions, customer market competition, customer internal procurement policy adjustments and product design adjustments. The proportion of the company's top ten sales customers in 2023 and 2022 was 71.78% and 69.27% respectively. Not only did the top ten sales customers not change much, but there was no situation where the sales proportion to a single customer exceeded 30%. Therefore, the company's top ten sales customers have not changed much. The company should have no risk of sales concentration.

(十)Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The company's directors, supervisors, or major shareholders holding more than 10% of the shares in the most recent year and as of the publication date of the annual report have not had a major impact on the company's operations due to a large number of transfers or replacements of equity.

(十一)Effects of, Risks Relating to and Response to the Changes in Management Rights : None

(十二)Litigation or Non-litigation Matters : None

(十三)Other Major Risks : None

VIII.Special Disclosure

一、Summary of Affiliated Companies : None

二、Private Placement Securities in the Most Recent Years: None

三、Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None

Cathay Consolidated, Inc.



Chairman : George Liu



CATHAY CONSOLIDATED, INC.
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

Address: No.6, Dexing 4th Rd., Dongshan Township, Yilan County, Taiwan.

Telephone: 886-3-910-9568

The reader is advised that these individual financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report

To Cathay Consolidated, Inc.

Opinion

We have audited the accompanying individual balance sheets of Cathay Consolidated, Inc. (the "Company") as of December 31, 2023 and 2022, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the individual financial statements, including the summary of significant accounting policies (together "the individual financial statements").

In our opinion, based on our audits, the individual financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and their financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2023 individual financial statements. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The Company recognized operating revenue from contracts with customers of NT\$2,564,771 thousand in 2023. Operating revenue was mainly generated from sales of functional fabrics and merchandise for medical, life preserving, aviation. It's critical for financial statements audit to justify and analyze the obligation of customers contracts and the timing and completeness of revenue recognition. Therefore, we conducted revenue recognition as a key audit matter.

The audit procedures we performed regarding revenue recognition included but not limited to: understand the transaction process and performed tests of control on effectiveness of control points; inspect the terms of transaction and perform test of details to ensure obligation of customers contract and the appropriate timing and accuracy of revenue recognition; inspect the supporting document of sales transaction for a period before and after the balance sheet date to ensure revenue recognize in proper timing.

In addition, we evaluated the adequacy of disclosures of revenues. Please refer to Note 6 to the Company's individual financial statements.

Valuation of inventories

The Company mainly dedicated to manufacture and selling of functional fabrics and merchandise of medical, life preserving, aviation. As of December 31, 2023, the inventories amounted to NT\$856,731 thousand, representing 26% of total assets, which was significant to individual financial statements. Due to the valuation of allowance for inventory valuation losses involved in the subjective judgement of the management, we listed valuation of inventories as a key audit matter.

The audit procedures we performed regarding valuation of inventories included but not limited to: evaluate and perform tests of control on effectiveness of control of control points for valuation of inventories; evaluate the appropriateness of the policies of writing-down of slow-moving inventories; test the accuracy of inventories aging and recalculate the losses for slow-moving inventories; perform test of supporting document and recalculate on net realizable value to ensure inventories valued at lower of cost and net realizable value.

In addition, we evaluated the adequacy of disclosures of inventories. Please refer to Note 5 and 6 to the Company's individual financial statements.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

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

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

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

1. Identify and assess the risks of material misstatement of the individual 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual 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 auditor's 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 individual financial statements, including the accompanying notes, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 individual financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Chih-Ming

Fuh, Wen-Fun

Ernst & Young, Taiwan

February 22, 2024

Notice to Readers

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

Accordingly, the accompanying individual financial statements and report of independent auditors 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.

English Translation of Financial Statements Originally Issued in Chinese
CATHAY CONSOLIDATED, INC.
INDIVIDUAL BALANCE SHEETS
December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2023		December 31, 2022		LIABILITIES AND EQUITY	Notes	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets						Current liabilities					
Cash and cash equivalents	4, 6	\$599,963	19	\$700,684	24	Short-term loans	4, 6	\$-	-	\$64,088	2
Notes receivable, net	4, 6	5,613	-	3,197	-	Contract liabilities, current	4, 6	3,907	-	3,350	-
Accounts receivable, net	4, 6	476,288	15	389,867	13	Notes payables	4	96,559	3	65,156	2
Accounts receivable from related parties	4, 6, 7	1,096	-	559	-	Accounts payables	4	190,031	6	110,509	4
Other receivables	4	27	-	7,382	-	Accounts payables from related parties	4, 7	-	-	29	-
Other receivables from related parties	4, 7	-	-	3	-	Other payables	4	123,622	4	130,966	4
Inventories, net	4, 6	856,731	26	742,831	25	Current tax liabilities	4, 6	71,031	2	91,091	3
Prepayments		43,858	2	43,306	2	Provisions, current		2,296	-	2,694	-
Other current assets	6, 8	4,278	-	1,561	-	Current lease liabilities	4, 6	16,586	1	17,801	1
Total current assets		1,987,854	62	1,889,390	64	Other current liabilities		4,129	-	2,892	-
Non current assets						Current portion of long term liabilities	4, 6	62,606	2	45,531	2
Financial asset at fair value through profit or loss	4, 6	50	-	477	-	Total current liabilities		570,767	18	534,107	18
Property, plant and equipment	4, 6, 8	1,202,714	37	1,023,142	34	Non-current Liabilities					
Right-of-use assets	4, 6	37,220	1	52,914	2	Bonds payable	4, 6	32,514	1	96,360	3
Intangible assets		904	-	762	-	Long-term loans	4, 6	383,079	12	313,628	11
Deferred tax assets	4, 6	14,932	-	12,211	-	Lease liability, non current	4, 6	21,207	1	35,670	1
Other non-current assets	6	7,342	-	7,181	-	Total non-current liabilities		436,800	14	445,658	15
Total non-current assets		1,263,162	38	1,096,687	36	Total liabilities		1,007,567	32	979,765	33
						Equity					
						Capital stock					
						Common stock	6	713,295	22	689,453	23
						Certificate of entitlement to new shares form convertible bond	6	270	-	14,269	-
						Capital surplus	6	646,481	20	592,721	20
						Retained earnings	6				
						Legal reserves		175,844	5	125,893	4
						Unappropriated earnings		729,732	22	629,809	21
						Total retained earnings		905,576	27	755,702	25
						Other equity interest	6	(22,173)	(1)	(45,833)	(1)
						Total Equity		2,243,449	68	2,006,312	67
TOTAL ASSETS		\$3,251,016	100	\$2,986,077	100	TOTAL LIABILITIES AND EQUITY		\$3,251,016	100	\$2,986,077	100

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY CONSOLIDATED, INC.

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Accounts	Notes	2023		2022	
		Amount	%	Amount	%
Operating revenues	4, 5, 6, 7	\$2,564,771	100	\$2,589,138	100
Operating costs	6	(1,731,277)	(68)	(1,838,268)	(71)
Gross profit		833,494	32	750,870	29
Operating expenses					
Selling expenses	6	(43,137)	(2)	(44,665)	(2)
Administrative expenses	6	(116,073)	(4)	(104,871)	(4)
Research and development expenses	6	(58,922)	(2)	(48,937)	(2)
Expected credit impairment gains	6	-	-	-	-
Total operating expenses		(218,132)	(8)	(198,473)	(8)
Operating income		615,362	24	552,397	21
Non-operating income and expenses					
Interest income	6	7,697	-	1,728	-
Other income	6	33,493	1	22,192	1
Other gains and losses	6	2,250	-	44,813	2
Finance cost	6	(2,764)	-	(6,402)	-
Total non-operating income and expenses		40,676	1	62,331	3
Income before income tax		656,038	25	614,728	24
Income tax expense	4, 6	(126,249)	(5)	(115,214)	(4)
Net income		529,789	20	499,514	20
Other comprehensive income		-	-	-	-
Total comprehensive income		<u>\$529,789</u>	<u>20</u>	<u>\$499,514</u>	<u>20</u>
Earnings per share (NTD)					
Earnings per share-basic	6	<u>\$7.52</u>		<u>\$7.34</u>	
Earnings per share-diluted	6	<u>\$7.38</u>		<u>\$7.25</u>	

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

CATHAY CONSOLIDATED, INC.
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Item	Common stock	Certificate of entitlement to new shares form	Capital surplus	Retained earnings		Other equity interest	Total equity
				Legal reserve	Unappropriated earnings	Unearned employee compensation	
Balance as of January 1, 2022	\$678,453	\$-	\$417,366	\$99,271	\$360,453	\$-	\$1,555,543
Appropriation and distribution of 2021 earnings:							
Legal reserve	-	-	-	26,622	(26,622)	-	-
Cash dividends	-	-	-	-	(203,536)	-	(203,536)
Embedded conversion options derived from convertible	-	-	32,624	-	-	-	32,624
Net income for the year ended December 31, 2022	-	-	-	-	499,514	-	499,514
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	499,514	-	499,514
Bonds converted to stock	-	14,269	79,371	-	-	-	93,640
Issurance of restricted stock	11,000	-	63,360	-	-	(45,833)	28,527
Balance as of December 31, 2022	689,453	14,269	592,721	125,893	629,809	(45,833)	2,006,312
Appropriation and distribution of 2022 earnings:							
Legal reserve	-	-	-	49,951	(49,951)	-	-
Cash dividends	-	-	-	-	(380,010)	-	(380,010)
Net income for the year ended December 31, 2023	-	-	-	-	529,789	-	529,789
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	529,789	-	529,789
Bonds converted to stock	24,022	(13,999)	54,797	-	-	-	64,820
Share-based payment	(180)	-	(1,037)	-	-	23,660	22,443
Cash dividends returned	-	-	-	-	95	-	95
Balance as of December 31, 2023	\$713,295	\$270	\$646,481	\$175,844	\$729,732	\$(22,173)	\$2,243,449

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

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CATHAY CONSOLIDATED, INC.

INDIVIDUAL STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Item	2023	2022
Cash flows from operating activities		
Income before income tax	\$656,038	\$614,728
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	90,070	86,353
Amortization	870	676
Net loss (gain) of financial assets and liabilities at fair value through profit or loss	147	(476)
Interest expenses	2,764	6,402
Interest income	(7,697)	(1,728)
Compensation cost of share - based payment	22,443	28,527
Losses on disposal of property, plant and equipment	397	535
Changes in operating assets and liabilities:		
(Increase) in notes receivable	(2,416)	(160)
Decrease in notes receivable from related parties	-	6
(Increase) in accounts receivable	(86,421)	(30,796)
(Increase) decrease in accounts receivable from related parties	(537)	320
Decrease in other receivables	7,355	10,895
Decrease (increase) in other receivable- related parties	3	(3)
(Increase) decrease in inventories	(113,900)	64,650
(Increase) decrease in prepayments	(760)	12,260
(Increase) in other current assets	(2,717)	(463)
Increase (decrease) in notes payables	31,403	(24,400)
Increase (decrease) in accounts payables	79,522	(126,506)
(Decrease) increase in accounts payables from related parties	(29)	29
(Decrease) increase in other payable	(6,698)	27,131
(Decrease) in provisions	(398)	(85)
Increase in other current liabilities	1,795	3,494
Cash generated from operations	671,234	671,389
Interest received	7,697	1,728
Income taxes paid	(149,029)	(65,972)
Net cash provided by operating activities	529,902	607,145
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(245,292)	(259,785)
Proceeds from disposal of property, plant and equipment	-	28
Acquisition of intangible assets	(302)	(131)
Increase in other non-current assets	(663)	(341)
Net cash used in investing activities	(246,257)	(260,229)
Cash flows from financing activities:		
Increase in short-term loans	193,346	271,892
Decrease in short-term loans	(257,434)	(207,804)
Proceed from issuing bonds	-	220,298
Proceeds from long-term loans	139,284	81,240
Repayments of long-term loans	(52,758)	(37,116)
Payment for the principal portion of the lease liabilities	(19,286)	(19,126)
Cash dividends paid	(380,010)	(203,536)
Interest paid	(7,603)	(4,327)
Cash dividends returned	95	-
Net cash (used in) provided by financing activities	(384,366)	101,521
Net (decrease) increase in cash and cash equivalents	(100,721)	448,437
Cash and cash equivalents at the beginning of the year	700,684	252,247
Cash and cash equivalents at the end of the year	\$599,963	\$700,684

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

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CATHAY CONSOLIDATED, INC.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. History and organization

Cathay Limited (“the Company”) was founded in June 1982. As of December 26, 2007, the Company changed its structure and renamed it as Cathay Consolidated, Inc., based on the agreement of all the shareholders. The Company’s ordinary shares were publicly listed on the Taiwan Stock Exchange on November 24, 2020.

The Company conducts business mainly in the manufacturing of TPU film, air mattress, cover, laminated fabrics and bladder. The address of its registered office and principal place of business is No. 6, Dexing 4th Rd., Dongshan Township, Yilan County, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on February 22, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

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(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. As the Company has determined the potential impact of the standards and interpretations, there is no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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- (a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company has determined the potential impact of the standards and interpretations, there is no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of Compliance

The individual financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

(2) Basis of Preparation

Except for the financial instruments which are recognized at fair value, the financial statements have been prepared on a historical cost basis. The financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign Currency Transactions

The Company's financial statements are presented in NT\$.

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Transactions in foreign currencies are initially recorded by the Company at respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Current and Non-Current Distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current assets.

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A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle.
- (b) The Company holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current liability.

(5) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

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Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, account receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as of the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

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The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For account receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

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C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

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When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average cost basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20~50 years
Machinery and equipment	6~10 years
Transportation equipment	5 years
Office equipment	3~10 years
Leasehold improvements	The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(11) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

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- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(12) Impairment of non-financial assets

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The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(13) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer (meaning that the customer has control over the use of the product and claims almost all of the remaining benefit) and the goods are delivered to the customers. The main product of the Company is TPU film, air mattress, cover, laminated fabrics and bladder and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. To the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected volume discounts.

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The Company has not provided any warranty to its products.

The credit period of the Company's sale of goods is received before transport or in 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as account receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. Some of the contracts signed and The Company receives partial payments while the obligation hasn't fulfilled, therefore the Company recognizes as contract liabilities.

(14) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(15) Post-employment benefits

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(16) Share-based payment transactions

The cost of equity-settled transactions is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(17) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's individual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Revenue recognition – sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

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(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(3) Accounts receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise.

(4) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

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6. Contents of significant accounts

(1) Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on hand	\$1,256	\$1,347
Demand deposits	191,629	331,647
Time deposits	184,100	297,727
Investments in bonds with resale agreements	222,978	69,963
Total	<u>\$599,963</u>	<u>\$700,684</u>

Cash and cash equivalents were not pledged as collateral or restricted for uses.

(2) Financial asset at fair value through profit or loss

	2023.12.31	2022.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	<u>\$50</u>	<u>\$477</u>
Non-current	<u>\$50</u>	<u>\$477</u>

Financial asset at fair value through profit or loss were not pledge.

(3) Notes receivable and notes receivable – related parties

	2023.12.31	2022.12.31
Notes receivable arising from operating activities	\$5,629	\$3,213
Notes receivable arising from non-operating activities	-	-
Less: loss allowance	<u>(16)</u>	<u>(16)</u>
Subtotal	<u>5,613</u>	<u>3,197</u>
Notes receivable from related parties	-	-
Less: loss allowance	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>
Total	<u>\$5,613</u>	<u>\$3,197</u>

Notes receivable was not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to

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Note 6.15 for more details on loss allowance and Note 12 for details on credit risk.

(4) Accounts receivable and accounts receivable – relate parties

	2023.12.31	2022.12.31
Accounts receivable	\$477,617	\$391,196
Less: loss allowance	(1,329)	(1,329)
Subtotal	476,288	389,867
Accounts receivable – related parties	1,096	559
Less: loss allowance	-	-
Subtotal	1,096	559
Total	\$477,384	\$390,426

Accounts receivable was not pledged.

Accounts receivable is generally received before shipping or in 60 days. The total carrying amount as of December 31, 2023 and 2022 are NT\$478,713 thousand and NT\$391,755 thousand, respectively. Please refer to Note 6.15 for more details on loss allowance of account receivables for the year ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

	2023.12.31	2022.12.31
Raw materials	\$358,544	\$233,211
Work in progress	143,815	144,073
Finished goods	346,644	361,341
Merchandise	329	1,006
Inventories in transit	7,399	3,200
Total	\$856,731	\$742,831

The cost of inventories recognized in operating costs amounted to NT\$1,731,277 thousand and NT\$1,838,268 thousand for the years ended December 31, 2023 and 2022, including allowance for inventory valuation loss in the amount of NT\$2,928 thousand and NT\$3,446 thousand.

Inventories were not pledged.

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(6) Property, plant and equipment

Property, plant and equipment were all owned by the Company with no under operating lease, information of property, plant and equipment as following:

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Mold equipment	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
Cost:									
2023.1.1	\$202,124	\$430,230	\$582,533	\$28,749	\$2,865	\$52,390	\$11,880	\$275,402	\$1,586,173
Additions	-	922	9,346	950	91	15,351	233	218,399	245,292
Disposals	-	-	(105)	(326)	-	(1,413)	(248)	-	(2,092)
Transfers	-	2,819	13,613	-	-	105	-	(16,537)	-
Other changes	-	-	-	-	-	-	-	5,990	5,990
2023.12.31	<u>\$202,124</u>	<u>\$433,971</u>	<u>\$605,387</u>	<u>\$29,373</u>	<u>\$2,956</u>	<u>\$66,433</u>	<u>\$11,865</u>	<u>\$483,254</u>	<u>\$1,835,363</u>
2022.1.1	\$202,124	\$428,781	\$553,385	\$41,809	\$2,865	\$48,431	\$11,759	\$52,833	\$1,341,987
Additions	-	859	8,139	839	-	5,838	950	243,160	259,785
Disposals	-	-	(570)	(14,091)	-	(2,071)	(829)	-	(17,561)
Transfers	-	590	21,579	192	-	192	-	(22,298)	255
Other changes	-	-	-	-	-	-	-	1,707	1,707
2022.12.31	<u>\$202,124</u>	<u>\$430,230</u>	<u>\$582,533</u>	<u>\$28,749</u>	<u>\$2,865</u>	<u>\$52,390</u>	<u>\$11,880</u>	<u>\$275,402</u>	<u>\$1,586,173</u>
Accumulated Depreciation:									
2023.1.1	\$-	\$81,793	\$403,293	\$22,985	\$2,572	\$42,968	\$9,420	\$-	\$563,031
Depreciation	-	13,464	46,868	1,649	101	8,479	752	-	71,313
Disposals	-	-	(105)	(327)	-	(1,139)	(124)	-	(1,695)
2023.12.31	<u>\$-</u>	<u>\$95,257</u>	<u>\$450,056</u>	<u>\$24,307</u>	<u>\$2,673</u>	<u>\$50,308</u>	<u>\$10,048</u>	<u>\$-</u>	<u>\$632,649</u>
2022.1.1	\$-	\$68,363	\$359,735	\$34,335	\$2,389	\$38,260	\$9,175	\$-	\$512,257
Depreciation	-	13,430	44,128	2,223	183	6,757	1,051	-	67,772
Disposals	-	-	(570)	(13,573)	-	(2,049)	(806)	-	(16,998)
2022.12.31	<u>\$-</u>	<u>\$81,793</u>	<u>\$403,293</u>	<u>\$22,985</u>	<u>\$2,572</u>	<u>\$42,968</u>	<u>\$9,420</u>	<u>\$-</u>	<u>\$563,031</u>
Net carrying amount as of:									
2023.12.31	<u>\$202,124</u>	<u>\$338,714</u>	<u>\$155,331</u>	<u>\$5,066</u>	<u>\$283</u>	<u>\$16,125</u>	<u>\$1,817</u>	<u>\$483,254</u>	<u>\$1,202,714</u>
2022.12.31	<u>\$202,124</u>	<u>\$348,437</u>	<u>\$179,240</u>	<u>\$5,764</u>	<u>\$293</u>	<u>\$9,422</u>	<u>\$2,460</u>	<u>\$275,402</u>	<u>\$1,023,142</u>

Capitalized borrowing costs and rate of property, plant and equipment, construction in progress and equipment awaiting examination are as follows:

Item	For the years ended December 31	
	2023	2022
Construction in progress and equipment awaiting examination	\$5,990	\$1,707
Capitalization rate of borrowing costs	1.23%~3.07%	0.85%~2.30%

Please refer to Note 8 for more details on property, plant and equipment under pledge.

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(7) Other non-current assets

	2023.12.31	2022.12.31
Refundable deposits	\$4,462	\$4,848
Cash surrender value of life insurance	1,827	1,827
Other non-current assets - other	1,053	506
Total	<u>\$7,342</u>	<u>\$7,181</u>

(8) Short-Term Loans

	2023.12.31	2022.12.31
Issurance letter of credit	\$-	\$64,088
Interest rates (%)	-	1.38%~3.49%

The Company's unused short-term lines of credits amount to NT\$821,000 thousand and NT\$691,911 thousand, as of December 31, 2023 and 2022 respectively.

The chairman of the Company was association guarantor of partial borrowings above as of December 31, 2023 and 2022.

Please refer to Note 8 for more details on collateral for short-term borrowings.

(9) Bonds Payable

	2023.12.31	2022.12.31
Secured domestic convertible bonds payable	\$32,514	\$96,360
Less: Current portion	-	-
Net	<u>\$32,514</u>	<u>\$96,360</u>

A. Secured domestic convertible bonds payable

	2023.12.31	2022.12.31
Liability component :		
Principal amount	\$33,500	\$101,400
Discounts on bonds payable	(986)	(5,040)
Subtotal	32,514	96,360
Less: Current portion	-	-
Net	<u>\$32,514</u>	<u>\$96,360</u>
Embedded derivatives	\$50	\$477
Equity component :	<u>\$5,465</u>	<u>\$16,541</u>

Please refer to Note 6.18 for more details on the valuation gains and losses of embedded derivatives – right of redemption and the amount of interest expense recognized on corporate bonds.

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B. On June 2, 2022, the Company issued secured convertible bonds. The terms of the bonds are as follows:

Issue amount: NT\$200,000 thousand

Issue date: June 2, 2022

Issue price: Issued at 112.93% of par value

Period: June 2, 2022 ~ June 2, 2025

Important redemption clauses:

- a. The Company may redeem the bonds, in whole or in part, after 3 month of the issuance (September 3, 2022) and prior to 40 days before the maturity date (April 23, 2025), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (September 3, 2022) and prior to 40 days before the maturity date (April 23, 2025), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. The Company may redeem the bonds in cash, after the base date of withdrawing the bonds as stated on the "Withdraw of Convertible Bond Notice", at par value if the bondholder do not reply to the share affair agency in writing before the base date.

Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after June 2, 2022 and prior to June 2, 2025 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$72 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture. Due to the distribution of dividend, the conversion price was adjusted from NT\$72 to NT\$69.1.
- d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

The first secured convertible bonds in the amount of NT\$166,500 thousand to 2,429 thousand common share as of December 31, 2023. The surplus due to the conversion amounted to NT\$134,168 thousand, recorded under addition paid-in capital.

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(10) Long-term loans

Details of long-term loans are as follows:

Lenders	2023.12.31	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa Commercial Bank	\$99,158	1.85%	Original repayable monthly from 2019.2.11 to 2022.2.11. Since October 12, 2021, changed the term of borrowing to repayable monthly from 2021.10.22 to 2036.10.21 and interest is paid monthly.
Chang Hwa Commercial Bank	47,193	1.35%	Repayable monthly from 2020.7.13 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	3,503	1.35%	Repayable monthly from 2020.8.7 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	10,174	1.35%	Repayable monthly from 2020.11.18 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	4,995	1.35%	Repayable monthly from 2020.12.8 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	49,636	1.35%	Repayable monthly from 2021.4.29 to 2030.6.15 and interest is paid monthly
Chang Hwa Commercial Bank	93,692	1.23%	Repayable monthly from 2023.4.17 to 2033.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	24,762	1.35%	Repayable monthly from 2021.4.29 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	15,932	1.23%	Repayable monthly from 2022.12.5 to 2027.11.15 and interest is paid monthly
Chang Hwa Commercial Bank	6,191	1.35%	Repayable monthly from 2021.4.29 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	4,052	1.35%	Repayable monthly from 2021.11.12 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	11,935	1.23%	Repayable monthly from 2022.6.2 to 2029.5.15 and interest is paid monthly
Hwa Nan Commercial Bank	36,143	1.40%	Repayable monthly from 2022.6.24 to 2029.6.15 and interest is paid monthly
Hwa Nan Commercial Bank	38,319	1.40%	Repayable monthly from 2023.11.29 to 2029.6.15 and interest is paid monthly
Subtotal	445,685		
Less: current portion	(62,606)		
Total	\$383,079		

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Lenders	2022.12.31	Interest Rate (%)	Maturity date and terms of repayment
Chang Hwa Commercial Bank	\$105,953	1.725%	Original repayable monthly from 2019.2.11 to 2022.2.11. Since October 12, 2021, changed the term of borrowing to repayable monthly from 2021.10.22 to 2036.10.21 and interest is paid monthly.
Chang Hwa Commercial Bank	54,454	1.225%	Repayable monthly from 2020.7.13 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	4,042	1.225%	Repayable monthly from 2020.8.7 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	11,739	1.225%	Repayable monthly from 2020.11.18 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	5,763	1.225%	Repayable monthly from 2020.12.8 to 2030.6.15 and interest is paid monthly.
Chang Hwa Commercial Bank	57,273	1.225%	Repayable monthly from 2021.4.29 to 2030.6.15 and interest is paid monthly
Chang Hwa Commercial Bank	30,476	1.225%	Repayable monthly from 2021.4.29 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	20,000	1.105%	Repayable monthly from 2022.12.5 to 2027.11.15 and interest is paid monthly
Chang Hwa Commercial Bank	7,619	1.225%	Repayable monthly from 2021.4.29 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	4,987	1.225%	Repayable monthly from 2021.11.12 to 2028.4.15 and interest is paid monthly
Chang Hwa Commercial Bank	14,138	1.105%	Repayable monthly from 2022.6.2 to 2029.5.15 and interest is paid monthly
Hwa Nan Commercial Bank	42,715	1.275%	Repayable monthly from 2022.6.24 to 2029.6.15 and interest is paid monthly
Subtotal	359,159		
Less: current portion	(45,531)		
Total	\$313,628		

The chairman of the Company was association guarantor of partial borrowings above as of December 31, 2023 and 2022.

Certain long-term loans, please refer to Note 8 for more details.

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(11) Post-employment benefits

Defined contribution plan

The Company's employee retirement regulations set out in accordance with the Labor Pension regulations are defined contribution plans. According to the regulations, the monthly pension provision rate of the Company cannot be less than 6% of the employee's monthly wages. The Company has established employee retirement regulations in accordance with the regulation and provide cash contribution at the rate of 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 are NT\$8,848 thousand and NT\$8,206 thousand, respectively.

(12) Equity

A. Common stock

The Company's authorized capital was both NT\$900,000 thousand and both 90,000 thousand shares at NT\$10 par value as of December 31, 2023, and 2022, respectively. The Company's issued capital was NT\$713,295 thousand and NT\$689,453 thousand, 71,330 thousand shares and 68,945 thousand shares at NT\$10 par value as of December 31, 2023 and 2022, respectively. Each share has one voting right and a right to receive dividends.

The Company resolved at the shareholders' meeting held on May 19, 2022 to issue 1,100 thousand restricted stocks for employees, which was approved by the Financial Supervisory Commission. The Company's board of directors resolved to issue such shares on July 28, 2022, and set the base date of capital increase at August 5, 2022.

For the year end December 31, 2022, the first unsecured convertible bonds in amount of NT\$98,600 thousand were converted into 1,427 thousand shares. On January 6, 2023, the Board of Directors have resolved the date of capital increase is January 7, 2023 and recorded under the account of certificate of entitlement to new shares convertible bond on December 31, 2022.

During the first quarter of 2023, the first unsecured convertible bonds in amount of NT\$28,500 thousand were converted into 412 thousand shares. On March 30, 2023, the Board of Directors have resolved the date of capital increase is March 31, 2023.

During the second quarter of 2023, the first unsecured convertible bonds in amount of NT\$33,600 thousand were converted into 503 thousand shares. On July 27, 2023, the Board of Directors have resolved the date of capital increase is July 27, 2023, and recorded under the account of certificate of entitlement to new shares convertible bond on June 30, 2023.

During the third quarter of 2023, the first unsecured convertible bonds in amount of NT\$4,000 thousand were converted into 60 thousand shares. On October 26, 2023, the Board of Directors have resolved the date of capital increase is October 26, 2023, and recorded under the account of certificate of entitlement to new shares convertible bond on September 30, 2023.

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During the fourth quarter of 2023, the first unsecured convertible bonds in amount of NT\$1,800 thousand were converted into 27 thousand shares. On February 22, 2024, the Board of Directors have resolved the date of capital increase is February 22, 2024, and recorded under the account of certificate of entitlement to new shares convertible bond on December 31, 2023.

The Company resolved to carry out a capital reduction of NT\$180 thousand by repurchasing and cancelling restricted stocks for employees at the board meeting held on October 26, 2023, and set the base date of capital reduction at October 26, 2023.

B. Capital surplus

	2023.12.31	2022.12.31
Additional paid-in capital	\$578,693	\$512,820
Stock option-convertible bonds	5,465	16,541
Restricted employee stock options	62,323	63,360
Total	<u>\$646,481</u>	<u>\$592,721</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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The appropriation of earning for 2022 was approved by the stockholder's meeting held on February 9, 2023, while the appropriation of earning for 2023 was approved by the Board of Director's meeting on February 22, 2024. The detail of distribution are as follows:

	Appropriation of earnings		Cash dividend per share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$52,998	\$49,951	\$-	\$-
Cash dividend	356,724	380,010	5.0	5.4
Share dividend	71,345	-	1.0	-

Please refer to Note 6.17 for details on employees' compensation and remuneration to directors and supervisors.

(13) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a) Share-based payment plan for employees

The Company issued restricted stocks for employees on July 28, 2022 in the amount of NT\$11,000 thousand, which is 1,100 thousand shares in total. The share price at grant date was NT\$67.6 per share. The restricted stocks issued by the Company are not transferrable within the vesting period of two years, but are entitled to voting rights and rights to receive dividends. If the employees receiving the grant of restricted stocks terminate employment within the vesting period, the restricted stocks and the dividends received during the vesting period are clawed back by the Company.

Employees who have been granted the above-mentioned restricted stock awards and have continued to serve in the company for each year from the granted date, and have not violated any laws, articles of incorporation, business ethics and code of conduct and other relevant regulations and agreements during the employment, who granted for two shares and below can receive all, and who granted for over three shares can receive one-third for each year. The employee shall deleive the restricted stock awards that have been subscribed to a trust, and such shares shall not be sold, pledged, transferred, gifted or otherwise dispose of in any oher matter. Before the vested condition are met, the restricted stock awards that are delivered to a trust. For those who do not confirm to the vested conditions, the Company cancels the shares according to law.

On July 28, 2022, the Company issued 1,100 thousand restricted stocks for employees, generating capital surplus - employee restricted rights in the amount of NT\$74,360 thousand. As of December 31, 2023, the Company had recovered 18 thousand ordinary shares due to the expiration of restricted stocks for employees, and reduced the capital surplus by NT\$180 thousand. As of December 31, 2023, the balance of unearned employee

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remuneration was NT\$22,173 thousand.

The expense recognized for employee services received during the years ended December 31, 2023 and 2022, is shown in the following table:

	For the years ended December 31	
	2023	2022
Total expense arising from equity-settled share-based payment transactions	\$22,443	\$28,527

(14) Operating revenue

	For the years ended December 31	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$2,564,771	\$2,589,138

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2023:

	Individual Dept
Sale of goods	\$2,564,771
Timing of revenue recognition:	
At a point in time	\$2,564,771

For the year ended December 31, 2022:

	Individual Dept
Sale of goods	\$2,589,138
Timing of revenue recognition:	
At a point in time	\$2,589,138

B. Contract balances

Contract liabilities — current

	2023.12.31	2022.12.31	2022.1.1
Sales of goods	\$3,907	\$3,350	\$80

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31	
	2023	2022
The opening balance transferred to revenue	\$225	\$24
Increase in receipts in advance during the year (excluding the amount incurred and transferred to	782	3,294

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revenue during the year)

C. Transaction price allocated to unsatisfied performance obligations

The aggregate amount of the transaction price allocated to unsatisfied performance obligations is not significant as of December 31, 2023 and 2022.

D. Assets recognized from costs to fulfil a contract

None.

(15) Expected credit losses/ (gains)

	For the years ended December 31	
	2023	2022
Operating expenses – Expected credit losses/(gains)		
Trade receivables	\$-	\$-

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance is as follow:

The Company considered as a single group of account receivables considering past experience and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2023

	Not yet due (note)	Overdue				Total
		<=120 days	121-180 days	181-365days	>=365 days	
Gross carrying amount	\$424,294	\$60,048	\$-	\$-	\$-	\$484,342
Loss rate	-	2.24%	-	-	-	-
Lifetime expected credit losses	-	1,345	-	-	-	1,345
Carrying amount of account receivables						<u>\$482,997</u>

As of December 31, 2022

	Not yet due (note)	Overdue				Total
		<=120 days	121-180 days	181-365days	>=365 days	
Gross carrying amount	\$308,542	\$86,426	\$-	\$-	\$-	\$394,968
Loss rate	-	1.56%	-	-	-	-
Lifetime expected credit losses	-	1,345	-	-	-	1,345
Carrying amount of account receivables						<u>\$393,623</u>

Note: The Company's note receivables are not overdue.

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The movement in the provision for impairment of note receivables and account receivables during the years ended December 31, 2023 and 2022 are as follows:

	Notes receivable and accounts receivables
2023.1.1	\$1,345
Addition/(reversal) for the current period	-
Write off	-
2023.12.31	\$1,345
2022.1.1	\$1,345
Addition/(reversal) for the current period	-
Write off	-
2022.12.31	\$1,345

(16) Leases

A. Company as a lessee

The Company leases various properties, including real estate such as buildings and transportation equipment. The lease terms range from 2 to 11 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	2023.12.31	2022.12.31
Buildings	\$34,546	\$48,703
Transportation equipment	2,674	4,211
Total	\$37,220	\$52,914

During the years ended December 31, 2023 and 2022, the Company's additions to right-of-use assets amounting to NT\$3,078 thousand and NT\$15,577 thousand.

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b. Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities	\$37,793	\$53,471
Current	\$16,586	\$17,801
Non-current	\$21,207	\$35,670

Please refer to Note 6, 18(d) for the interest on lease liabilities recognized during the year ended December 31, 2023 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2023	2022
Buildings	\$15,802	\$15,489
Transportation equipment	2,955	3,092
Total	\$18,757	\$18,581

(c) Income and costs relating to leasing activities

	For the years ended December 31	
	2023	2022
The expenses relating to short-term leases	\$1,534	\$964
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	127	167

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounting to NT20,947 thousand and NT20,257 thousand, respectively.

(e) Other information relating to leasing activities

None.

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(17) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2023 and 2022:

	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$175,644	\$97,788	\$273,432	\$214,227	\$90,580	\$304,807
Labor and health insurance	15,792	5,221	21,013	14,044	5,901	19,945
Pension	6,886	1,962	8,848	6,415	1,791	8,206
Directors' remuneration	-	10,413	10,413	-	9,841	9,841
Other employee benefits expense	5,580	939	6,519	8,067	891	8,958
Depreciation	80,515	9,555	90,070	77,488	8,865	86,353
Amortization	413	457	870	386	290	676

Note: As of December 31, 2023 and 2022, the Company had 376 and 384 employees, including both 6 non-employee directors.

According to the Articles of Incorporation, at least 1% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended December 31, 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2023 to be 4% and 1.5% of profit of the current year (or NT26,769 thousand and NT\$10,413 thousand), recognized as employee benefits expense. Based on the profit of the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 4% and 1.5% of profit of the current year (or NT\$26,020 thousand and NT9,758 thousand), recognized as employee benefits expense. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year will be recognized in profit or loss of the subsequent year.

A resolution was passed at a Board of Directors meeting held on February 22, 2024 to distribute NT26,769 thousand in the cash as employees' compensation and distribute NT10,413 thousand as remuneration to directors and supervisors. No material differences exist between the resolution and the estimated amount.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2022.

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(18) Non-operating income and expenses

A. Interest income

	For the years ended December 31	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$7,697	\$1,728

B. Other income

	For the years ended December 31	
	2023	2022
Product development subsidy income	\$33,097	\$21,932
Rental income	396	260
Total	\$33,493	\$22,192

C. Other gains and losses

	For the years ended December 31	
	2023	2022
(Losses) on disposal of property, plant and equipment	\$(397)	\$(535)
Foreign exchange gains, net	2,794	44,968
(Losses) gains on financial assets at fair value through profit or loss	(147)	710
Other losses	-	(330)
Total	\$2,250	\$44,813

D. Finance costs

	For the years ended December 31	
	2023	2022
Interest on borrowings from bank	\$(967)	\$(3,439)
Interest on bonds payable	(1,253)	(2,325)
Interest on lease liabilities	(544)	(638)
Total	\$(2,764)	\$(6,402)

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(19) Income tax

The major components of income tax expense (income) for the years ended December 31, 2023 and 2022 are as follows:

Income tax expense recognized in profit or loss

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense (income):		
Current income tax charge	\$134,093	\$124,484
Adjustments in respect of current income tax of prior periods	(5,123)	(7,742)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(2,626)	(1,532)
Deferred tax expense arising from write-down of deferred tax asset	(95)	4
Total income tax expense	<u>\$126,249</u>	<u>\$115,214</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Accounting profit before tax from continuing operations	<u>\$656,038</u>	<u>\$614,728</u>
Tax at the domestic rates applicable to profits in the country concerned	\$131,208	\$122,946
Tax effect of not deductible for tax purposes	259	6
Tax effect of deferred tax asset	(95)	4
Adjustments in respect of current income tax of prior periods	(5,123)	(7,742)
Total income tax expense recognized in profit or loss	<u>\$126,249</u>	<u>\$115,214</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

	Beginning balance as of January 1, 2023	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2023
Temporary differences			
Short-term employee benefit	\$539	\$(80)	\$459
Unrealized exchange losses (gains)	1,455	2,338	3,793
Valuation of inventory	8,711	586	9,297
Other	1,506	(123)	1,383
Deferred tax (expense) / income		\$2,721	
Net deferred tax assets/(liabilities)	\$12,211		\$14,932
Reflected in balance sheet as follows:			
Deferred tax assets	\$12,211		\$14,932
Deferred tax liabilities	\$-		\$-

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2022
Temporary differences			
Short-term employee benefit	\$556	\$(17)	\$539
Unrealized exchange losses (gains)	781	674	1,455
Valuation of inventory	8,022	689	8,711
Other	1,324	182	1,506
Deferred tax (expense) / income		\$1,528	
Net deferred tax assets/(liabilities)	\$10,683		\$12,211
Reflected in balance sheet as follows:			
Deferred tax assets	\$10,683		\$12,211
Deferred tax liabilities	\$-		\$-

Unrecognized deferred tax assets

There were no unrecognized deferred tax assets as of December 31, 2023 and 2022.

The assessment of income tax returns

The Company's income tax returns for the years up to 2021 have been approved by the Tax Authority.

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(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$529,789	\$499,514
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	70,487	68,090
Basic earnings per share (NT\$)	\$7.52	\$7.34
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$529,789	\$499,514
Gain or loss on valuation of redemption	147	(476)
Interest expense from convertible bonds	1,253	2,325
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$531,189	\$501,363
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	70,487	68,090
Effect of dilution:		
Employee compensation — stock (in thousands)	248	205
Convertible bonds (in thousands)	829	721
Restricted employee stock options	383	105
Weighted average number of ordinary shares outstanding after dilution (in thousands)	71,947	69,121
Diluted earnings per share (NT\$)	\$7.38	\$7.25

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

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7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

(1) Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Caremed Supply Inc.	Other related party
Ding-Cheng Investment Inc.	Other related party
Hong Xi Investment Inc.	Other related party

(2) Significant transactions with related parties

(a) Sales

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Other related party		
Caremed Supply Inc.	<u>\$2,974</u>	<u>\$4,289</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for sales to related parties is similar with third party. The outstanding balance on December 31, 2023 and 2022 was unsecured, non-interest bearing and must be settled in cash.

(b) Purchase

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Other related party		
Caremed Supply Inc.	<u>\$81</u>	<u>\$28</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rate. The payment terms from the related party suppliers are comparable with third party suppliers and are between 30~60 days.

(c) Accounts receivable – related parties

	<u>2023.12.31</u>	<u>2022.12.31</u>
Other related party		
Caremed Supply Inc.	<u>\$1,096</u>	<u>\$559</u>

(d) Other receivables – related parties

	<u>2023.12.31</u>	<u>2022.12.31</u>
Other related party		
Caremed Supply Inc.	<u>\$-</u>	<u>\$3</u>

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(e) Account payables– related parties

	2023.12.31	2022.12.31
Other related party		
Caremed Supply Inc.	\$-	\$29

(f) Other income

	For the years ended December 31	
	2023	2022
Other related party		
Caremed Supply Inc.	\$29	\$31

(g) Rent income

	For the years ended December 31	
	2023	2022
Other related party		
Ding-Cheng Investment Inc.	\$34	\$34
Hong Xi Investment Inc.	34	34
Total	\$68	\$68

(i) Key management personnel compensation

	For the years ended December 31	
	2023	2022
Short-term employee benefits	\$39,818	\$37,063
Termination benefits	493	490
Share-based payment	4,890	4,890
Total	\$45,201	\$42,443

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Secured liabilities
	2023.12.31	2022.12.31	
Property, plant and equipment-Land	\$158,191	\$202,124	Long and short-term loans
Property, plant and equipment-Building	306,738	343,581	Long and short-term loans
Property, plant and equipment-Machinery and equipment	12,008	15,504	Long and short-term loans
Total	\$476,937	\$561,209	

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9. Significant contingencies and unrecognized contractual commitments

- (1) As of December 31, 2023, amounts available under unused letters of credit were USD\$240 thousand.
- (2) As of December 31, 2023, the Company entrusted financial institutes to open performance guarantee, which mainly related to apply for limit of credits amounting to NT\$820,000 thousand and USD\$2,000 thousand, for the FX swap transactions amounting to NT\$5,000 thousand and USD\$600 thousand, and for conversion of corporate bond amounting to NT\$206,680 thousand, respectively.
- (3) As of December 31, 2023, the Company entrusted financial institutes to open performance guarantee, which mainly related to customers tax guarantee, amounting to NT \$4,000 thousand.
- (4) As of December 31, 2023, the Company entrusted financial institutes to open performance guarantee, which mainly related to apply for limit of machine loans, amounting to NT \$89,500 thousand.
- (5) As of December 31, 2023, the Company entered into contract to purchase the equipment amounted to approximately USD\$4,517 thousand with prepayments of USD\$4,201 thousand (recorded as “construction in progress and equipment awaiting examination” in property, plant and equipment), and the portion of contract not yet recognized was approximately USD\$316 thousand.
- (6) As of December 31, 2023, the Company entered into contract to purchase the equipment amounted to approximately USD\$691 thousand with prepayments of USD\$415 thousand (recorded as “construction in progress and equipment awaiting examination” in property, plant and equipment), and the portion of contract not yet recognized was approximately USD\$276 thousand.
- (7) As of December 31, 2023, the Company entered into contract to build the plant amounted to approximately USD\$265,000 thousand with prepayments of USD\$246,450 thousand (recorded as “construction in progress and equipment awaiting examination” in property, plant and equipment), and the portion of contract not yet recognized was approximately USD\$18,550 thousand.
- (8) As of December 31, 2023, the Company entered into contract to build the plant amounted to approximately USD\$73,500 thousand with prepayments of USD\$58,800 thousand (recorded as “construction in progress and equipment awaiting examination” in property, plant and equipment), and the portion of contract not yet recognized was approximately USD\$14,700 thousand.

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10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial Assets

	2023.12.31	2022.12.31
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$50	\$477
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	598,707	699,337
Notes and accounts receivables, net (including related party)	482,997	393,623
Other receivables (including related party)	27	7,385
Refundable deposits – non-current	4,462	4,848
Subtotal	1,086,193	1,105,193
Total	<u>\$1,086,243</u>	<u>\$1,105,670</u>

Financial Liabilities

	2023.12.31	2022.12.31
Financial liabilities at amortized at		
Short-term borrowings	\$-	\$64,088
Notes and accounts payables, net (including related party)	286,590	175,694
Bonds payable (including current portion with maturity less than 1 year)	32,514	96,360
Other payables (including related party)	123,622	130,966
Long-term loans (including current portion with maturity less than 1 year)	445,685	359,159
Lease liabilities	37,793	53,471
Total	<u>\$926,204</u>	<u>\$879,738</u>

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(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependency between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for US dollars. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against US dollars by 1%, the profit for the years ended December 31, 2023 and 2022 is increased/decreases by NT\$6,676 thousand and NT\$6,477 thousand, respectively.

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Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to increase/decrease by NT\$94 thousand and NT\$64 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, accounts receivables from top ten customers represented both 80% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

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When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information (including the indicators such as...) and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents、bank borrowings and leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
As of December 31, 2023					
Borrowings	\$68,875	\$135,931	\$123,647	\$206,003	\$534,456
Trade payable	286,590	-	-	-	286,590
Convertible Bonds	-	32,514	-	-	32,514
Other payables	123,622	-	-	-	123,622
Lease liabilities	16,934	19,516	1,939	-	38,389

	Less than 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
As of December 31, 2022					
Borrowings	\$115,170	\$99,098	\$97,636	\$137,369	\$449,273
Trade payable	175,695	-	-	-	175,695
Convertible Bonds	-	96,360	-	-	96,360
Other payable	130,966	-	-	-	130,966
Lease liabilities	18,316	26,099	10,018	105	54,538

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term loans	Long-term loans	Lease liabilities	Bond payable	Total liabilities from financing activities
As of January 1, 2023	\$64,088	\$359,159	\$53,471	\$96,360	\$573,078
Cash flows	(64,088)	86,526	(19,286)	-	3,152
Non-cash changes	-	-	3,608	(63,846)	(60,238)
As of December 31, 2023	<u>\$-</u>	<u>\$445,685</u>	<u>\$37,793</u>	<u>\$32,514</u>	<u>\$515,992</u>

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Long-term loans	Lease liabilities	Bond payable	Total liabilities from financing activities
As of January 1, 2022	\$-	\$315,034	\$56,385	\$-	\$371,419
Cash flows	64,088	44,125	(19,126)	220,298	309,385
Non-cash changes	-	-	16,212	(123,938)	(107,726)
As of December 31, 2022	<u>\$64,088</u>	<u>\$359,159</u>	<u>\$53,471</u>	<u>\$96,360</u>	<u>\$573,078</u>

(7) Fair values of financial instruments

A. The methods and assumptions applied in the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, trade receivables, other current assets, trade payable and other current liabilities approximate their fair value.
- b. Fair value of bank loans is determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves reference of Taipei Exchange, average prices

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for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities (including loan) measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				

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Convertible bonds	\$-	\$-	\$50	\$50
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As at December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Convertible bonds	\$-	\$-	\$477	\$477

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Asset</u>
	<u>At fair value through profit or loss</u>
Beginning balances as at January 1, 2023	\$477
Issue for the year ended December 31, 2023	-
Amount recognized in profit or loss (presented in "other profit or loss")	(147)
Acquisition/Disposal	(280)
Ending balances as at December 31, 2023	<u>\$50</u>
	<u>Asset</u>
	<u>At fair value through profit or loss</u>
Beginning balances as at January 1, 2022	\$-
Issue for the year ended December 31, 2022	60
Amount recognized in profit or loss (presented in "other profit or loss")	476
Acquisition/Disposal	(59)
Ending balances as at December 31, 2022	<u>\$477</u>

Total gains and losses recognized in profit or loss for the year ended December 31, 2023 and 2022 in the table above contain gains and losses related to assets on hand as at December 31, 2023 and 2022 in the amount of NT\$427 thousand and NT\$417 thousand, respectively.

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivative	Binomial tree model	discount for lack of marketability	35.89%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's profit or loss by NT\$60 thousand

As at December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivative	Binomial tree model	discount for lack of marketability	43.45%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's profit or loss by NT\$110 thousand

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- (c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Loans	\$-	\$445,685	\$-	\$445,685
Bond payable	-	32,514	-	32,514

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Loans	\$-	\$423,247	\$-	\$423,247
Bond payable	-	96,360	-	96,360

- (9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

As of December 31, 2023			
	Foreign currency	Foreign exchange rate	NTD
Financial assets			
Monetary items :			
USD	\$20,329	30.705	\$624,199
Financial liabilities			
Monetary items :			
USD	1,382	30.705	42,453
As of December 31, 2022			
	Foreign currency	Foreign exchange rate	NTD
Financial assets			
Monetary items :			
USD	\$19,635	30.71	\$602,992
Financial liabilities			
Monetary items :			

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USD	1,457	30.71	44,733
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The above information is disclosed based on the original trading foreign currency.

The Company's monetary items were recognized as exchange losses of NT\$2,794 thousand and NT\$44,968 thousand as of December 31, 2023 and 2022, respectively due to the significant impact of exchange rate fluctuations.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

A. Financings provided to others: None.

B. Endorsement & Guarantee provided to others: None.

C. Securities held as of December 31, 2023: None.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20 % of the capital stock: None.

E. Acquisition of individual real estate with the amount exceeding NTD \$300 million or 20% of the Company's paid-in capital: Please refer to schedule 1.

F. Disposal of individual real estate with amount exceeding NTD \$300 million or 20% of the Company's paid-in capital: None.

G. Related party transaction for purchases and sales amount exceeding NT\$100 million or 20% of paid-in capital or more: None

H. Receivables from related parties with the amount exceeding NT\$100 million or 20% of paid-in capital or more: None

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I. Financial instruments and derivative transactions: None.

(2) Information on investees: None.

(3) Information on investments in mainland China: None.

(4) Information on major shareholders: Please refer to schedule 2

14. Segment information

(1) General information

The Company's revenue mainly comes from the production and sale of functional fabrics. The Company's operations decision-makers monitors the operating results of its business units separately to make decisions about resource allocation and performance assessment.

The accounting policy follows the same accounting policy referred to in Note 4.

(2) Information by area

Revenue from external clients :

	For the years ended December 31	
	2023	2022
Taiwan	\$76,643	\$112,252
Asia (excluding Taiwan)	1,128,287	862,726
Americas	945,421	950,731
Others	414,420	663,429
Total	<u>\$2,564,771</u>	<u>\$2,589,138</u>

A. Revenue is based on the country where the customer is located

B. The amount of non-current assets (other than deferred income tax assets) for the Company's as of December 31, 2023 and 2022 were NT\$1,248,230 thousand and NT\$1,084,476 thousand.

(3) Information for major customer (accounting for more than 10% of net sales)

Client	For the year ended December 31	
	2023	
	Amount	Percentage
A	\$459,377	17.91
B	349,417	13.62

Client	For the year ended December 31	
	2022	
	Amount	Percentage
A	\$348,546	13.45

CATHAY CONSOLIDATED, INC.

Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock
For the year ended December 31, 2023

Company Name	Title of Property	Transaction Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Prior Transaction of a Related Counterparty				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Dexing 1st Rd. 2nd phase plant	2022.2.24	\$265,000	Each payment was made in accordance with the contract	Chi-Fu (transliteration) Construction Co., Ltd	None	-	-	-	\$-	Market price	Capacity expansion	None

Note 1: The transaction amount is the total contract price. The land surcharge, transcript fee, scrivener fee, and stamp tax are separately calculated.

Schedule 2

CATHAY CONSOLIDATED, INC.

Information on major shareholders

December 31, 2023

Unit : Shares

Share name	Number of share	Percentage of ownership(%)
Surpassing International Holdings Ltd.	13,525,391	18.95%
Liu Tsung Hsi	12,151,359	17.02%
Hong Xi Investment Inc.	4,961,580	6.95%
Xylary Develop Group Ltd.	4,640,512	6.50%