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Chunghwa Chemical Synthesis & Biotech Co., Ltd.

2023 Annual Report







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The Company' s website, http://www.ccsb.com.tw
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Notice to readers

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

I. Spokesperson, Deputy Spokesperson:

Item	Name	Title	Tel	Email
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II. Addresses and Tel. of the Head office and factory sites

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Address: B1F., No.210, Sec. 3, Chengde Rd., Datong Dist., Taipei City

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IV. Certified public accountants (CPAs) who audited the company's annual financial report for the most recent fiscal year:

CPA name: Lin, Po-Chuan, Lin, Jun-Yao

Auditor's firm: PwC Taiwan

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V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: none.

VI. The Company's website: http://www.ccsb.com.tw

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One. Report to Shareholders

Ladies and gentlemen, our cherished shareholders:

The summary of the company's 2023 business dynamics will be presented to all shareholders, and we look forward to your review and feedback.

I. The 2023 Business Report:

(I) Implementation results of the business plan

The consolidated operating income of 2023 is NTD 2,086,441 thousand; the consolidated operating gross profit is 36%; and consolidated operating profit margin is 13%. As far as the analysis of income from primary products of the Company is concerned, products contributing to the growths in revenue for the current term are primarily biotech products known for their relatively high gross profit, such as Rapamycin, Caspofungin, and the anti-triglyceride drug Ethyl Icosapentate (EPAE).

The Company’s API, Rapamycin, can not only be used as the API for immunosuppressants, but also the intermediate for Everolimus. The sales of Rapamycin increased mainly because the U.S. clients stocked up early in response to an increase in market demand.

For the immunosuppressant and anti-cancer drug Everolimus, which is known for its relatively high gross profit, after the FDA approval obtained by the US customer in June 2020 for its exclusive sale on the market for 180 days, in 2021, besides the existing low-dose generic drug Afinitor (2.5 mg, 5.0 mg, and 7.5 mg), the customer also marketed the high-dose (10 mg) product in 2021. Due to the launch of several U.S. clients’ preparations made with the Company’s API, Everolimus, the demand from these customers increased tremendously. The Company has been active in producing its own intermediates while at the same time seeking other raw material suppliers in order to continuously fulfill U.S. clients’ demand and improve its market share. This product has become the major force driving the revenue and profit growth in recent years.

In response to European clients’ optimistic view about the market growth of the anti-fungal infection product Caspofungin, the Company increased the capacity of existing production lines to lower cost. In addition, CCSB provides its customers with APIs of higher competitiveness to boost customers’ market standing. Backed with both enlarged capacity and competitive price in addition to a triple-digit growth of customer demand in this year, ongoing growth momentum is anticipated in the future.

Ethyl Icosapentate (EPAE), the fish oil API for lowering triglycerides, has been made extensively available in the US market by the Company’s customers since 2021 to accommodate market demand and thus driven growths in the revenue of the Company. In 2023, the Company continued to optimize the EPAE production and incorporation the continuous manufacturing (MCFE) to enhance the production capacity and lower product cost. This improvement consequently helped its customers satisfy market need, and at the same time, customers would have sufficient inventory for proper and timely delivery to fulfill market demand, and thus create a best-selling product driving their revenue and market competitiveness. The Company’s method to use a continuous reactor to purify polyunsaturated fatty acids was patented in the U.S. in October, 2021. It later obtained a Taiwan patent in January 2022.

Despite the impact of the COVID-19 pandemic in 2020 that made it impossible for customers and government representatives in other countries to come to Taiwan for establishment inspections, through documentation and remote establishment inspections, the Company successfully completed inspections by customers in Europe (Switzerland,

Denmark, Ireland...etc.), Japan and India and by the TFDA in 2023. The Company continues to adhere to the cGMP regulations in terms of enforceability and production/manufacturing practices and strictly follows cGMP systems recognized and approved in the US, the EU, and Japan. All of these contribute to continuous developments of the global market with Europe, the US, and Japan as the mainstream.

2023 Consolidated Sales Analysis Table Unit: NTD thousand

Products / Sales	Biotechnology products	Non-biotechnology products	Labor revenue	Total	Ratio of Turnover Accounted
Domestic sales	77,245	29,032	1,194	107,471	5.15%
Export sales	687,678	1,291,292	-	1,978,970	94.85%
Total	764,923	1,320,324	1,194	2,086,441	100%
Ratio of Turnover Accounted	36.66%	63.28%	0.06%	100%	-

(II) Consolidated budget implementation status: This is not applicable as the Company does not disclose to the public its financial forecast.

(III) Consolidated financial revenue/expenditure and profitability analysis:

1. Consolidated financial balance:

Unit: NTD thousand

Item	Amount
Operating revenues	2,086,441
Operating gross profit	757,308
Operating gains and losses	280,809
Interest revenue	7,271
Interest expenses	19,439
Capitalized interest	-
Net profit before tax	333,487
After tax net profit	264,909
Earnings per share	NTD 3.42

2. Consolidated profitability analysis:

Unit: %

Item	Ratio
ROA	5.76
Return on equity	8.09
Ratio of pre-tax net income to paid-in capital	42.99
Net profit margin	12.69
Earnings per share	NTD 3.42
Earnings per share-retrospective adjustment	NTD 3.42

(IV) R&D progress:

1. Synthesis Research Institute:

(1) Completion of the development of the process for the anti-epileptic API Eslicarbazepine Acetate.

(2) Completion of validation of the process for inherited obesity API Setmelanotide.

(3) Completed the manufacturing process optimization for Eltrombopag olamine, an API for treating thrombocytopenia purpura.

(4) Completed the manufacturing process development experiment and enlargement planning for Ruxolitinib Phosphate, an API for treating myelofibrosis.

(5) Completed the manufacturing process development experiment and enlargement planning for Selumetinib Sulfate, an API for treating neurofibromatosis.

2. Biotech Research Institute:

(1) Completed the manufacturing process enlargement for the fermented intermediate of Dalbavancin, an API for antibiotic treatment in dermatology, and the quality met the specification.

(2) Completed the lab process development for Dalbavancin, an API for antibiotic treatment in dermatology, and the quality met the specification.

(3) Completed the manufacturing process re-optimization and enlargement for Edoxaban, an anticoagulant drug, with a purity rate of over 99%.

(4) Completed the scale-up process of the antiepileptic bulk drug Brivaracetam, with a purity of over 99%.

(5) Completed the lab process development for Trilaciclib, a cancer drug, and the purity rate reached 99% and above.

II. Summary of business plan 2023:

(I) Operating principles and important production and marketing policies:

1. Developing international market and new customers

(1) There are efforts to boost immunosuppressive productivity and simultaneous process optimization, increase production and reduce production costs and enhance competitiveness. Following the US launch by means of Paragraph IV listing, we are promising the listing in Paragraph III and Paragraph II to be available in Europe, Japan and the emerging markets. We firmly grasp the opportunities of governments of various countries to encourage the development of generic drugs to dominate the opportunity to minimize medical expenses, jump into and seize the markets of generic drugs in advanced countries such as Japan and Europe.

(2) We will continue to strengthen the development of the US, actively develop new customers of Paragraph IV, and deploy the Paragraph II and Paragraph III markets in Japan and Europe through new customers, independently developed by ourselves and agents with good relationships.

(3) On Everolimus, we have obtained the FDA inspection and registration license (ANDA approval) from our American customer. The currently existing Paragraph IV customers have been listed in the US market one after another, driving the growth of orders in 2024. Under the blessing of the expansion and process optimization, the revenue of this product will continue to increase in 2024.

(4) The expansion of the fermentation production line for Tacrolimus was competed in 2022 and has been put into production. The export drug license and the GMP certification for the new bacteria were obtained in 2023, so the revenue is

expected to grow significantly.

(5) As a result of market factors, the time schedule for bulk pharmaceuticals (BPC) for fish oil to launch market in the United States is advanced ahead of schedule from 2030 to 2021. This fact led to an increase in purchase orders. The EPAE market in the United States is 590 metric tons minimum. In an attempt to satisfy potential follow-up orders, we have satisfactorily completed a continuous manufacturing process (MCFE) to boost annual output and minimize unit costs to, in turn, pep up the competitive edge of our products. In the long run, we shall continue to improve the process to reduce the cost of EPAE in order to respond to competitors amidst their pricing and volume output offensives.

(6) In response to the increased demand from many of our European customers for the anti-fungal infection product Caspofungin, we have expanded the process production line and added synthesis and purification equipment. The new production line has been completed in December 2023, which will significantly boost our revenue. In addition to existing customers in the Middle East and Europe, we will improve the development of the market in China. In addition, with the production capacity of the new production line in place, we expect to increase our market competitiveness and develop more new customers in potential markets such as the United States, Central and South America.

2. Domestic & foreign OEM business and technology development contracts

(1) Increase CDMO/CMO revenue, increase the production rate of existing production lines, and upgrade the technical levels.

(2) Actively seek additional processing (OEM) work opportunities from international drug companies as well as domestic and foreign biotech drug development companies, gradually upgrade the relevant technologies, and prepare to participate in the new drug R&D with international pharmaceutical companies in the future.

3. Product Development Strategies

(1) Potential new product topics and R&D

- Enhance the R&D and mass production technology for peptide APIs and enter the small molecule protein drug market.
- Develop a high-active drug technology platform and supply new APIs that challenge Paragraph IV.
- Develop customer-oriented and core technology-based products and vigorously explore cooperation with international pharmaceutical counterparts in the development of products to boost the chances of success in the new products.
- Develop Paragraph III products with definite market demand and firm customer base. Such efforts would be helpful to improve the opportunities for the early entry of R&D products ahead of schedule.

(2) Optimize the current product process, reduce the manufacturing costs, and increase the product competitiveness and market share in the global generic drug market.

- The research & development of innovative production technology, the introduction toward continuous production (MCFE) processes through cross-industry cooperation to enhance production efficiency, minimize manufacturing costs and eventually help soften the cutthroat competition in prices in the market.
- Continuously monitor of the manufacturing costs to eliminate the potential process bottlenecks and enhance production technology. Through process

amplification, expansion of production lines and new equipment investment, the Company would provide high-quality and competitively priced products and would, in turn, help boost market share.

4. Maintain the International Competitiveness and Advantages of the API Industry

   (1) The company will continue to strengthen and implement cGMP execution and pass the official cGMP inspection of domestic and foreign customers and products from importing countries.

   (2) Towards efforts to enhance trustworthiness and satisfaction to customers at home and abroad, set up the CCSB brand name into the international community and in turn set up a solid foundation.

(II) Sales Volume Forecast and Supporting Basis

The company's sales forecast is based on the marketing layout, the internationalization of products, and the sales forecast plan to actively develop the CDMO/CMO revenue growth. With our bulk pharmaceuticals (BPC) and OEM products, we anticipate to hit aggregate total sales volume of 200 metric tons in 2024.

III. Future development strategies:

(I) We continuously enhance our research and development energy and adjust research and development strategies to develop high-price, high-tech threshold with few competitors and high-margin products to boost the production efficiency and revenue efficiency at the current venues.

(II) Differentiate from counterparts that also specialize in synthesized chemicals or fermented products taking advantage of unique fermentation and chemical synthesis technologies of the Company to multiply new products developed and enhance competitive advantages on the global market and to strengthen niche products of the Company, Everolimus, Tacrolimus, Ethyl Icosapentate, and Caspofungin. Optimize processes to increase the throughput and bring down the cost and accordingly boost the Company's presence on the global market.

(III) The company will develop unique key technologies to develop special products, such as high-growth products such as anti-cancer, high potency and peptide drugs, to support the development of new customers and enhance the niche and appeal of product differentiation.

(IV) To develop CDMO/CMO business, by rallying to participate in domestic, foreign major drug makers' new drug R&D plans, through which to enter into early stage joint R&D relation, such as pre-clinical and various clinical stages' intermediary, products' trial, manufacturing process development and related work, in anticipation to form a strategic alliance with major pharmaceutical plants, for joint growth.

(V) Ensure regulatory compliance, enhance the factory inspection of ingredients and API intermediate suppliers, ensure the compliance by upstream suppliers, compliance with the latest requirements by other countries' pharmaceutical supervision authorities and sufficient supply of ingredients, and sustain the quality of our products.

(VI) To continue developing solvent recall technology amid environmental protection demands becoming ever stringent, by inducting various management systems and mechanism, voluntarily executing waste reduction, reduced discharge process, lowering the operating cost, and exerting the company's environmentally friendly social stewardship.

(VII) The demand for generic drugs on the emerging markets is increasing each day; the

market is flourishing. The Company proactively works with distributors in China, the Asia Pacific Region, and East Europe to explore potential customers for niche products and to seek more distribution opportunities.

(VIII) In response to the global trend of "Net-zero Emissions", the Company launched the carbon inventory in order to layout an adaptation strategy to climate change that meets the Company's needs and allows the Company to set and actualize its sustainable development goal of net-zero emissions.

IV. Impacts from the External Competition, Legal Environment, and Overall Business Environment:

The Company's APIs are mainly for export and are sensitive to the US dollar exchange rate. The stability of the exchange rate can greatly affect the Company's revenue and profits. According to the World Economic Outlook report released by the International Monetary Fund (IMF), the global economy experienced a growth of 3% in 2023. The report points out that the global recovery from the COVID-19 pandemic and the Russia-Ukraine war is still slow. The gap between regions, especially in emerging markets and developing countries, has become increasingly large. The war between Russia and Ukraine, the long-term effect of geopolitics, the tightening monetary policy to reduce inflation, the cancellation of fiscal support in a high debt environment, and the extreme climate are making the economic impact more cyclical. The crisis in China's real estate sector could deepen and cause global spillover effects, particularly affecting commodity exporters. Looking ahead at the international political and economic situation in 2024, although the geopolitical turmoil in the Middle East has caused soaring commodity prices and supply chain risks, the risk of a global economic hard landing has begun to decrease. Based on the strong economic growth of the United States, China's fiscal stimulus measures, and the stronger-than-expected performance of large emerging economies such as India, Russia, and Brazil, the global economic growth rate in 2024 is expected to increase slightly to 3.1% from 2023.

As predicted by IQVIA, in 2027, with expiring patents and rising supply of generic pharmaceuticals along with significant growth in the emerging markets, the pharmaceutical market values of the entire world shall come up to US$1.9 trillion value. The pharmaceutical markets of developed nations would grow up to hit US$1.4 trillion, including the generic pharmaceutical markets with output values ranging from US$485 billion to US$545 billion, including non-original brand generic pharmaceuticals in the developed countries anticipated to grow up to 5%–8%, with the output values ranging from US$150 billion to US$160 billion. The unbranded generic pharmaceuticals are anticipated to range from US$105 billion to US$115 billion. The United States, Canada, Japan among other nations have launched legislation into incentives toward more generic pharmaceuticals to control pharmaceutical prices and to evaluate pharmaceutical efficacy by means of pharmacoeconomics. For pharmaceuticals, they adopt big data for pharmaceuticals to regulate pharmaceutical prices and upgrade insurance programs to minimize government expenditures on National Health Insurance and to, in turn, assure rationality of pharmaceutical prices. Thanks to support with multiple policies, the generic pharmaceutical markets have been growing at continued paces.

Among them, the generic pharmaceutical annual report data revealed by the US FDA indicates that only 679 generic pharmaceuticals were approved in 2021, 722 in 2022, and 782 in 2023 by the FDA amidst its verification process. The FDA report underlines that sales of generic pharmaceuticals in the United States would help lower overall medical treatment expenditures, boost competitive edge for the products, and minimize medical treatment costs, thereby facilitating more patients into practical use.

IQVIA pointed out that amidst the impact of the global inflation, the generic pharmaceuticals in the United States virtually offset the growth in patent-expiring pharmaceuticals because of the low prices. As a result, the generic pharmaceutical market in

the United States is anticipated to grow by US$7 billion to hit US$17 billion in 2027. The European market is to grow by US$12 billion to hit US$26 billion. On the other hand, nevertheless, the major bulk pharmaceutical chemicals, or Active Pharmaceutical Ingredient (API) come from India and China. Amidst the impact by coronavirus pandemic (COVID-19), inflation, geopolitics and war, the supply chains of generic pharmaceuticals become unstable and the raw material costs rise, bringing added uncertainties in the growth of generic pharmaceutical markets.

At present, countries are actively developing Biosamilars industries to enhance relevant analytical technologies and improve health insurance mechanisms, but the regulatory system, investment costs and technical thresholds of the biosimilar industry are relatively high, resulting in a slower development of the biosimilar industry. On the contrary, small molecule scientific drugs have the advantages of mass production process, mature regulations and high acceptance of patient medication, high penetration rate and low price... and other characteristics. Therefore, the chemical raw materials (APIs) of small molecules and peptide, which we focus on, have a place in the generic drug market.

The company's cGMP system has been officially inspected by the United States, Europe and Japan many times. We have been one of the major suppliers of high-tech companies in the United States, Europe and Japan, although we face low-cost competition in the market from Chinese and Indian API manufacturers. With the increasingly strict inspection of the US and EU pharmaceutical authorities and the increasingly stringent requirements for cGMP requirements, the quality requirements of APIs have established a new milestone. The company faced with the improvement of pharmaceutical quality thresholds in advanced countries, it is also an opportunity for Chunghwa Chemical Synthesis & Biotech Co. Ltd who has a strong cGMP foundation. We will strive to enhance our competitiveness, deepen our research and development technology, and develop high-tech raw materials with market potential. In the harsh competition environment of the internal and external markets, we strive to break through and grow steadily.

We wish you all shareholders

May I wish you all good health and good luck.

Chairwoman Wang Hsieh, I-Che

Two. Company Profile

1. Company founding date: May 19, 1964.

II. Company history:

(I) Mergers and acquisitions of banks, direct investment or reorganization of affiliates in the latest year to the date this report was printed: none.

(II) Large equity transfer or replacement by the Chairman or major shareholders holding over 10% of the company shares during the most recent year and as of the printing date of this annual report: None.

(III) Major changes in operating rights, operating methods, or operating contents during the most recent year and as of the printing date of this annual report as well as other important matters that may affect the shareholders' equity and the company: None.

(IV) The significant impacts to the company's development due the historical information:

This company was founded by National Assembly Representative Mr. Wang, Ming-Ning in 1964, which primarily focused on the production of the antibiotics based western medicine APIs and intermediates as well as the manufacturing and sales of chemical raw materials. The company has actively promoted product exports since 1997, and has completed construction for cGMP biotech, cBPM synthetic API, and other relevant pioneering plants. The company has successively passed the plant inspections by the U.S. FDA and German drug certification units; and received numerous pharmaceutical inspection approvals from the E.U., U.S., and India. Its products have met the international standards, and a number of products have been successfully exported to Europe and the U.S. The company's development history is described as follows:

1963	• Preparing and building a plant in Shulin City of Taipei County with the capital of NTD10 million, which was divided into 100 thousand shares with NTD100 per share.
1965	• Plant expansion and equipment increase, increased the number of products to 10, and purchased the Shanjia plant site.
1979	• Entered into technical cooperation with the Japan Far East Fatty Acid Co., Ltd. to build a new plant; and added equipment for the production and sales of reinforced corrugated boards, cardboards, and cardboard boxes.
1984	• The analgesic and antipyretic drug Acetaminophen began to be exported to the United States through a factory inspection by the US FDA
1990	• The company has completed its research institute named "Shulin Research Center."
1997	• Undertaken the capital increase of NTD255 million in October, with NTD700 million as the amount of paid-in capital after the capital increase. • In October, the analgesic and antipyretic Drug Acetaminophen once again passed the US FDA inspection. • New cGMP API Shulin Plant groundbreaking ceremony on November 12.
1999	• December trial run completion after the January groundbreaking for the new cGMP biotech API plant. • The new cGMP API plant completed mass production of Glyburide, Methocarbamol, and Guaifenesin. • Established Pharmaports, LLC subsidiary in New Jersy, USA. • December: Undertaken the capital increase of NTD220 million with NTD920 million as the amount of paid-in capital after the capital

increase.

2002
- April: The cGMP plant passed the U.S. FDA plant inspection, and passed the inspection by the domestic drug inspection bureau on November 22.

2003
- April: the Methocarbamol based synthesis plant passed the cGMP plant inspection by the U.S. FDA. 210 tons of the Methocarbamol were exported and sold to the U.S., which ranked No. 1 in the U.S. market.
- June: In response to the company's product production type, the company officially changed its name to "Chunghwa Chemical Synthesis & Biotech Co. Ltd."
- September: To make up for the cumulative losses and improve the financial structure, the company has undertaken the capital reduction of NTD518 million and the capital replenishment of NTD250 million. After the reduction and replenishment, the capital amount is NTD652 million.
- December: The Pravastatin product process passed the original manufacturer SANKYO's inspection in Japan, verified to have no process infringement, and the product officially entered the Japanese market.

2004
- The R&D for biotech Tacrolimus immunosuppressive agent product was successful, and pilot industry trial production was completed.
- The immunosuppressant Rapamycin passed plant inspection by the U.S. customers and began shipment.

2005
- The quality and delivery deadline for the new immunosuppression product Rapamycin were confirmed by the U.S. customers, and the company was able to provide a stable supply for human trials.
- The production of Fosinopril intermediate ZP-3 commissioned by the European Swiss pharmaceutical company was extended to ZP-7.
- Thirty tons of yeast batch tanks were installed, completed the trial runs, and put into mass production.
- December: Passed the Pravastatin based biotech plant full cGMP plant inspection by the U.S. FDA.

2006
- The quality and delivery of Tacrolimus, a new product for immunosuppression, was confirmed by U.S. customers.
- Pravastatin, a hypolipidemic drug, successfully entered the U.S. market.
- The muscle relaxant Methocarbamol sold 269 tons and made a new turnover record.
- To strengthen the integration of R&D resources for biotech and non-biotech products as well as accelerate the pace of R&D, the company appointed Dr. Dai-Rui from the U.S. as the President's special assistant to take charge of the research center.

2007
- The biotech plant invested into the production of 30-ton tanks as dedicated fermenters for immunosuppressive products Rapamycin, Tacrolimus, and Mycophenolate Mofetil.
- Immunosuppressant Mycophenolate Mofetil completed the validation batch.
- Developed OEM products, and completed the trial productions for Olopatadine and Perindopril.

2008
- Completed the laboratory process R&D for Everolimus, Temsirolimus, and Zotarolimus (downstream Rapamycin series products). Develop second-generation immunosuppressant drug products.
- Jointly completed the Tacrolimus SD upstream and downstream R&D integration with CCPC. The two parties simultaneously conducted the BE test and applied for ANDA.
- The immunosuppressant Mycophenolate Mofetil completed the validation

batch, passed cGMP plant inspection by three U.S. pharmaceutical companies, and became a key supplier for the North American market.

2009
- February: Passed the cGMP plant inspection by the German drug certification unit.
- August: Increased the amount of capital by NTD50 million in order to strengthen the financial structure, and the capital amount reached NTD702 million after the capital increase.
- Jointly developed Tacrolimus SD and its formulation products with CCPC, and the BE test has been completed by a well-known pharmaceutical company in the United States and passed the ANDA application.
- December: Listed as an emerging stock company by the Taipei Exchange.

2010
- December 16: Replenished NTD73.6 million in capital, and the capital amount was NTD775.6 million after replenishment.
- December 20: The stock was traded in the stock market.

2011
- January: Obtained the U.S. Bayer Mose production patent.
- April: 3 products passed the U.S. FDA official plant inspection: Mycophenolate Mofetil, Dexbrompheniramine Maleate, and Tacrolimus.
- Began to supply the immunosuppressant products Tacrolimus & Sirolimus to the Japanese market.
- Fungins product entered the European market.□

2012
- March: Obtained the Taiwanese patent for improving the synthetic methods of Tacrolimus and its analogues, the synthesis of Biolimus A9 analogues, and their stability improvement method.
- April: Purchased land in Guanyin Township, Taoyuan County, to expand the production base.
- April: Added a new analysis institute with President special assistance Dr. Hong-Yuan Chen serving as the director.
- April: Successfully completed R&D for new product Everolimus.
- April: Successfully completed R&D for new product Ethyl Icosapentate.
- May: Pravastatin passed the second German official cGMP plant inspection.
- September: Obtained the U.S. patent for the preparation process of Temsirolimus.
- October: Obtained the Taiwanese patent for the preparation of nitrogen-containing heterocyclic hexapeptides for high conversion rate caspofungin.

2013
- January: Obtained a Taiwanese patent for the preparation of MPA Sodium.
- March: Completed the U.S. FDA API drug master file (DMF) registration.
- May: OLO & Rapa passed the Taiwan TFDA plant inspection.
- June: Tacrolimus passed the Japanese PMDA plant inspection.
- July: Singed the R&D contract with China Jinan Wuhuan Pharmaceutical Technology Company and China Suzhou Pengxu Pharmaceutical Technology Co., Ltd., respectively, to establish strategic alliances.
- August: Tacrolimus passed the South Korea official plant inspection.
- August: Everolimus Pre-Mix completed the U.S. FDA API drug master file (DMF) registration.
- September: Metaxalone completed the U.S. FDA API drug master file (DMF) registration.
- October: Everolimus & Caspofungin passed the Taiwan TFDA plant inspection certification.

- November: Caspofungin completed the U.S. FDA API drug master file (DMF) registration.

2014
- March: The Board of Directors passed a resolution to promote the special assistant of President Dr. Hong-Yuan Chen as the Vice President of the R&D Department.
- May: The biotech plant and the synthesis plant passed the official plant inspection by the U.S. FDA.
- June: Obtained the U.S. patent for the preparation method of Ridaforolimus.
- July: Obtained the Taiwanese patent for the preparation method of Ridaforolimus.

2015
- January: Sold part of the land in Taoyuan Science Park.
- March: Pravastatin Sodium and Tacrolimus passed the German official inspection.
- March: Passed the Taiwan TFDA plant inspection.
- May: Original President Dr. Chang, Hsiang-Han retired, and Dr. Yang, Chih-Ping took over as the President.
- May: Passed the Mexico official plant inspection.

2016
- March: The Board of Director passed the resolution for Dr. Cheng, Hong-Yuan to retire from the R&D Department.
- May: Due to organizational adjustments, the original Vice President of the Business Department was transferred to the position of President of the Administrative Center. The company appointed Mr. Chen, Chuan-Wen as the Vice President of the Business Department.
- December: Obtained the ISO50001 certification.
- December: Won the 2016 Annual Pharmaceutical Science and Technology R&D Award from the Ministry of Health and Welfare with Mycophenolate Mofetil and Everolimus as the award-winning products.

2017
- February: Obtained the Taiwanese patent for anticoagulant drug Edoxaban API's "Diamine Derivative Production Method."
- March: Passed the U.S. FDA plant inspection.
- July: Passed the Japanese PMDA plant inspection.
- July: Obtained the Taiwanese patent for the treatment of short bowel syndrome and the production method of Teduglutide.
- July: Purchased land in Guanyin Township, Taoyuan County, to expand the production base.
- In August, the board of directors appointed Dr. Wei, Ching-Peng to take over as Vice President of the R&D department.
- September: Obtained the Taiwanese patent for the innovative production method of lxazomib citrate for the treatment of multiple myeloma.
- October: Passed the Taiwan TFDA plant inspection.
- November: Obtained the U.S. patent for anticoagulant drug Edoxaban API's "Diamine Derivative Production Method."

2018
- In March, the company obtained the Taiwan patent for “CRYSTAL FORM D OF BARICITINIB PHOSPHATE AND COMPOSITION THEREOF”.
- In April, the former President Dr. Yang Zhiping resigned and the new President was replaced by Huang, Chung-Hsin.
- May: Sold part of the land in Taoyuan Science Park.
- In June, Tseng, Kuo-Hsien, the Plant Deputy Director was promoted to Vice President of Manufacturing Division by the board of directors.
- In July, was awarded the Gold Medal Prize for Manufacturing Technology

	Award by the Ministry of Economic Affairs and the Ministry of Economics. The winning product is Caspofungin Acetate. • In September, the company granted the Taiwan patent for “METHOD FOR PREPARING AMORPHOUS CARFILZOMIB (I)”. • November: Passed the U.S. FDA plant inspection. • In December, the company obtained US patent for “Method for preparing glucagon peptide-2 (GLA-2) analogue”.
2019	• In July, the Company successfully obtained a US patent for a new crystalline form of breast cancer raw material Ribociclib succinate and its preparation method. • Vice President Chen, Chuan-Wen, the former business head, resigned from the post in July and the vacancy was succeeded by Assistant General Manager Chen, Ying-Chi as the new business head in August. • The Company was successfully granted an official pass ANSM of France in September. • In December, the American customer Par successfully obtained the anti-breast cancer drug Everolimus ANDA and was granted a 180-day market exclusive right of monopoly in the markets.
2020	• In May that year, we obtained the patent for the preparation method and application of Sacubitril Sodium. • The Board of Directors resolved in May to sell land in the Guanyin District Industrial Zone and to expand fermentation production lines. • In July that year, the board of directors approved the promotion of Chen, Ying-Chi from associate manager of the Business Department to Vice President of the Business Department. • In July that year, the Company was awarded as a constituent stock of "Taiwan Stock Exchange Corporation Governance 100 Index" • In August that year, the Company satisfactorily passed the factory inspection by the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. • In November that year, the board of directors approved the election of the new chairwoman, Miss Wang Hsieh, I-Che (representative of China Chemical & Pharmaceutical Co., Ltd.).
2021	• In March, it obtained a U.S. patent for a secondary parathyroid hyperthyroid API for the synthesis of Etelcalcetide or its salts. • In March, July and November that year, the Company satisfactorily passed the factory inspection by the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. • In May that year, the board of directors resolved a decision EPAE production capacity expansion. • In July that year, the Company was awarded as a constituent stock of "Taiwan Stock Exchange Corporation Governance 100 Index" • In October, it obtained the U.S. patent for triglycerides and fats, fish oil (ethyl eicosapentaenoate) Ethyl Icosapentate.
2022	• In January, the Company successfully obtained Taiwan patent for Etelcalcetide, a method to remove water from a compound solution and to perform conjugate acid conversion. The Company further successfully obtained US patent in November. • In January, it obtained the Taiwan patent for triglycerides and fats, fish oil (ethyl eicosapentaenoate) Ethyl Icosapentate. • In May and October that year, the Company satisfactorily passed the factory inspection by the Taiwan Food and Drug Administration (TFDA)

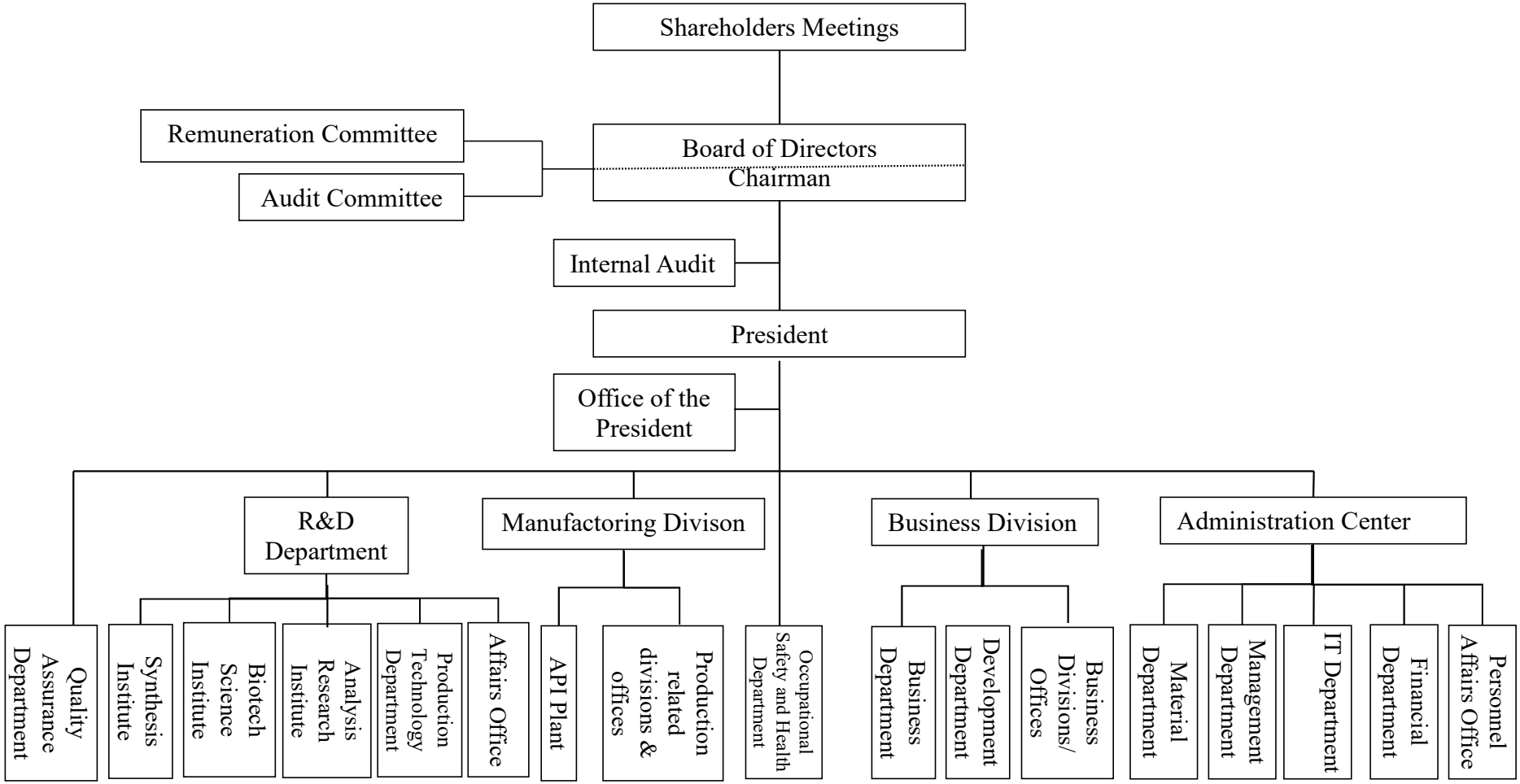
	of the Ministry of Health and Welfare. • In July, the Company was awarded Outstanding Biotechnology “Industry Award-Gold Prize of the Industry” of 2022 • In August, President Huang, Chung-hsin resigned under his personal career planning. In turn, the Board of Directors resolved that Vice President Wei, Ching-Peng of Research & Development Division be promoted to the post of President. • November: Completed the U.S. FDA plant inspection. • In November, as resolved in the Board of Directors, the Company should purchase the land immediately adjacent to the Company's plant area for continual expansion of productivity.
2023	• In February, we started mass production of fish oil continuous system, effectively reducing costs and increasing production. • In May, the Company satisfactorily passed the factory inspection by the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. • In November, we obtained patents for the preparation method of Tofacitinib citrate in the United States and Taiwan. • In December, the Caspofungin scaled-up process equipment was completed, which will reduce costs and increase production in the future to gain market advantage.

Three. Corporate Governance

I. Organizational structure:

(I) Table of Organizational structure:

CCSB Organization System Chart



(II) The responsibilities of various divisions:

Units	Main responsibilities
Office of the President	Manage the company's business development, document management, and other relevant operations.
Internal Audit	Responsible for the inspection and evaluation of internal control systems, determine whether the internal audit system and internal control self-assessment procedures are sound, perform audits and supervise follow-up improvements for all departments, and issue analysis evaluations and recommendations.
Financial Department	Responsible for cashier, fund planning, accounting, taxation, financial statements, budget reviews, stock management and planning, credit control, as well as fund collection and demand related operations.
Management Department	Manage the affairs for the entire plant, safeguard the company seals, and procurement of production parts and consumables.
Material Department	1. Responsible for the raw material procurement strategy planning and implementation of R&D. 2. Responsible for searching for new materials and intermediates.
IT Department	1. Responsible for the company's computerized operations as well as system analysis and management. 2. The planning, monitoring and execution of the information and communication security system.
Personnel Affairs Office	Responsible for recruiting appointments, compensation and benefits, performance appraisal, training and development, and other human resources related businesses.
Business Department	1. Responsible for the development of domestic and foreign customers and product sales, promotion and provision of customer post-sales defective products replacement, and other related issues. 2. Responsible for the introduction of new product planning, market research and analysis, as well as pricing and distribution.
Development Department	Responsible for global market information gathering and analysis as well as new product development screening.
Business Divisions/Offices	Taking overall charge of the execution of various projects in the Offices concerned and the assignment of tasks by the division level supervisors.
Occupational Safety and Health Department	1. Wastewater, air pollution, waste handling, and other relevant operations. 2. Handling of the occupational safety and health related matters.
API Plant	Responsible for the production of chemical APIs, chemical products, and fermented raw materials.
Production related divisions & offices	Taking overall charge of the execution of various projects in the Offices concerned and the assignment of tasks by the division level supervisors.
Production Technology Department	He is responsible for coordinating CMO/CDMO and technology transfer planning and execution, process improvement and cost reduction related business.
Synthesis Institute	Chemical synthesis of new product development.
Biotech Science Institute	Fermentation new product development and strain optimization.
Analysis Research Institute	Responsible for the analysis of R&D, and the transfer of analytical methods to the quality control unit.
Affairs Office	Responsible for coordinating research on the process related project operations.
Quality Assurance Department	Quality assurance, control, and validation, etc., related GMP related plant inspections, drug license applications, and other regulatory operations.

II. Background information of the Director, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches:

(I) Director:

1. Directors Information:

April 1, 2024; Unit: Shares

Title (Note 1)	Nationality and Registry	Name	Gender, Age	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Chairman	Republic of China	China Chemical & Pharmaceutical Co., Ltd.	-	2022.05.25	3 years	1998.05.12	21,575,064	27.82%	21,575,064	27.82%	0	0%	0	0%	-	Note 2	None	None	None	None
	Republic of China	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	Female 51–60 years old	2022.05.25	3 years	2020.11.09	0	0%	347	0%	2,456,179	3.17%	320,000	0.41%	Department of Philosophy and Department of Business Management, Fu Jen Catholic University Chairman of China Chemical & Pharmaceutical Co., Ltd.	Note 3	Director	Wang, Hou-Kai	First degree	None
Director	Republic of China	China Chemical & Pharmaceutical Co., Ltd.	-	2022.05.25	3 years	1998.05.12	21,575,064	27.82%	21,575,064	27.82%	0	0%	0	0%	-	Note 2	None	None	None	None
	Republic of China	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai	Male 21–30 years old	2022.05.25	3 years	2022.05.25	0	0%	0	0%	0	0%	0	0%	Bachelor of Science, Leonard N. Stern School of Business, New York University Private Equity Investment Manager, KKR & Co. Private Equity Investment Manager, Baring Private Equity Asia M&A Analyst of Healthcare Industry, Lazard Frères & Co.	Note 4	Chairman	Wang Hsieh, I-Che	First degree	None
Director	Republic of China	Wang Ming-Ning Memorial Foundation	-	2022.05.25	3 years	2016.05.31	1,691,982	2.18%	1,691,982	2.18%	0	0%	0	0%	-	Note 5	None	None	None	None
	Republic of China	Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin	Male 71–80 years old	2022.05.25	3 years	2018.04.01	0	0%	57,773	0.07%	0	0%	0	0%	Chemical Engineering Department of Chung Yuan University President of China Shaoguan Pharmaceutical Vice President of Business Department, CCSB Biotech Administrative Center President of Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Note 6	None	None	None	None
Director	Republic of China	Wang Ming-Ning Memorial Foundation	-	2022.05.25	3 years	2016.05.31	1,691,982	2.18%	1,691,982	2.18%	0	0%	0	0%	-	Note 5	None	None	None	None
	Republic of China	Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	Male 31–40 years old	2022.05.25	3 years	2020.01.17	0	0%	1,006,600	1.30%	0	0%	0	0%	Department of Psychology, University of Southern California Director of China Chemical & Pharmaceutical Co., Ltd.	Note 7	None	None	None	None

Title	Nationality and Registry	Name	Gender, Age	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads			Remarks
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
Independent Director	Republic of China	Wang, Kuo-Chiang	Male 61–70 years old	2022.05.25	3 years	2010.06.08	0	0%	0	0%	0	0%	0	0%	Master's Degree from the NCTU Executive Master of Business Administration Bachelor of Accounting, National Chung Tsing University (Now National Taipei University) Acting President of Dafeng Cable Co., Ltd. President of Taiwan Digital Broadband Cable TV Co., Ltd. Assistant Professor of National Taipei University of Technology	Note 8	None	None	None	None
Independent Director	Republic of China	Chang, Chih-Hsien	Female 51–60 years old	2022.05.25	3 years	2016.05.31	0	0%	0	0%	0	0%	0	0%	Master of Statistics, Stanford University, U.S.A. Department of Agricultural Economics, National Taiwan University Vice President of Chia Hsin Asset Management Development Co., Ltd. (subsidiary of Chia Hsin Cement Corporation) Vice President of Robeco Investment Management Group Asia Investment Management Center (Hong Kong) Greater China Marketing Manager at the Investment and Wealth Management Department of Fuh Hwa Securities Investment Trust Co., Ltd. Supervisor of ADLINK Technology Inc.	Note 9	None	None	None	None
Independent Director	Republic of China	Kuan, Hsin	Male 31–40 years old	2022.05.25	3 years	2022.05.25	0	0%	0	0%	0	0%	0	0%	Johns Hopkins Biotechnology M.S. (Johns Hopkins Biotechnology M.S.) University of Pennsylvania Biology B.A. Chief Executive Officer and Chairman, CG Oncology (Eternal Facial Biotechnology Co., Ltd.)	Note 10	None	None	None	None

Note 1: Where the Company's chairman and general manager or personnel of the equivalent positions (the highest managerial officers) are the same persons, as spouse or blood relatives within the first degree of kinship to each other, the Company should clarify the reasons, rationale, necessity and countermeasures: not applicable. Such fact is virtually nonexistent.

Note 2: Director of Tairung Development Co., Ltd., Sinochem Yumin Health Co., Ltd., SINO-JAPAN CHEMICAL CO.,LTD.; and supervisor of Chunghwa Yuming Healthcare Co., Ltd.

Note 3: China Chemical & Pharmaceutical Co., Ltd. (Chunghwa Chemical Synthesis & Biotech Co. Ltd legal representative), Sinochem Yumin Health Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.), Chunghwa Senior Care Co., Ltd. (China Chemical Pharmaceutical Co., Ltd., legal representative), Tairung Development Co., Ltd., HU-YU Co., Ltd.; Majiade Enterprises Co., Ltd.-Chairman; Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.; Supervisor of Sela Holdings Inc.

Note 4: Director, VP of Strategy and Business Development of Sinochem Yumin Health Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.); Director of Chunghwa Senior Care (legal representative of China Chemical Pharmaceutical Co., Ltd.) and Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD.; Supervisor of Majiade Enterprises Co., Ltd.; Chairman of Sela Holdings Inc.

Note 5: Director of China Chemical & Pharmaceutical Co., Ltd.

Note 6: General director of Sino-Japan Chemical Co., Ltd. (China Chemical & Pharmaceutical Co., Ltd. legal representative)

Note 7: Director, vice general manager of China Chemical & Pharmaceutical(Suzhou) Co., Ltd.; Director of China Chemical and Pharmaceutical Co., Ltd. (representative of Mr. Wang Min-Ning's Memorial Foundation), Director of Tairung Development Co., Ltd.; Executive Director of Beifu (Shanghai) Trading Co., Ltd.

Note 8: Lien Chieh Management and Consultation Co., Ltd., responsible person(principal); Partner Tech Corporation, independent director, Remuneration Committee, convenor; Audit Committee, convenor; Xiangming Technology Co., Ltd., independent director; Remuneration Committee, convenor; Audit Committee, convener; Feng Yuan Group Co., Ltd. (KY Company), independent director; Remuneration Committee, convener; Audit Committee, convener; National Yang Ming Chiao Tung University; Adjunct Assistant Professor.

Note 9: CEO of Vision Think Tank

Note 10: Chief Executive Officer and Chairman, CG Oncology (Eternal Facial Biotechnology Co., Ltd.).

2. List of directors who are also legal person shareholder representatives with the shareholding ratio of exceeding 10% or rank as top ten among the shareholders:
(1) Corporate shareholders' main shareholders:

April 1, 2024

Name of corporate shareholder	Corporate shareholders' main shareholders	Percentage of shareholding (donation)
China Chemical & Pharmaceutical Co., Ltd.	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	14.11%
	Sela Holdings Inc.	4.36%
	Wang Ming-Ning Memorial Foundation	3.50%
	Kuan Enterprise Limited	3.14%
	Special Property Trust Account in Far Eastern International Bank as commissioned for Employees of China Chemical and Pharmaceutical Co., Ltd.	2.85%
	Wang, Hou-Jie	2.27%
	Jiezhe Investment Co., Ltd.	2.18%
	Majiade Enterprises Co., Ltd.	1.80%
	Wang, Hsun-Sheng	1.59%
	SPDR(R) Index Emerging Markets as commissioned by Standard Chartered Bank Limited.	1.55%
Wang Ming-Ning Memorial Foundation (Note 1)	Wang Huang, Li-Hui (deceased), Wang, Hsun-Sheng, Wang, Hsun-Hui (deceased) Wang, Hsun-Yu	91.88%
	China Chemical & Pharmaceutical Co., Ltd.	3.63%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	2.03%
	Wang, Chih-Chuan (deceased)	0.73%
	Wang, Hsun-Sheng	0.35%
	Wang Sung, Chiung-Ying (deceased)	0.25%
	Wang, Hsun-Hui (deceased)	0.18%
	Wang Huang, Li-Hui (deceased)	0.12%
	Chen Wang, Hsiang-Yu	0.07%
	Wei, Fu-Chuan	0.02%

(2) The main shareholders if the main shareholders of the corporate shareholders are the corporation:

April 1, 2024

Name of corporate shareholder	Corporate shareholders' main shareholders	Percentage of shareholding (donation)
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	China Chemical & Pharmaceutical Co., Ltd.	27.82%
	Wang, Hsun-Sheng	3.17%
	Wang Ming-Ning Memorial Foundation	2.18%
	Wang, Hou-Jie	1.30%
	Wang, Xun-Wei	1.29%
	Lin, Kuei-Mei	1.28%
	Hsieh, Chia-Ying	1.14%

Name of corporate shareholder	Corporate shareholders' main shareholders	Percentage of shareholding (donation)
	Ko, Ching-Hui	1.10%
	Wang, Hou-Che	0.95%
	Yuanta Commercial Bank entrusted with the custody of CCSB employee trust account	0.78%
Sela Holdings Inc.	Wang, Hsun-Sheng	83.19%
	Wang, Hou-Zhu	5.89%
	Wang, Hou-Kai	5.75%
	Wang Hsieh, I-Che	5.17%
Wang Ming-Ning Memorial Foundation (Note 1)	Wang Huang, Li-Hui (deceased), Wang, Hsun-Sheng, Wang, Hsun-Hui (deceased) Wang, Hsun-Yu	91.88%
	China Chemical & Pharmaceutical Co., Ltd.	3.63%
	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	2.03%
	Wang, Chih-Chuan (deceased)	0.73%
	Wang, Hsun-Sheng	0.35%
	Wang Sung, Chiung-Ying (deceased)	0.25%
	Wang, Hsun-Hui (deceased)	0.18%
	Wang Huang, Li-Hui (deceased)	0.12%
	Chen Wang, Hsiang-Yu	0.07%
	Wei, Fu-Chuan	0.02%
Kuan Enterprise Limited	Kuan, Chun-Ping	100%
Special Property Trust Account in Far Eastern International Bank as commissioned for Employees of China Chemical and Pharmaceutical Co., Ltd.	-	-
Jiezhe Investment Co., Ltd.	Wang Hsieh, Cheng-Ching	53.84%
	Wang, Hou-Che	46.16%
Majiade Enterprises Co., Ltd.	Wang Hsieh, I-Che	55.05%
	Wang, Hsun-Sheng	24.13%
	Wang, Hou-Zhu	10.41%
	Wang, Hou-Kai	10.41%
SPDR(R) Index Emerging Markets as commissioned by Standard Chartered Bank Limited.	-	-

Note 1: Where a juristic person shareholder is not in an organization as a company, the aforementioned shareholder titles and shareholding ratios would be just the names of investors or donors and their investment or donation ratios.

3. Disclosure of information regarding professional qualifications for directors and independence of independent directors:

April 1, 2024

Criteria / Name	Professional qualifications and experience	Independence situation	Number of positions as an Independent Director in other public listed companies
Chairman: China Chemical & Pharmaceutical Co., Ltd. Representative: Wang Hsieh, I-Che	● With experience required for commercial and corporate affairs. ● Currently, China Chemical & Pharmaceutical Co., Ltd. (Chunghwa Chemical Synthesis & Biotech Co. Ltd legal representative), Sinochem Yumin Health Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.), Chunghwa Senior Care Co., Ltd. (China Chemical Pharmaceutical Co., Ltd., legal representative), Tairung Development Co., Ltd., HU-YU Co., Ltd.; Majiade Enterprises Co., Ltd.-Chairman; Director of Suzhou Chung-hwa Chemical&pharmaceutical Industrial Co., Ltd.; Supervisor of Sela Holdings Inc. ● Does not meet any descriptions stated in Article 30 of The Company Act.	● Directors, supervisors or employees of other company (ies) with a majority of director seats or voting powers not with the Company ● Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NTD 500,000 in accumulation over the last 2 years,	None
Director: China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hou-Kai	● With experience required for commercial and corporate affairs. ● Currently, Director, VP of Strategy and Business Development of Sinochem Yumin Health Co., Ltd. (legal representative of China Chemical Pharmaceutical Co., Ltd.); Director of Chunghwa Senior Care (legal representative of China Chemical Pharmaceutical Co., Ltd.) and Suzhou Chung-Hwa Chemical & Pharmaceutical Industrial CO., LTD.; Supervisor of Majiade Enterprises Co., Ltd.; Chairman of Sela Holdings Inc. Having served with KKR & Co. as the Investment Manager for Private Placement Equity; served with Baring Private Equity Asia as the Investment Manager for Private Placement Equity and served with Lazard Frères & Co., as the analytical specialist of merger/acquisition (M&A) for medical healthcare businesses. ● Does not meet any descriptions stated in Article 30 of The Company Act.	● Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company. ● Directors, supervisors or employees of other company (ies) with a majority of director seats or voting powers not with the Company ● Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NTD 500,000 in accumulation over the last 2 years,	None
Director: Wang Ming-Ning Memorial Foundation Representative: Huang, Chung-hsin	● With experience required for commercial and corporate affairs. ● Current General director of Sino-Japan Chemical Co., Ltd. (China Chemical & Pharmaceutical Co., Ltd. legal representative) ● Does not meet any descriptions stated in Article 30 of The Company Act.	● Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company. ● Directors, supervisors or employees of other company (ies) with a majority of director seats or voting powers not with the Company ● Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	None
Director: Wang Ming-Ning Memorial Foundation Representative: Wang, Hou-Jie	● With experience required for commercial and corporate affairs. ● Current director, vice general manager of China Chemical & Pharmaceutical(Suzhou) Co., Ltd.; Director of China Chemical and Pharmaceutical Co., Ltd. (representative of Mr. Wang Min-Ning's Memorial Foundation), Director of Tairung Development Co., Ltd.; Executive Director of Beifu (Shanghai) Trading Co., Ltd. ● Does not meet any descriptions stated in Article 30 of The Company Act.	● Directors, supervisors or employees of other company (ies) with a majority of director seats or voting powers not with the Company ● Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NTD 500,000 in accumulation over the last 2 years, ● Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	None

Criteria / Name	Professional qualifications and experience	Independence situation (Note)	Number of positions as an Independent Director in other public listed companies
Independent Director: Wang, Kuo-Chiang	● Graduated from Master of High Ranking Executive Management Science, National Yang Ming University ;Department of Accounting, National Chung Hsing University (currently as National Taipei University). ● With more than 20 years of experience required for commercial, financial, accounting and corporate affairs. ● Current Lien Chieh Management and Consultation Co., Ltd., responsible person(principal); Partner Tech Corporation, independent director, Remuneration Committee, convenor; Audit Committee, convenor; Xiangming Technology Co., Ltd., independent director; Remuneration Committee, convenor; Audit Committee, convener; Feng Yuan Group Co., Ltd. (KY Company), independent director; Remuneration Committee, convener; Audit Committee, convener; National Yang Ming Chiao Tung University; Adjunct Assistant Professor. Having served with PricewaterhouseCoopers Taiwan as a senior auditor, served with Da Feng Cable Television Co., Ltd. as the agent general manager and head auditor; having served with Taiwan Digital Broadband Cable Television Co., Ltd. as its general manager; and served with National Taipei University of Technology as the Adjunct Assistant Professor. ● As an officially licensed internal auditor of the Republic of China. ● Does not meet any descriptions stated in Article 30 of The Company Act.	● (1) Not employed by the company or any of its affiliated companies. ● (2) Not a director or supervisor of the Company or its affiliates ● (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company. ● Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraph (1) or the persons in preceding paragraph (2) and (3). ● The directors, supervisors or employees of juristic person shareholders serving as the directors or supervisors of the Company; holding over 5% of the total outstanding shares not directly, ranking among the top five (5) in terms of shareholding or duly appointed under Subparagraph 2, Paragraph 1, Article 27 of the Company Act. ● Directors, supervisors or employees of other company (ies) with a majority of director seats or voting powers not with the Company ● Not as a director (council member), supervisor (controller) or employee of other company or institution as a same person or the spouse thereof of the Company's chairman, general manager or equivalent job position. ● Not a director, supervisor, manager, or shareholder	3
Independent Director: Chang, Chih-Hsien	● Graduated from Master of Statistics, Stanford University;Bachelor of Agricultural Economics, National Taiwan University. ● With more than 20 years of experience required for commercial, financial, and corporate affairs. ● Current CEO of Vision Think Tank;Vice General Manager of Chia Hsin Asset Management and Development Co., Ltd. (A subsidiary of Chia Hsin Cement Company); Vice President of Marketing for the Greater China Area, Asia Investment Management Center (Hong Kong) of Robeco Investment Management Group; Manager at the Investment and Wealth Management Department of Fuh Hwa Securities Investment Trust Co., Ltd.;		None

Name \ Criteria	Professional qualifications and experience	Independence situation (Note)	Number of positions as an Independent Director in other public listed companies
	Supervisor of Adlink Technology Inc. ● Does not meet any descriptions stated in Article 30 of The Company Act.	with more than 5% ownership interest in any company or institution that has financial or business relationship with the company. ● Not an owner, partner, Director, Supervisor, Manager or spouse to the owner, partner, Director, Supervisor, Manager of a professional, sole proprietor, partnership, company or institution providing audit service for the Company or its affiliates, or who has received remunerations of less than NTD 500,000 in accumulation over the last 2 years, ● Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. ● Not elected as a government or corporate representative according to Article 27 of The Company Act.	
Independent Director: Kuan, Hsin	● As Biotechnology M.S. of Johns Hopkins ; As Biology B.A. of University of Pennsylvania. ● With more than 6 years of experience required for commercial and corporate affairs. ● Current Chief Executive Officer and Chairman , CG Oncology (Eternal Facial Biotechnology Co., Ltd.) ● Does not meet any descriptions stated in Article 30 of The Company Act.		None

Note: The Company already obtained the Independence Declaration from each independent director according to the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that all meet the eligibility criterion of independence meet regulatory requirements.

4. Diversification and Independence of Board of Directors:
   (1) Diversification of Board of Directors:
      A. Board of Directors Diversification Policy:
         The Company has adopted the “Procedures for Election of Directors and Supervisors” and “Best Practice and Principle for Corporate Governance” and taken diversity into consideration in determining the composition of the board of directors. To implement the diversity of the board of directors of the Company, the directors of the Company are based on professionalism and dedication. As expressly provided for in Article 20 of the Company's “Corporate Governance Best-Practice Principles” (The overall capabilities required for the Board of Directors): The Board of Directors shall be organized in a diversified, comprehensive and multifaceted manner. The directors concurrently serving as the Company's managerial officers shall not exceed one-third of the total number of director seats. Besides, toward the board of directors’ operations, operating style and requirements in development, the Company should work out diversified, comprehensive and multifaceted policies which should include standards/criteria of the two major aspects below:
         1. Basic requirements and values: Gender, age, nationality, and culture.
         2. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

         The members of the Board are disciplined with the kinds of knowledge, skills, and education necessary for their performance of professed duties. The Board shall be capable of performing the following for achieving the goal of corporate governance:
         1. Operating judgment.
         2. Accounting and financial analysis.
         3. Management capability.
         4. Crisis management capabilities.
         5. Industry knowledge.
         6. International market viewpoint.
         7. Leadership capability.
         8. Decision-making ability.
      B. Goals of Board of Directors and Their Fulfillment:
         The Company has a total of 3 independent directors at a percentage of 43%; among the directors, one is at the age in the range of 71–80; one is at the age in the range of 61–70; two are at the age in the range of 51–60; two are at the age in the range of 31–40 and one is at the age in the range of 21–30; at the moment, the fact that a director concurrently serves as an employee is nonexistent. Among directors, Director Wang, Kuo-Chiang holds license of the internal auditor of the Republic of China, Director Chang, Chih-Hsien is a licensed securities investment analyst, personnel of Taiwan Investment Consultation Co., Ltd., with license(s)/certificate(s) of Life Insurance Managerial Specialist in both Taiwan and the United States; Director Kuan, Hsin holds the expertise in biotechnology and investment and enterprise management. All members of the Board of Directors have been experts in finance and banking, commerce, management, mass media, biotechnology and securities investment fields, with

proficient experiences and expertise to boost the diversified development of the Board of Directors.
The Company highly stresses on the diversity of the composition of the board of directors and the gender equality among the composition of the board of directors. The target of the ratio of female directors is 20% or more. At present, the total of 7 directors includes 2 female director, at the ratio of 29% of the total. The composition diversity of the Board of Directors is as follows:

Diversified core projects / Name of director	Basic composition											Industrial experience							Professional skills				
	Gender	R.O.C.	As an employee	Age					Service tenure of independent directors			Pharmaceutical biotechnology	Mass media.	Technology	Securities	Accounting audit	Investment	Asset Management	Financial Accounting	Risk Management	operating strategy	Securities	Bancassurance
				21–30 years old	31–40 years old	51–60 years old	61–70 years old	71–80 years old	Less than 3 years	6 - 9 years	Over 9 years												
Wang Hsieh, I-Che	Female	V	-			V						V								V	V		
Wang, Hou-Kai	Male	V	-	V								V					V		V	V	V		
Huang, Chung-hsin	Male	V	-					V				V								V	V		
Wang, Hou-Jie	Male	V	-		V							V								V	V		
Wang, Kuo-Chiang	Male	V	-				V				V		V	V	V	V			V	V	V	V	
Chang, Chih-Hsien	Female	V	-			V				V					V			V	V	V	V	V	V	V
Kuan, Hsin	Male	V	-		V				V			V					V			V	V		

(2) Independence of Board of Directors:

The Company has enacted a sound system to select directors. All directors have been selected through open and impartial procedures, completely satisfactory to the Company's "Articles of Incorporation", "Regulations Governing Director Election", "Corporate Governance Best-Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Article 14-2 of Securities and Exchange Act". The current Board of Directors consists of three seats as independent director (43%) and four non-independent directors (57%). Among all boards of directors members, no director concurrently serves as an employee and among the total of seven director seats and those in spouse or within blood relatives within the second degree of kinship are no more than two, completely satisfactory to the requirements set forth under Paragraphs 3 and 4 of Article 26-3 of Securities and Exchange Act. The Company's directors prove completely independent in exercising their responsibilities and authority.

Here at the Company, the Board of Directors guides the Company in its strategies, supervise the management and assume the responsibility toward the Company and its shareholders, and toward such tasks in arrangement of a variety of duties regarding corporate governance system. The Company's Board of Directors proves to have faithfully exercise responsibilities and authority in accordance with laws and ordinances concerned, Articles of Incorporation and decisions resolved in the shareholders' meeting. The Company's Board of Directors highlights the functions in independent operation and transparency. The directors and independent directors are individual entities and exercise their respective duties completely independently. The independent directors, three seats in total, faithfully comply with laws and ordinances concerned and team up with the Audit Committee to review the Company's existent or potential issues in control and, accordingly, substantially dominate the Company's internal control system to assure effective enforcement, sound appointment of certified public accountants and appropriate preparation of financial statements.

(II) Information of the President, Vice President, associated director, and supervisor of the various units and branches

April 1, 2024; Unit: Shares

Title (Note 1)	Nationality	Name	Gender,	Date elected	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation	
President and Vice President of R&D Department	Republic of China	Wei, Ching-Peng	Male	2017.08.14	15,000	0.02%	0	0%	0	0%	National Tsing Hua University, Department of Chemistry Vice President of Formosa Laboratories, Inc.	None	None	None	None	None
Vice President of Manufacturing Division	Republic of China	Tseng, Kuo-Hsien	Male	2018.07.01	51	0%	0	0%	0	0%	Department of Chemical Engineering, National Cheng Kung University Director for CCSB	None	None	None	None	None
Vice President of Business Department	Republic of China	Chen, Ying-Chi	Male	2020.07.01	12,000	0.02%	0	0%	0	0%	Master of Microbiology and Immunology, Yangming University Aalto University School of Business EMBA COO of PHARMAPORTS,LLC	Chairman of PHARMAPORTS,LLC (CSBC incorporated entity representative)	None	None	None	None
Assistant President of Biotechnology Institution	Republic of China	Mai, Jin-Cheng	Male	2019.07.01	0	0%	0	0%	0	0%	Master from Department of Chemistry, National Taiwan University Chairman, Synthetic Biotechnology Institution of China Chemical and Pharmaceutical Co., Ltd.	None	None	None	None	None
Assistant Vice President of Quality Assurance Department	Republic of China	Wang, Wen-Bing	Male	2019.07.01	854	0%	0	0%	0	0%	Ph. D. from Institute of Chemical Engineering, University of Massachusetts Manager of Quality Assurance Department, China Chemical and Pharmaceutical Co., Ltd.	None	None	None	None	None
Chief Auditor	Republic of China	Hung, Chao-Sheng	Male	2020.07.01	10,330	0.01%	0	0%	0	0%	Master form the Department of business Administration, Chung Yuan Christian University Manager of Information Department, China Chemical and Pharmaceutical Co., Ltd.	None	None	None	None	None
Associate manager of General Manager's Office	Republic of China	Lin, Chien-Wen	Male	2022.09.12	0	0%	0	0%	0	0%	Department of Chemistry, Chung Yuan Christian University Assistant Manager of Platform Technology Co., Ltd. Assistant manager of General Manager's Office, Everlight Chemical Industrial Corporation	None	None	None	None	None
Manager of Finance Department and Head of Corporate Governance	Republic of China	Wang, Kuan-Chieh	Male	2018.11.20	0	0%	0	0%	0	0%	MBA in Accounting of Chinese Culture University Assistant Manager of Fitivision Technology Inc.	None	None	None	None	None

Note 1: Where the Company's chairman and general manager or personnel of the equivalent positions (the highest managerial officers) are the same persons, as spouse or blood relatives within the first degree of kinship to each other, the Company should clarify the reasons, rationale, necessity and countermeasures: not applicable. Such fact is virtually non-existent.

III. Remuneration paid to Directors, the President, and the Vice President in the latest year

(I) Remuneration paid during the most recent fiscal year to Directors, Presidents, and Assistant Presidents

1. Remuneration of directors and independent directors

Unit: NTD thousand December 31, 2023

Title	Name	Directors' remuneration								The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration as an employee								The sum of A, B, C, D, E, F and G in proportion to Earnings (%)		Payment received from an investee or parent company beyond a subsidiary
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Pension (F)		Remuneration to employees (G)						
																The Company		All companies contained in the financial report				
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies contained in the financial report	
Chairman	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	4,712	4,712	0	0	1,221	1,221	126	126	6,059 2.29%	6,059 2.29%	0	0	0	0	0	0	0	0	6,059 2.29%	6,059 2.29%	0
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai																					
Director	The Mr. Wang Min-ning Memorial Foundation representative: Huang, Chung-hsin																					
Director	Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie																					
Independent Director	Wang, Kuo-Chiang	1,656	1,656	0	0	3,000	3,000	54	54	4,710 1.78%	4,710 1.78%	0	0	0	0	0	0	0	0	4,710 1.78%	4,710 1.78%	0
Independent Director	Chang, Chih-Hsien																					
Independent Director	Kuan, Hsin																					

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time:
   In the Company, the remuneration to the independent directors has been duly granted in accordance with the "Regulations Governing Salaries and Remuneration Granted to the Directors and Functional Committee Members", "Board of Directors Performance Evaluation Guidelines and Procedure" and Article 32 of the Articles of Incorporation, as duly reviewed by the Remuneration Committee, with consideration of the results of the Company's performance, their participation levels to the Company's business operation and their contribution values to the Company The rationality and impartiality are linked up with the income, with reference to the levels prevalent in the firms and companies in the same industry before the proposals were submitted to and resolved in the board of directors.
2. Besides those disclosed in the above Table, remuneration paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee at the parent company/all affiliates/reinvested businesses included in the financial statements): NTD 1,224 thousand.

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report
<NTD1,000,000	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai; Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin; Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai; Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin; Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai; Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin; Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai; Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin; Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie
NTD1,000,000 (included)~ NTD2,000,000 (excluded)	Wang, Kuo-Chiang, Chang, Chih-Hsien, Kuan, Hsin	Wang, Kuo-Chiang, Chang, Chih-Hsien, Kuan, Hsin	Wang, Kuo-Chiang, Chang, Chih-Hsien, Kuan, Hsin	Wang, Kuo-Chiang, Chang, Chih-Hsien, Kuan, Hsin
NTD2,000,000 (included)~ NTD3,500,000 (excluded)	None	None	None	None
NTD3,500,000 (included)~ NTD5,000,000 (excluded)	None	None	None	None
NTD5,000,000 (included)~ NTD10,000,000 (excluded)	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che
NTD10,000,000 (included)~ NTD15,000,000 (excluded)	None	None	None	None
NTD15,000,000 (included)~ NTD30,000,000 (excluded)	None	None	None	None
NTD30,000,000 (included)~ NTD50,000,000 (excluded)	None	None	None	None
NTD50,000,000 (included)~ NTD100,000,000 (excluded)	None	None	None	None
> NTD100,000,000	None	None	None	None
Total	7 persons	7 persons	7 persons	7 persons

2. Remuneration to the President and Vice President

Unit: NTD thousand December 31, 2023

Title	Name	Salary (A)		Pension (B) (Note)		Bonuses and allowances etc (C)		Remuneration to employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Payment received from an investee or parent company beyond a subsidiary
		The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company	All companies contained in the financial report	The Company		All companies contained in the financial report		The Company	All companies contained in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President and Vice President of R&D Department	Wei, Ching-Peng	11,054	11,054	443	443	5,011	5,011	1,251	0	1,251	0	17,759 6.70%	17,759 6.70%	0
Vice President of Manufacturing Division	Tseng, Kuo-Hsien													
Vice President of Business Department	Chen, Ying-Chi													

Note: The amount of retirement pension allocated in 2023.

Table of salaries scale

Range of Remunerations paid to various Presidents and Vice Presidents	Names of the Presidents and the Vice Presidents	
	The Company	All companies contained in the financial report
<NTD1,000,000	None	None
NTD1,000,000 (included)~ NTD2,000,000 (excluded)	None	None
NTD2,000,000 (included)~ NTD3,500,000 (excluded)	None	None
NTD3,500,000 (included)~ NTD5,000,000 (excluded)	Tseng, Kuo-Hsien, Chen, Ying-Chi	Tseng, Kuo-Hsien, Chen, Ying-Chi
NTD5,000,000 (included)~ NTD10,000,000 (excluded)	Wei, Ching-Peng	Wei, Ching-Peng
NTD10,000,000 (included)~ NTD15,000,000 (excluded)	None	None
NTD15,000,000 (included)~ NTD30,000,000 (excluded)	None	None
NTD30,000,000 (included)~ NTD50,000,000 (excluded)	None	None
NTD50,000,000 (included)~ NTD100,000,000 (excluded)	None	None
> NTD100,000,000	None	None
Total	3 employees	3 employees

(II) Name of the managers received remuneration and the distribution of remuneration:

December 31, 2023; Unit: NTD in thousand

	Title	Name	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	President and Vice President of R&D Department	Wei, Ching-Peng	0	2,363	2,363	0.89
	Vice President of Manufacturing Division	Tseng, Kuo-Hsien				
	Vice President of Business Department	Chen, Ying-Chi				
	Assistant President of Biotechnology Institution	Mai, Jin-Cheng				
	Assistant Vice President of Quality Assurance Department	Wang, Wen-Bing				
	Chief Auditor	Hung, Chao-Sheng				
	Associate manager of General Manager's Office	Lin, Chien-Wen				
	Manager of Finance Department and Head of Corporate Governance	Wang, Kuan-Chieh				

(III) Respectively compare and specify the analysis results for the ratios of the net incomes for all of the company's total renumeration amounts paid to the company directors, Presidents, and Vice Presidents in the last 2 years as listed in the individual or separate financial reports; and specify the relevance between the payment renumeration policies, standards and combinations, renumeration setting procedures, operating performances, and future risks:

1. Ratio analysis for the last two years

Year / Item	2022				2023			
	Total renumeration (thousand dollars)		Post-tax equity ratio (%)		Total renumeration (thousand dollars)		Post-tax equity ratio (%)	
	The Company	Consolidated Statement, all Company	The Company	Consolidated Statement, all Company	The Company	Consolidated Statement, all Company	The Company	Consolidated Statement, all Company
Director	37,829	37,829	8.12	8.12	28,528	28,528	10.77	10.77
Presidents and Vice Presidents								

Descriptions: Exactly as required under the Articles of Incorporation, the Company duly appropriates remunerations to directors and employees. In 2023, the total amount of remunerations paid to directors, general manager and deputy general manager decreased compared with 2022, due primarily to the facts of decrease in profit, with

declining net profit after tax. As a result, the percentage of the remunerations to the net profit after tax in that year increased when compared with 2022.

2. The company's policies, standards, and portfolios for remuneration; procedures for setting remuneration; and business performance and future risks:

   (1) Remuneration payment policy, criteria, and combination:

      A. The remuneration to directors is based on Article 20 of the Articles of Incorporation. Rewards to directors for duties fulfilled are based on the involvement and devotion of each director and are decided by the Board of Directors with reference to the common practice in the industry. In addition, with profits for the year, the Company will allocate no more than 3% of such profits as required by Article 32 of the Articles of Incorporation to be the remuneration to directors. The Company gives the reasonable remuneration according to the “Board Directors and Functional Committee Member Compensation and Remuneration Payment Regulations”, the “Board of Directors Performance Evaluation Guidelines and Procedure”, and having taken into consideration the corporate operational accomplishments, the future operational risk and developmental trends of the industry, and based on the extent of involvement and the value of contribution to the corporate operation.
      B. Remuneration to managers includes the respective work allowances specified under the “Employee Compensation Payment Regulations”. Related bonuses are approved also depending on the Company’s annual operational performance, financial status, operational outlook, and personal performance at work. In addition, in cases of profits for the year, 1% to 15% will be set aside to be the remuneration to employees as required by Clause 32 of the Articles of Incorporation. The performance evaluation results conducted by the Company in accordance with the “Measures for Year-End Bonus Payment” and “Measures for Employee Remuneration Payment” are used to determine manager bonuses and employee compensation. Manager performance evaluation items are divided into 1. Financial indicators: Based on the Company’s operating results and taking into account the manager’s goal achievement rate; 2. Non-financial indicators: The achievement of the Company’s core values and operational management capabilities to calculate remuneration for the operating performance, and timely review of the remuneration system at any time based on actual operating conditions and relevant laws; 3. Various indicators of sustainable development: In addition to measuring the achievement of operating profits and key measurement indicators of departments, the bonus payment of managers is linked to various indicators of sustainable development (such as energy saving and carbon reduction achievement indicators, industrial safety protection goals, product quality indicators, customer complaint prevention goals, product R&D innovation indicators, etc.), so that social responsibility can continue to be integrated into the Company’s operations to achieve sustainable business operations.

   (2) Procedure for deciding the remuneration:

      A. In order to evaluate the compensation and remuneration for directors and managers periodically, the results of evaluations performed under the Company’s “Board Directors and Functional Committee Member Compensation and Remuneration Payment Regulations”, the “Board of Directors Performance Evaluation Guidelines and Procedure,” and applicable “Employee Compensation Payment Regulations,” “Annual Bonus Distribution Regulations,” and “Employee Remuneration Distribution Regulations” for

managers and employees as well as the Company's operational performance are followed and the defined compensation and remuneration are brought forth to the Board of Directors for discussion and approval.

B. Related performance evaluations and the compensation and remuneration legitimacy of directors and managers of the Company have been periodically evaluated and approved by the Compensation and Remuneration Committee and the Board of Directors each year. Besides personal performance fulfillment rate and contribution to the Company, the overall operational performance of the Company, the future risks of the industry, and the developmental trends are referred to and the remuneration system is adequately reflected upon according to the actual operational status and applicable laws and regulations from time to time in order to give reasonable compensation and to seek a balance between sustainable operation and risk control of the Company. The actual amount released to be the remuneration to directors and managers for 2022 is reviewed by the Compensation and Remuneration Committee and brought forth to the Board of Directors to be finalized.

(3) Correlation with operational performance and future risks:

A. The payment criteria and the system relevant to the Company's remuneration policy are reflected upon primarily taking into consideration the overall operational outlook of the Company and the payment criteria are approved reflective of the performance fulfillment rate and contribution in order to enhance the efficacy of the Board of Directors and the management team. In addition, with reference to the compensation and remuneration criteria in the industry, it is ensured that the compensation and remuneration to the management of the Company are competitive so that outstanding management talent may be retained.

B. All the Company's manager performance goals are combined with risk control in order to ensure that possible risks within the scope of responsibility can be managed and prevented against and respective human resources and related compensation and remuneration policies are combined according to the ratings given on the basis of actual performance. Important decisions are made by the management of the Company after respective risk factors are weighed. The related decision-making performance is reflected in the Company's profitability. The compensation and remuneration of the management has to do with the performance in risk control.

In summation of the aforementioned key points, the Company's policies for remuneration payables to the directors, general manager and vice general manager(s) and the procedures to fix remuneration have been positively linked up with the business performance. The remuneration system has been reassessed pursuant to the business performance and laws and ordinances concerned from time to time to assure a sound balance between the Company's sustainability and risk control.

IV. Company Corporate Governance Operational Status:

(I) Board of Directors Operational Status:

The Board of Directors meetings were held 6 times (A) in the most recent year, and the director attendance records are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Attendance rate (%) (B/A)	Remarks
Chairman	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	6	0	100%	
Director	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai	6	0	100%	
Director	Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	4	2	67%	
Director	The Mr. Wang Min-ning Memorial Foundation representative: Huang, Chung-hsin	5	1	83%	
Independent Director	Wang, Kuo-Chiang	6	0	100%	
Independent Director	Chang, Chih-Hsien	6	0	100%	
Independent Director	Kuan, Hsin	6	0	100%	

Other remarks:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(I) On issues stated in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Details of the relevant agendas and the subsequent
2023.03.07 (6th Meeting of the 22nd Board of Directors)	1. The 2022 Employees Remuneration Discussion Case.
	2. The evaluation of the certified public accountants in independence and the appointments thereof.
	3. Intended Private Placement for Issuance of Common Stock Shares or Domestic Convertible Corporate Bonds (Including Secured or Unsecured Convertible Corporate Bonds)
	4. The "2022 Internal Control System Statement" Submission Case.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution.
2023.05.09 (7th Meeting of the 22nd Board of Directors)	Proposed to amend provisions of the "Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading" and the internal control system of "Management to Prevent Insider Trading."
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution.
2023.08.08 (9th Meeting of the 22nd Board of Directors)	1. Proposal for the general salary adjustment of the Chairman and the President.
	2. Proposal for reappointment and remuneration of former senior consultant.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution.
2023.11.07 (10th Meeting of the 22nd Board of Directors)	Intended donation to the Wang Ming-Ning Memorial Foundation
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution.
2023.12.21 (11th Meeting of the 22nd Board of Directors)	A motion regarding the plan to pay off the performance evaluation incentive bonus for Year 2022.
	Independent director opinions: None.
	Independent director opinions handled by the company: None.
	Resolution results: All attending directors passed the resolution.

(II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

(I) On March 7, 2023 the company held (6th Meeting of the 22nd) Board of Directors Meeting:
In the discussion on the 2022 employee remuneration, Director Huang, Chung-hsin, the representative of Mr. Wang Min-Ning's Memorial Foundation, duly took the initiative to withdraw from conflict involvement (recusal) without participating in the discussion and resolution process as the issue involves his own interests in accordance with Article 178 and Article 206 of the Company Act. The motion was duly resolved by other present directors.

(II) On August 8, 2023 the company held (9th Meeting of the 22nd) Board of Directors Meeting:

1. In the discussion process regarding the general salary adjustment for the chairman and president, those representatives of juristic person director of China Chemical & Pharmaceutical Co., Ltd. including Chairperson Wang Hsieh, I-Che, Director Wang, Hou-Kai and President Wei, Ching-Peng, duly quit the discussion site to withdraw from conflict involvement (recusal) without

participating in the discussion and resolving process because of involvement in stake in the agenda in accordance with Articles 178 and 206 of Company Act. The motion was duly passed by all other directors present in the meeting exactly as proposed.

2. For the discussion on the appointment renewal and remuneration of former senior consultants, Director Huang, Chung-hsin, who was entrusted to attend the meeting, recused himself due to conflict of interest and did not participate in the resolution. The motion was approved as presented by other directors.

(III) On November 7, 2023 the company held (10th Meeting of the 22nd) Board of Directors Meeting: The donation to the Wang Ming-Ning Memorial Foundation is discussed. For this proposal, Chairman Wang Hsieh, I-Che and Director Wang, Hou-Kai, representatives of the corporate director, China Chemical & Pharmaceutical Co., Ltd. and Director Huang, Chung-hsin and Director Wang, Hou-Jie, representatives of Wang Ming-Ning Memorial Foundation excused themselves because of conflicting interests of themselves or the corporation they represent as required by Articles 178 and 206 of the Company Act and did not take part in the discussion and voting; the proposal was approved as presented by other attending directors.

(IV) On December 21, 2023 the company held (11th Meeting of the 22nd) Board of Directors Meeting: Discussions on the proposed for 2023 year-end performance review bonus. Amidst the discussion process for the case, the legal person director representative Wang Hsieh, I-Che, chairwoman of the board and Wang, Hou-Kai director of Pan Asia Chemical Corporation took the initiative in avoidance from conflict of interests in accordance with Articles 178 and 206 of the Company Act as the issues amidst discussion would involve interests of their own or the juristic person so represented. They did not participate in the discussion and resolving process. The motion was approved as presented by other directors present in the meeting.

III. The Exchange-listed and/or OTC-listed companies should disclose the information of the intervals, period, scope of evaluation, method and contents of evaluation of self-evaluation (or peer evaluation) and shall fill up the performance of implementation by the Board of Directors in the evaluation.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Evaluation performed once a year	January 1 to December 31, 2023	Evaluation of performance by the Board of Directors, individual Board of Directors members, Audit Committee and Remuneration Committee.	Performance evaluation was duly conducted with questionnaire survey sheets on the "Evaluation by Directors about Operation by the Board of Directors," "Participation and Evaluation by Directors," "Evaluation by Committee members about Operations by the Audit Committee," "Evaluation by Committee members about Operation by the Remuneration Committee."	(1) Evaluation on performance by the board of directors: The level of their participation in the Company's operations, the promotion of the quality of decision-making of the board of directors, the composition and structure of the board of directors, the selection and refresher and higher education program of directors and internal control system. (2) The participation and evaluation of directors: Their mastery of Company goals and tasks, recognition and awareness of directors' responsibilities, participation in the Company's operations, internal relationship management and communication, professional and refresher and higher education programs for directors and internal control system. (3) Evaluation on the operations by the Audit Committee: participation level in the

				Company's operations, awareness of audit committee responsibilities, improvement of audit committee decision-making quality, audit committee composition and selection of members, internal control system. (4) Evaluation on operation by the Remuneration Committee: participation level in the Company's operations, awareness of Remuneration Committee responsibilities, improvement of Remuneration Committee decision-making quality, Remuneration Committee composition and selection of members, internal control system.
One evaluation was conducted by either independent professional institution(s) or external teams of scholars and experts every three years	January 1 to December 31, 2022	Board of Directors	The external professional independent institution (i.e., Taiwan Investor Relations Institute) was retained to conduct evaluation by means of questionnaires and on-the-spot interview (including online) and to issue the report on performance evaluation by the Board of Directors	(1) The composition and professional development of the Board of Directors (2) Board of Directors' quality in policymaking process. (3) Efficiency of performance by the Board of Directors (4) Internal control and risk management (5) Five major aspects regarding the level of the Board of Directors participating in the corporate social responsibility, etc.

Descriptions on evaluation over performance by the Board of Directors in 2023:

(I) Internal evaluation:

In the Company in January 2024, the unit assigned to take charge of the board of directors meeting affairs completed the evaluation process of the performance by the Board of Directors in 2023. The results of the evaluation indicate that the Board of Directors scored 98.22 points–99.70 points. The results of the performance evaluation for the board of directors in 2023, the Company's Board of Directors, Audit Committee, Remuneration Committee were rated as excellent in performance and the performance evaluation results were already reported to the board of directors meeting convened on March 11, 2024 (The 12th Board of Directors Meeting of Session 22).

Comprehensive comments and suggestions from the directors' questionnaire:

1. Operation of the board of directors: [98.22 points]; the board of directors operates smoothly, and the directors perform their duties and fulfill their duty of care as managers.
2. Directors' participation: [99.13 points]; the board of directors operates smoothly, and the directors fulfill their duty of care as managers.
3. Operation of the Audit Committee: [99.70 points]; the Audit Committee operates smoothly, and the Company provides information and explanations to questions raised by the members of the Audit Committee. Compliance with corporate governance requirements and fulfillment of duty of care as managers
4. Operation of the Remuneration Committee: [99.05 points]; there is room for improvement in the preparation of information provided by personnel units. The personnel units provided

supplementary information afterwards and the Remuneration Committee operated smoothly. Committee members have fulfilled their duties and elaborated on their strengths.

(II) External assessment: 2022 assessment has already been completed.

On April 27, 2022, the Company commissioned "Taiwan Investor Relations Institute" to conduct external evaluation of the performance by the Board of Directors in 2022 (period covered within the evaluation: January 1, 2022–December 31, 2022), The said Institute and the team members in charge of evaluation were absolutely independent in attribute without any business transaction with the Company at all. The evaluation aimed at five major aspects, i.e., the composition and professional development of the Board of Directors, quality of policymaking process by the Board, efficiency of operation by the Board, internal control and risk management and extent of the Board's participation in corporate social responsibility. The evaluation was conducted by means of questionnaires and on-the-spot interview (including online). The Board of Directors Evaluation Report was duly worked out on January 3. 2023. The business operation already submitted the overall comments, proposals and plans for improvements to the Board of Directors (In the 6th meeting of 22nd Session) on March 7, 2023.

1. Overall comments:
   Very sound in structure of the Board of Directors. All directors prove well satisfactory to the requirements of the Company's business development in terms of professional expertise, skills and hands-on experiences. The Board of Directors proved sound in performance efficiency. Whenever a motion in the Board of Directors is found involving the stake interests of a director, that director would duly avoid from presence (recuse) according to law. The Company's independent directors and corporate governance head as well as the head auditor have set up very sound channels of communications to assure that the independent directors could obtain the required information in real time. The Company carries out ESG operation at full steam and reports to the Board of Directors of the plans and results of annual enforcement on a regular basis.
2. Proposals and plans for improvement:

Proposals upon the evaluation report			The Company's plans for improvement
1	Effort to set up a sound system to guide newly elected directors into awareness of the Company prompt.	Toward newly elected directors, it is proposed that the Company should map out sound seminars and business guidelines aiming at the Company's business operation and industries; set up appropriate sound written systems to provide directors with update information as necessary to enable directors to understand the Company in a prompt manner.	Toward newly elected directors starting from 23rd session, the Company provides directors with guidebooks (including notably introduction to the Company profile, company industry, team members and orientation to future strategies). The Company further arranges directors into hands-on visits, participation in the director functions and corporate governance related programs.
2	Effort to set up the succession plans for the Board of Directors members and kay management level staff.	It is proposed that the Company should duly formulate succession plans for Board of Directors members (including the Chairman as the minimum) and key management level elements (including the top level managerial officers, e.g., the general manager) and should disclose the implementation of such plans through the Company's website or annual reports (e.g., the key points linked up with cultivation & training, time point scheduled to take over the assigned duties and the like)	The Company will disclose all such relevant information through the Company's website or annual reports starting from 2023
3	Setup of the	It is proposed that the Company should	Exactly in coordination with

	full-time head for corporate governance	set up a full-time head in charge of corporate governance related business affairs so as to assure even more wholesome performance in corporate governance.	laws and ordinances concerned, the Company will map out and set up the full-time corporate governance head.
4	Evaluation of the Certified Public Accountants upon their independence and eligibility with reference to Audit Quality Indicators (AQI).	It is suggested that upon appointment or annual evaluation of the certified public accountants in their eligibility in 2023, the Company should acquire from the CPA firm AQI information as the handy reference in evaluation so as to more effectively and objectively appraise the CPA firm and the auditing team regarding their auditing quality to, in turn, assure trustworthiness of the Company's financial statements.	In each and every year, the Company evaluates the certified public accountants regarding their independence and eligibility. Starting from 2023, the Company will further adopt Audit Quality Indicators (AQI) information disclosure framework promulgated by the Financial Supervisory Commission on August 19, 2021 as the referential grounds for evaluation.

IV. Assessment of the objectives and implementation status in the area of strengthening the powers of the Board of Directors (such as setting of an audit committee and improvement of information transparency, etc.) for the current and most recent years:

(I) To further heighten transparency of information, the Company, starting from December 2014, promulgates its corporate social responsibility report in each and every year (renamed into "Sustainable Development Report" in coordination with Corporate Governance 3.0—Sustainable Development Blueprints" starting from 2021.)

(II) In an attempt to implement thoroughly corporate governance and heighten function of the Board of Directors, the Company already completed enactment of Regulations Governing Evaluation of Performance by the Board of Directors on June 24, 2019 and started evaluation of performance by the Board of Directors in 2019. The said Regulations exceptional stipulate that the Board of Directors shall conduct and complete performance evaluation forward the Board of Directors, the Board members, Audit Committee and Remuneration Committee once per annum as the minimum. Further in every three years, one more evaluation shall be carried out by an external independent institution or external experts and scholars. The very results for the Board of Directors in internal and external performance evaluation shall be completed before the end of the first quarter of the ensuing year.

V. Attendance status of independent directors at each board meeting in 2023: ○: Attended in person; #: Attended by proxy; *: Did not attend

2023	2023.03.07	2023.05.09	2023.06.27	2023.08.08	2023.11.07	2023.12.21
Wang, Kuo-Chiang	○	○	○	○	○	○
Chang, Chih-Hsien	○	○	○	○	○	○
Kuan, Hsin	○	○	○	○	○	○

(II) The operation of the Auditing Committee:

The Auditing Committee has convened for 4 times (A) in the latest year (A). The attendance of the independent directors is shown below:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Independent Director (Convener)	Wang, Kuo-Chiang	4	0	100%	
Independent Director	Chang, Chih-Hsien	4	0	100%	
Independent Director	Kuan, Hsin	4	0	100%	

Other remarks:

I. When the Audit Committee is found with one of the following conditions, the date of the Audit Committee meeting, session No., details of proposals, adverse opinions, qualified opinions, or major suggestions from independent directors, decisions made by the Audit Committee, and how the Company addressed opinions from the Audit Committee shall be specified.

(I) On issues stated in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Details of the relevant agendas and the subsequent
2023.03.07 (3rd meeting of the 3rd term)	1. 2022 business report and balance sheet draft.
	2. The evaluation of the certified public accountants in independence and the appointments thereof.
	3. Intended Private Placement for Issuance of Common Stock Shares or Domestic Convertible Corporate Bonds (Including Secured or Unsecured Convertible Corporate Bonds)
	4. The "2022 Internal Control System Statement" Submission Case.
	Suggestions or oppositions from independent directors: No independent directors expressed opposing or qualified opinions.
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2023.05.09 (4th meeting of the 3rd term)	Proposed to amend provisions of the “Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading” and the internal control system of “Management to Prevent Insider Trading.”
	Suggestions or oppositions from independent directors: No independent directors expressed opposing or qualified opinions.
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2023.11.07 (6th meeting of the 3rd term)	Intended donation to the Wang Ming-Ning Memorial Foundation
	Suggestions or oppositions from independent directors: No independent directors expressed opposing or qualified opinions.
	The resolution reached by the Audit Committee: Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.

(II) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: none.

II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting

decisions: none.

III. Performance of communications by and between independent directors, internal audit head and Certified Public Accountant(s) (should include the Company's financial, business operation affairs, issued, methods and outcomes of communications among them).

(I) The Company set up the Audit Committee on May 31, 2016 to replace the supervisor system. The Audit Committee consists of all independent directors.
After the Audit Report and Follow-up Report are submitted to the Chairman for approval, the Internal Audit Officer emails them on a monthly basis to each independent director to be reviewed. The Internal Audit Officer also periodically communicates with Audit Committee members (that is, independent directors) the audit operation and internal control status and present the internal audit results and follow up on the implementation status during each quarterly meeting of the Audit Committee. In case of any special circumstance, it will be reported to the Audit Committee members in real time, too. The communications with the company's audit committee and the internal audit supervisor went well.

(II) In normal times, the Audit Officer and the CPA may contact independent directors directly as needed; the communication has been going on well.

(III) Independent directors and the Internal Audit Officer and the CPA shall meet at least once a year; the CPAs are to present the audit or review results of financial statements in the meeting and audit the audit method concerning the internal control system and matters to be communicated as required by other applicable laws and regulations. The Audit Officer is to clarify the implementation status of the Audit Plan and how deficiencies are corrected. Status of communications between the independent directors and the head of internal audit during the most recent year:

Date	Nature of the meeting	Attendee	Topic and Matter Being Communicated	Communication Outcome and Suggestions
2023.12.21	Board of Directors Pre-meeting (Symposiums)	Independent Director Wang, Kuo-Chiang Independent Director Chang, Chih-Hsien Independent Director Kuan, Hsin CPA, Lin, Po-Chuan Chief Internal Auditor Hung, Chao-Sheng	1. Explanation and communication of this Company's consolidated and individual financial reports, audit programs, risk evaluation and response, and related matters, and key audit items for 2023. 2. Description and communication of the audit methods for the internal audit of 2023. 3. Clarification and communication of the role and responsibilities and independence of the chief CPA 4. Clarification of regulatory updates 5. Clarification of how the Audit Plan is implemented and how deficiencies are corrected.	The proposal was approved as in unanimously; no opinions were expressed in the current meeting.

IV. The annual work focus of the Audit Committee:

(I) The Audit Committee of the Company consists of three independent directors. The Audit Committee is to assist the Board of Directors in fulfilling the quality and integrity of the Company in supervising the accounting, auditing, financial reporting process and financial control.

The Audit Committee held 4 meetings in 2023, and the matters under consideration mainly include:

- Financial statement audit and accounting policies and procedures;
- Internal control system and related policies and procedures;
- Material assets or derivative transactions.
- Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies
- Raising, issuing or privately offering securities with the nature of equity shares issued by a company;
- Legal Compliance;
- The independence, appointment, dismissal or remuneration of certifying certified public accountant;
- Appointment and dismissal of financial, accounting or internal audit supervisors.

(II) Review of financial reports

1. Review and verification of the consolidated financial statements of 1st–3rd Quarter, 2023.
2. Review the 2023 financial statements:
   The board of directors submitted the company's 2023 business report, financial statements (consolidated and individual financial statements) and Earnings Distribution. The above business report, financial statements (including individual and consolidated financial statements) and the surplus distribution proposal were checked by the Audit Committee and it is considered that there is no discrepancy.

(III) The company will assess the effectiveness of the internal control system.
The Audit Committee evaluates the effectiveness of the company's internal control system policies and procedures (including financial, operational, risk management, information and communication security, outsourcing, compliance, etc.) and reviews the company's audit department and certifying certified public accountant, as well as management's regular Reports, including risk management and compliance. The Audit Committee believes that the company's risk management and internal control systems are effective and that the company has adopted the necessary controls to monitor and correct violations.

(IV) Appointment of certifying certified public accountant
In order to ensure the independence and competency of the accounting firm, the Audit Committee evaluates the accounting firm every year. Starting from 2023, the Company takes further reference to the disclosure frameworks of Audit Quality Indicators (AQIs) promulgated by the Financial Supervisory Commission on August 19, 2021. Certified public accountants were requested to provide information related to "Audit Quality Indicators (AQI)." The frameworks were disclosed based on the "Audit Quality Indicators (AQI)." The contents include professionalism, independence, quality control, supervision and innovation capability, five major aspects coupled with 13 indicators to work out the independence and eligibility related evaluation procedures. The same was submitted to the Audit Committee and Board of Directors for verification. The result of evaluation conducted in the latest year, i.e., the evaluation conducted by the Audit Committee in its 7th meeting of the 3rd session and by the Board of Directors in the 12th meeting of the 22nd session on March 11, 2024 indicates that both Certified Public Accountant Lin, Po-Chuan and Certified Public Accountant Lin, Jun-Yao of PricewaterhouseCoopers Taiwan prove well consistent with the requirements in independence and eligibility.

(V) Operation report in the current year

Audit Committee	Details of the relevant agendas and the subsequent
2023.03.07 (3rd meeting of the 3rd term)	1. 2022 business report and balance sheet draft.
	2. The Proposal for Distribution of 2022 Profits.
	3. The evaluation of the certified public accountants in independence and the appointments thereof.
	4. Planned to approve in advance the non-confirmation services to be rendered by the CPA firm and its affiliated enterprise(s) to the Company and subsidiaries thereof.
	5. The "2022 Internal Control System Statement" Submission Case.
	6. Status of private placement of securities
	7. Intended Private Placement for Issuance of Common Stock Shares or Domestic Convertible Corporate Bonds (Including Secured or Unsecured Convertible

	Corporate Bonds)
	8. Procurement of equipment.
	The resolution reached by the Audit Committee (March 7, 2023): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2023.05.09 (4th meeting of the 3rd term)	1. The proposal for the consolidated financial statements of the 2023 Q1.
	2. Proposed to amend provisions of the “Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading” and the internal control system of “Management to Prevent Insider Trading.”
	The resolution reached by the Audit Committee (May 9, 2023): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2023.08.08 (5th meeting of the 3rd term)	1. The proposal for the consolidated financial statements of the 2023 Q2.
	2. Procurement of equipment.
	The resolution reached by the Audit Committee (August 8, 2023): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.
2023.11.07 (6th meeting of the 3rd term)	1. The proposal for the consolidated financial statements of the 2023 Q3.
	2. The 2024 audit plan.
	3. Intended donation to the Wang Ming-Ning Memorial Foundation.
	4. Establishment of the "Procedures for the Preparation and Verification of Sustainability Report".
	5. Procurement of equipment.
	The resolution reached by the Audit Committee (November 7, 2023): Approved with the consent of the board directors.
	Acts to be taken by the Company in response to the opinions heard in the Audit Committee: Approved with the consent of all the attending directors.

(III) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why:

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
I. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?	V		The Company has established its "Best Practice Principles for Corporate Governance", which was adopted by the Board of Directors on November 12, 2014 (the 19th Meeting of the 10th Board of Meeting), and on June 28, 2022 (the 22nd Meeting of the 2nd Board of Meeting) the board of directors passed the latest revision and it was disclosed on the Market Observation Post System and the Company website.	None
II. Shareholding structure and shareholders' equity				
(I) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V		(I) The company has established a spokesperson, acting spokesperson, and stock affairs dedicated personnel to deal with the shareholder proposal related issues. If the case involved a legal question or dispute, an attorney will be retained to handle the case.	
(II) Will the Company possess the list of the Company's main shareholders and the list of the ultimate controllers of the major shareholders?	V		(II) The company has established a stock undertaker responsible for handling and mastering the major shareholders and ultimate controllers based on the shareholders registration provided by the stock agency, and regularly report to the directors, managers, and major shareholders holding over 10% of company shares regarding any share related anomalies.	
(III) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		(III) All company affiliates operate independently. The company has established the "Affiliate Transaction Management Operation Procedure" to standardize matters involving inbound and outbound goods, property transactions, fund lending, and endorsements between company affiliates. In terms of management for subsidiaries, the internal control system has also established the "Subsidiary Supervision Method" in order to include the subsidiaries within the scope of internal audit and provide relevant control.	None
(IV) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(IV) The company has established the "Internal major information processing and management procedures for preventing insider trading," which provided that the directors, managers, and employees shall implement tasks as good managers under the principle of good faith. The directors, managers, and employees shall not disclose any major internal information to any third parties; and shall not seek or collect major unpublished company information that is not related to his/her tasks. The same shall apply to major unpublished company information that was not obtained due to the execution of job duties. From time to time, the company conducts educational propaganda for directors and managers on the "Internal major information processing and management procedures for preventing insider	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			trading" and related laws and regulations, and educates new servants on pre-service training. As of December 31, 2023, implementation of insider trading prevention: 1. There were 11 training sessions for newly hired employees, with a total of 78 hours available for a total of 26 participants. The training was named "Prevention of Insider Trading" and covered topics including: Material information confidentiality, Prohibition and prevention of insider trading, basic concepts, laws and regulations, essential elements, legal effects, recognition process, descriptions of transaction cases, and handling of violations regarding insider trading. 2. For the incumbent directors and managerial officers, we launched education & publicity programs on January 16, April 14 and October 27, 2023, respectively. The course contents highlight confidentiality on major information, key points for attention upon prevention of insider trading, scope of major internal information, general confidentiality, open business operation and measures against violations. A total of 15 people participated in the courses. During the courses, the directors were seriously reminded of no trading of their stocks during the book-closure period, say, 30 days prior to promulgation of annual financial statements and fifteen days prior to promulgation of quarterly financial statements. On November 21, 2023, the Company kept all directors informed of the date scheduled for the 6th Board Meeting of 2024 as well as the book-closure period for financial statements in respective quarters. In addition, the "Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading" were revised on May 9, 2023, and the relevant regulations on the prevention of insider trading were revised. They were also revised on May 9 and July 17 (15 days before the 8/8 board meeting approved the Q2 financial reports) and October 20 (15 days before the approval of the Q3 financial report at the board meeting on 11/7), so as to remind the directors not to violate the regulation. 3. The Company's "Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading" and other measures have been placed on the Company's internal platform and website, and are available for access by employees and external personnel.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
III. The constitution and obligations of the board of directors				
(I) Has the Board of Directors developed diversification policies, substantial management goals and enforced them?	V		(I) Refer to related contents of 4. Diversification and Independence of Board of Directors on Pages 23-25.	
(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		V	(II) So far the Company has duly set up the Remuneration Committee and Audit Committee. As the actual requirements may justify in the future through prudential appraisal, the Company will set up other functional committees.	
(III) Has the Company formulated "The Procedures for the Company's Board Performance Evaluation" and evaluation method, conducted a performance evaluation annually and regularly, reported the results of the performance evaluation to the Board of Directors, and applied it for reference in determining individual director's remuneration and nomination for renewal?	V		(III) The Company's Board of Directors duly resolved on June 24, 2019 "Regulations & Procedures for the Board of Directors in Self-Evaluation or Evaluation by Peers" which, as duly resolved in the Board of Directors on November 9, 2020, were renamed into "Regulations & Procedures for the Board of Directors in Performance Evaluation", expressly requiring that the Company's Board of Directors shall conduct performance evaluation toward the Board of Directors, member directors, Audit Committee and Remuneration Committee once per annum as the minimum; and evaluation by external professional & independent institution(s) or external experts and scholars once in every three years as the minimum. The very results for the Board of Directors in internal and external performance evaluation shall be completed before the end of the first quarter of the ensuing year. The results of the performance evaluation for the Board of Directors would function as the reference grounds for selection and nomination of directors. The results of the performance evaluation for the individual directors would function as the reference grounds for their salaries and remuneration. The items for measurements among the performance evaluation for the Company's Board of Directors include five major aspects as enumerated below: 1. Level of their participation in the Company's business operation. 2. Performance in upgrading the Board of Directors' quality in policymaking process. 3. Composition and structure of the Board of Directors. 4. Election and refresher and higher education program for directors. 5. Internal control. The items for measurements among the performance evaluation for the Board of Directors members include five major aspects as enumerated below:	Except for Paragraph II, which is to be set up reflective of the operational demand in the future, there are no major differences in the remainder.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			1. Mastery of the Company's targets and missions. 2. Awareness of the directors' responsibilities and powers. 3. Level of their participation in the Company's business operation. 4. Management and communications of internal relationship. 5. The directors' expertise and continued refresher and higher education programs 6. Internal control. The items for measurements among the performance evaluation for the functional committees include five major aspects as enumerated below as the minimum: 1. Level of their participation in the Company's business operation. 2. Awareness of the responsibilities and powers of the functional committees. 3. Performance in upgrading the policymaking quality of the functional committees. 4. Composition of the functional committees and selection of the members 5. Internal control. Descriptions on evaluation over performance by the Board of Directors in 2023: A. Internal evaluation: In the Company in January 2024, the unit assigned to take charge of the board of directors meeting affairs completed the evaluation process of the performance by the Board of Directors in 2023. The results of the evaluation indicate that the Board of Directors scored 98.22 points–99.70 points. The results of the performance evaluation for the board of directors in 2023, the Company's Board of Directors, Audit Committee, Remuneration Committee were rated as excellent in performance and the performance evaluation results were already reported to the board of directors meeting convened on March 11, 2024 (The 12th Board of Directors Meeting of Session 22). In an attempt to enhance the level of corporate governance, the Company will continuously strengthen based on the evaluation results of the performance by the Board of Directors in 2023 to augment the effectiveness of corporate governance. Comprehensive comments and suggestions from the directors' questionnaire:	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			1. Operation of the board of directors: [98.22 points]; the board of directors operates smoothly, and the directors perform their duties and fulfill their duty of care as managers. 2. Directors' participation: [99.13 points]; the board of directors operates smoothly, and the directors fulfill their duty of care as managers. 3. Operation of the Audit Committee: [99.70 points]; the Audit Committee operates smoothly, and the Company provides information and explanations to questions raised by the members of the Audit Committee. Compliance with corporate governance requirements and fulfillment of duty of care as managers 4. Operation of the Remuneration Committee: [99.05 points]; there is room for improvement in the preparation of information provided by personnel units. The personnel units provided supplementary information afterwards and the Remuneration Committee operated smoothly. Committee members have fulfilled their duties and elaborated on their strengths. B. External evaluation: 2022 assessment has already been completed. On April 27, 2022, the Company commissioned “Taiwan Investor Relations Institute” to conduct external evaluation of the performance by the Board of Directors in 2022 (period covered within the evaluation: January 1, 2022–December 31, 2022), The said Institute and the team members in charge of evaluation were absolutely independent in attribute without any business transaction with the Company at all. The evaluation aimed at five major aspects, i.e., the composition and professional development of the Board of Directors, quality of policymaking process by the Board, efficiency of operation by the Board, internal control and risk management and extent of the Board’s participation in corporate social responsibility. The evaluation was conducted by means of questionnaires and on-the-spot interview (including online). The Board of Directors Evaluation Report was duly worked out on January 3. 2023. The business operation already submitted the overall comments, proposals and plans for improvements to the Board of Directors (In the 6th meeting of 22nd Session) on March 7, 2023. 1. Overall comments:	

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>Very sound in structure of the Board of Directors. All directors prove well satisfactory to the requirements of the Company's business development in terms of professional expertise, skills and hands-on experiences. The Board of Directors proved sound in performance efficiency. Whenever a motion in the Board of Directors is found involving the stake interests of a director, that director would duly avoid from presence (recuse) according to law. The Company's independent directors and corporate governance head as well as the head auditor have set up very sound channels of communications to assure that the independent directors could obtain the required information in real time. The Company carries out ESG operation at full steam and reports to the Board of Directors of the plans and results of annual enforcement on a regular basis.
2. Proposals and plans for improvement:
<table>
<tr><th colspan="3">Proposals upon the evaluation report</th><th>The Company's plans for improvement</th></tr>
<tr><td>1</td><td>Effort to set up a sound system to guide newly elected directors into awareness of the Company prompt.</td><td>Toward newly elected directors, it is proposed that the Company should map out sound seminars and business guidelines aiming at the Company's business operation and industries; set up appropriate sound written systems to provide directors with update information as necessary to enable directors to understand the Company in a prompt manner.</td><td>Toward newly elected directors starting from 23rd session, the Company provides directors with guidebooks (including notably introduction to the Company profile, company industry, team members and orientation to future strategies). The Company further arranges directors into hands-on visits, participation in the director functions and corporate governance related programs.</td></tr>
<tr><td>2</td><td>Effort to set up the succession</td><td>It is proposed that the Company should duly</td><td>The Company will disclose all such relevant</td></tr>
</table></td><td></td></tr>
</table>

Assessment items	Actual governance						Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description				
				plans for the Board of Directors members and kay management level staff.	formulate succession plans for Board of Directors members (including the Chairman as the minimum) and key management level elements (including the top level managerial officers, e.g., the general manager) and should disclose the implementation of such plans through the Company's website or annual reports (e.g., the key points linked up with cultivation & training, time point scheduled to take over the assigned duties and the like)	information through the Company's website or annual reports starting from 2023	
			3	Setup of the full-time head for corporate governance	It is proposed that the Company should set up a full-time head in charge of corporate governance related business affairs so as to assure even more wholesome performance in corporate governance.	Exactly in coordination with laws and ordinances concerned, the Company will map out and set up the full-time corporate governance head.	
			4	Evaluation of the Certified Public Accountants	It is suggested that upon appointment or annual evaluation of the certified public	In each and every year, the Company evaluates the certified public accountants regarding	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			upon their independence and eligibility with reference to Audit Quality Indicators (AQI). accountants in their eligibility in 2023, the Company should acquire from the CPA firm AQI information as the handy reference in evaluation so as to more effectively and objectively appraise the CPA firm and the auditing team regarding their auditing quality to, in turn, assure trustworthiness of the Company's financial statements. their independence and eligibility. Starting from 2023, the Company will further adopt Audit Quality Indicators (AQI) information disclosure framework promulgated by the Financial Supervisory Commission on August 19, 2021 as the referential grounds for evaluation.	
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		(IV) The company regularly reviews the independence and suitability of the CPAs each year to check whether the CPAs may be a director, a shareholder, or a paid employee of the company; and ensure that the CPAs are not stakeholders (Note 1). In addition, a CPA must avoid undertaking matters whereby the CPA is directly or indirectly a stakeholder of. The rotation of the CPAs shall also comply with the relevant regulations. Starting from 2023, the Company takes further reference to the disclosure frameworks of Audit Quality Indicators (AQIs) promulgated by the Financial Supervisory Commission on August 19, 2021. We requested the certified public accountants to provide “Audit Quality Indicators (AQI)” related information. Moreover, we disclosed the frameworks based on the “Audit Quality Indicators (AQI)” with contents including professionalism, independence, quality control, supervision and innovation capability, five major aspects coupled with 13 indicators to work out the independence and eligibility related evaluation procedures (Note 2). In turn, we submitted the same to the Audit Committee and Board of Directors to check and verify the Company's certified public accountants in independence and eligibility to make sure that the Company retained certified public accountants and the	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
IV. Have the Exchange-listed and/or OTC-listed companies staffed eligible corporate governance staff in an appropriate number and appointed the corporate governance head to take charge of corporate governance related affairs (including but not limited to the support to provide the supporting data required for the directors and supervisors in the implementation of business affairs to help directors and supervisors in law compliance and in handling issues linked up with the Board of Directors and shareholders' meeting according to law, production of the minutes of the Board of Directors' Meeting and shareholders' meeting)?	V		CPA firm would be above the par as averaged in the peers. Further in the most recent three years, the Company has continually introduced digital auditing instruments to further upgrade the auditing quality. The result of evaluation conducted in the latest year, i.e., the evaluation conducted by the Audit Committee in its 7th meeting of the 3rd session and by the Board of Directors in the 12th meeting of the 22nd session on March 11, 2024 indicates that both Certified Public Accountant Lin, Po-Chuan and Certified Public Accountant Lin, Jun-Yao of PricewaterhouseCoopers Taiwan prove well consistent with the requirements in independence and eligibility. The Company's board of directors passed a resolution on November 9, 2020 that the incumbent manager of the Department of Finance should concurrently serve as the "Corporate Governance Head." Such manager of the Department of Finance should have accumulated hands-on management experiences accumulated in finance, stock affairs and meeting agenda in a public offering company finance for three (3) years minimum. Such "Corporate Governance Head" shall assume the major responsibilities and powers to take charge of issues related to the board of directors and the shareholders meeting according to law, work out minutes of the board meeting and shareholders' meeting, provide directors with the information required to perform their business and assist the directors in complying with the laws and regulations, office affairs and continued refresher and higher education programs. During year 2023, the "Corporate Governance Head" implemented the duties as enumerated below: 1. Assist all directors in performing their duties, provide them with information required by them and schedule annual continuing education for each and every director: (1) Keep all board of directors members informed on a regular basis of the updates of the latest laws and regulations on corporate governance. (2) Review and provide company information required by directors and maintain communication and exchanges between directors and department heads. (3) Where independent directors are supposed to regularly look into the Company's financial affairs with the internal audit supervisor or certified accountants and assist them and schedule the relevant	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			meetings. (4) Assist each and every director to formulate annual refresher plans and arrange courses in accordance with the Company's industry characteristics, directors' academic credentials and hands-on career experiences background, 2. Assist the board of directors, Audit Committee and shareholder meeting in agenda procedures in the compliance issues: (1) Report to the board of directors and the Audit Committee about the Company's corporate governance operation status, check and make sure whether the Company's shareholders meeting and the board of directors meeting are convened in a manner in compliance with relevant laws and regulations and corporate governance rules. (2) Assist and remind all directors about the laws and regulations they are required to abide by when executing their business or making board resolutions. Whenever the board of directors adopts illegal resolutions, put forward advise forthwith. (3) Check and review the key information regarding decisions resolved in the board of directors released to ensure the legality and accuracy of such information to, in turn, ensure the symmetry of investor transaction information. 3. Secure sound investor relations: arrange directors to interchange and communicate with key shareholders or institutional investors as necessary so that investors can be kept informed of sufficient information to evaluate and determine the Company's rational capital market value and ensure that shareholders' rights are well safeguarded. 4. Draw up the agenda of the board of directors; serve notices about a board meeting to the directors and provide them with meeting materials seven (7) days prior to the date scheduled for the meeting and further serve advance reminders whenever an issue calls for avoidance of interests and complete the board meeting minutes and serve the minutes within twenty (20) days after the meeting. 5. Draw up the agenda of the Audit Committee; serve notices about a board meeting to the Audit Committee members and provide them with meeting materials seven (7) days prior to the date scheduled for the meeting and further serve advance reminders whenever an issue calls for avoidance of interests and complete the board meeting minutes and	

<table>
<tr><th rowspan="2">Assessment items</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>serve the minutes within twenty (20) days after the meeting.
6. Take charge of the pre-registration of the date for the shareholders meeting, prepare the notices of the shareholders meeting, the meeting handbook and the minutes of the meeting within the statutory time limit; and take charge of the Company's change registration upon amendment to Articles of Incorporation or reelection of directors.
7. 2023 continuing education of the Corporate Governance Officer is as follows:
<table>
<tr><th colspan="2">Training date</th><th rowspan="2">Organizer</th><th rowspan="2">Course name</th><th rowspan="2">Training hours</th><th rowspan="2">Total continuing education hours of the year</th></tr>
<tr><th>Start</th><th>End</th></tr>
<tr><td>2023.07.13</td><td>2023.07.13</td><td>Taiwan Securities Exchange Corporation</td><td>Sustainable Development Action Plan Conference for TWSE/TPEx-listed Companies</td><td>3</td><td rowspan="4">12</td></tr>
<tr><td>2023.09.14</td><td>2023.09.14</td><td>Taiwan Investor Relations Institute</td><td>Mergers and acquisitions practices in Taiwan</td><td>3</td></tr>
<tr><td>2023.11.07</td><td>2023.11.07</td><td>Corporate Governance Association in Taiwan</td><td>The Impact of Global Minimum Tax on Taiwan-Funded Enterprises and the Response Strategies</td><td>3</td></tr>
<tr><td>2023.12.21</td><td>2023.12.21</td><td>Corporate Governance Association in Taiwan</td><td>The core ESG issue within the serious concern of the Board of Directors</td><td>3</td></tr>
</table></td><td>None</td></tr>
</table>

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		Inside the company: Establish regular labor-management meetings, employee suggestion boxes, and company website for employees to provide suggestions; and retain dedicated personnel to handle such suggestions. Outside the company: The company shall establish a spokesperson system, website, etc., and a channel of communicate for the stakeholders. The Company has set up through its own website the special zone for interested parties and sustainable development readily accessible to the interested parties and general public and to disclose the issues which the interested parties would be concerned about and the communications information for interested parties. It is hoped that through such efforts, the transparency, timeliness and interactivity will be strengthened to help the Company better understand the issues of concern to stakeholders and respond appropriately. In each and every year, the Company duly issues sustainable development report to disclose the key tasks upon the sustainable development The key issues within the concern of the interested parties (stakeholders) and methods of communications are shown through Table (Note 3). The performance of communications with interested parties (stakeholders) is reported to the board of directors on a regular basis every year. The performance in communications was reported to the board of directors on August 8, 2023 (The 9th meeting of the 22nd Board of Meeting) and December 21, 2023 (11th Meeting of the 22nd Board of Meeting) for Year 2023.	None
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The company has commissioned "Yuanta Securities Financial Services Company Stock Agency" as the professional stock agency to undertake the various stock related matters of the company.	None
VII. Disclosure of information (I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(I) The Company periodically updates its website (http://www.ccsb.com.tw) with the latest financial affairs, business information, including major information, stock affairs information, revenue statistics, financial statements, corporate governance, etc. for the shareholders' and the general public reference.	None
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system,	V		(II) In addition to disclosing the financial, business, and other major information in the Market Observation Post System; the company has also commissioned dedicated personnel to collect and disclose the company information and established a spokesperson and acting spokesperson that is responsible for external communication.	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
placing the juristic person seminar program on the Company's website, etc.)? (III) Has the Company announced and declared its financial report within 2 months after the end of the fiscal year, and announced and declared the quarterly financial report of Q1, Q2, and Q3 and the monthly business report before the deadline?		V	(III) The Company currently files the financial statements for the first, second, and third quarters and monthly operational reports in a timely manner as required by the "Professional Duties to Be Fulfilled by Issuers of Listed Securities" yet does not announce and file annual financial statements within two months after the end of a fiscal year.	
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		1. Employee rights: The company has complied with the Labor Standard Act, Occupational Safety and Health Act, and other relevant regulations to protect the employees' rights as well as establish a good relationship and mutual trust with the employees. The company has also held regular labor-management conferences to facilitate communications and harmonious labor relations. 2. Worker care: The company recognizes contributions from diverse talents, and has conducted a series of technical, professional, and management training courses for different category employees. The company has also promoted the various welfare measures in hopes to fully take care of its employees and enrich the employees' bodies, minds, and spirits. They include: Establish a staff welfare committee and actively promote various employee benefit plans; irregularly organize and invite employees and their family members to participate in the company's sports and family events, employee tourism trips, and other activities; hold end-of-year dinner parties; and provide employee group insurance to protect the employees' interests and labor safety. 3. Investor relations: To firmly safeguard shareholders' equity and enable the public investors to become well aware of the Company's business performance, the Company has duly disclosed relevant information through the Market Observation Post System (MOPS) as required in real time and further set up the "Special Zone for Investors" through the Company's website to update a variety of financial and business information on a regular basis readily accessible to investors. Moreover, through convening shareholders' meeting, juristic person explanation meeting, spokesman and acting spokesperson mechanism, the Company puts forth maximum possible efforts for sound communications with investors. 4. Supplier relations:	None

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			The Company has maintained very close and sound ties with key suppliers and conducted supplier evaluation on a regular basis. 5. The Rights of Stakeholders: The company has established a Stakeholders area in its website and created the handling window for the Investors area. In addition to the spokesperson and the acting spokesperson, the company has also established the Stock Handling Unit to undertake the stock related problems and suggestions from the company's shareholders and stakeholders. If a legal issue is involved, the company will employed attorneys to handle the matter and protect the interests of the stakeholders. 6. Director training status: The company has provided the relevant legal information to the directors and managers as well as the professional knowledge training course information to the relevant units on an irregular basis. The company's directors have completed the advance study hours as required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in 2023 and the information is disclosed in the Market Observation Post System. 7. Risk management policies and risk assessment standards: The Company conducts very strict control in terms or risk management. According to law, the Company has duly enacted very stern internal control system. The Company's internal auditors would audit the performance in implementation and submit reports either on a regular basis or from time to time on a nonscheduled basis. In the financial aspect, the Company adopts rational hedging measures against the exchange rate fluctuation to minimize potential risks and check and verify the financial structures in real time to prevent potential too high risks. 8. Customer policy implementation: Through the Quality Assurance Division and Business Department, the Company renders customer complaint and grievance services and after-sales services, rendering relevant services and guarantees toward customers in transactions. 9. Status of director liability insurance purchased by the company: Since August in 2016, the company has continued to ensure all directors have liability insurance to protect shareholders’ equity; in 2023 liability insurance has been renewed (including the amount of insurance, coverage and insurance	

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			rates) and reported on August 8, 2023 (9th Meeting of the 22nd Board of Meeting) to the Board of Directors.	

IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures.

Corporate governance evaluation results improvement status:

Evaluation Indicator Items	Rectification
Have the Regulations Governing Performance Evaluation by the Board of Directors enacted by the Company been duly resolved in the Board of Directors, with express requirements to conduct an outsourced evaluation every three years and conduct performance evaluation in the intervals as required under the Regulations and further disclosed the implementation and evaluation results into the Company's website or annual report?	The Company's board of directors passed with resolution the "Regulations Governing and Procedures for Self-evaluation or Peer Evaluation by the Board of Directors" on June 24, 2019 which were renamed on November 9, 2020 into "Regulations Governing and Procedures for Performance Evaluation of the Board of Directors" with partial amendments to the contents, expressly providing that an outsourced evaluation shall be conducted once every three years as the minimum. Pursuant to the said Requirements, the board of directors` shall conduct performance evaluation over the board of directors, board of directors' members, Audit Committee and Remuneration Committee at least on an annual basis. The very results for the Board of Directors in internal and external performance evaluation shall be completed before the end of the first quarter of the ensuing year. Starting from 2019, the Company carries out performance evaluation of the Board of Directors and carried out external evaluation in 2022. The results of the external performance evaluation toward the Board of Directors for 2022 were reported to the Board of Directors (in its 6th meeting of 22nd session) on March 7, 2023.
Has the Company duly disclosed the Company's corporate governance performance, strategies, risk management, indicators and targets toward the climate related risks, opportunities and such information in accordance with Task Force on Climate-related Financial Disclosures (TCFD)?	Starting from 2023 while the Company worked out Sustainable Development Report for 2022, the Company has followed SASB rules to disclose ESG information and climate related financial facts onto the TCFD framework into full disclosure of the corporate governance performance, strategy, risk management, indicators and target related information.
For the Sustainable Development Reported worked out by the Company, as the verification been obtained from a third party?	The 2022 sustainability report published by the Company in 2023 has been third-party verified by PwC Taiwan, in accordance with Assurance Standards No. 3000 (originally No. 1 Bulletin).

The corporate governance evaluation results that have not been improved as well as the top priority items and measures to be improved:

Evaluation Indicator Items	Top priority items and measures to be improved
Has the Company set up a functional committee other than statutory requirements in the number of the Committee members not less than three at the minimum and with one half majority as independent directors and with at least one or more member(s) with the required professional capabilities? The Company should further disclose the composition, responsibilities and powers and performance?	In the future the Company shall set up a functional committee other than statutory requirements to upgrade the functional capabilities of the board of directors to enhance the supervisory functions.

Assessment items	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	

Note 1: CPA independence assessment criteria:

Assessment items	Assessment results	Independence
Have a direct or significant indirect financial interest relationship with the Company.	No	Yes
Have financing or guarantee activities with the Company or the Company's directors.	No	Yes
Have a close business relationship or a potential employment relationship with the Company.	No	Yes
CPAs and members of the audit service team are currently serving or have served in the last two years as the Company's directors, supervisors or managers, or the positions that directly and significantly influence the audit.	No	Yes
Provide the Company with non-audit services that may directly affect the audit work	No	Yes
Mediate the trading of stocks or other securities issued by the Company.	No	Yes
Has acted as a counsel of the Company or represented the Company in coordinating matters relating to conflicts with a third party.	No	Yes
Have a family relationship with the Company's directors, managers, or persons who have significant influence on the audit.	No	Yes

Note 2: Evaluation process upon the independence and eligibility of the certified public accountants (With reference to Audit Quality Indicators AQIs)

I. Aspect I: Professionalism

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
				Yes	No
Auditing experiences (1-1)	Have the senior auditors possessed adequate auditing experiences to carry out the auditing tasks?	CPA firm	Whether the hands-on experiences in auditing of the certified public accountants are adequate when compared with peers in the same industry	V	
			Whether the hands-on experiences in auditing of the certified public accountants with case quality control recheck (EQCR) are adequate when compared with peers in the same industry	V	
			Whether the hands-on experiences in auditing of the staff above the managerial officer level (excluding certified public accountant) are adequate when compared with peers in the same industry	V	
		Individual cases	Whether the hands-on experiences in auditing of Certified Public Accountants Lin, Po-Chuan and Lin, Jun-Yao are adequate.	V	
			Whether the hands-on experiences in auditing of case quality control certified public accountants in (EQCR) are adequate.	V	
			Whether the hands-on experiences in auditing of auditors in the auditing team above the managerial officer level (excluding certified public accountant) are adequate.	V	
Training hours (1-2)	Have the certified public accountants and senior auditors accepted adequate educational & training programs in each and every to continually acquire professional expertise and skills	CPA firm	Are the training hours for certified public accountants adequate when compared with peers in the same industry	V	
			Are the training hours for auditors in the auditing team above the managerial officer level (excluding certified public accountant) adequate when compared with peers in the same industry	V	
Turnover rate (1-3)	Has the CPA firm maintained adequate senior human resources	CPA firm	Is the turnover rate of the auditors above the managerial officer level appropriate when compared with peers in the same industry	V	

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
Professional support (1-4)	Does the CPA firm hold adequate professionals (e.g., evaluating personnel) to back up the auditing team	CPA firm	Is the percentage of the professionals to back up the auditors of the Auditing Department is adequate when compared with peers in the same industry	V	
			Is the percentage of the professionals devoted to the TSEC/TPEx listed company cases is adequate when compared with peers in the same industry	V	

II. Aspect II: Quality control

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
				Yes	No
Workload upon the certified public accountants (2-1)	Is the workload upon the certified public accountants excessively too heavy?	CPA firm	Is the number of public companies where the certified public accountants serve as the principal auditor is adequate when compared with peers in the same industry	V	
			Is the percentage of workhours available from the certified public accountants appropriate when compared with peers in the same industry	V	
		Individual cases	Is the number of public companies where Certified Public Accountants Lin, Po-Chuan, Lin, Jun-Yao serve as the principal auditors appropriate	V	
			Is the percentage of workhours available from Certified Public Accountants Lin, Po-Chuan, Lin, Jun-Yao appropriate	V	
Dedication into auditing (2-2)	Is the auditing performance dedicated by the auditing team members in various phases appropriate	CPA firm	Is the percentage of auditing hours of the certified public accountants, managerial officers and auditors during the planning phase is appropriate when compared with peers in the same industry	V	
			Is the percentage of auditing hours of the certified public accountants, managerial officers and auditors during the implementation phase appropriate when compared with peers in the same industry	V	
		Individual cases	Is the percentage of auditing hours of the certified public accountants, managerial officers and auditors during the planning phase is appropriate	V	
			Is the percentage of auditing hours of the certified public accountants, managerial officers and auditors during the implementation phase appropriate	V	
EQCR Performance in rechecking (2-3)	Did EQCR certified public accountants devote adequate workhours to recheck the audit cases	CPA firm	Is the percentage of workhours dedicated by EQCR certified public accountants into recheck adequate when compared with peers in the same industry	V	
		Individual cases	Is the percentage of workhours dedicated by EQCR certified public accountants into recheck adequate	V	
Capability to back up quality control (2-4)	Was the CPA firm staffed with adequate human resources on quality control to back up the auditing team?	CPA firm	Would the quality control personnel to the number of full timers adequate when compared with peers in the same industry	V	
			Was the percentage of quality control personnel to back up the Auditing Department adequate when compared with peers in the same industry	V	

III. Aspect III: Independence

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
				Yes	No
Non-auditing service fees (3-1)	Does the percentage of non-auditing service fees adversely affect independence?	Individual cases	Is the percentage of non-auditing service fees in the audit cases appropriate?	V	
Customer familiarity level (3-2)	Did the number of years accumulated in the CPA firm in the auditing cases toward financial statements affect the independence	Individual cases	Is the number of years accumulated in the CPA firm in the auditing cases toward financial statements appropriate	V	

IV. Aspect IV: Supervision

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
				Yes	No
Faults in the external examinations and the penalty so imposed thereupon (4-1)	Have the quality control and auditing cases in the CPA firm been duly carried out exactly according to laws and ordinances concerned	CPA firm	Examination by the Financial Supervisory Commission upon the CPA firm: Is the number of faults in quality control performance appropriate when compared with peers in the same industry	V	
			Examination by the Financial Supervisory Commission upon the CPA firm: Is the average number of auditing cases appropriate when compared with peers in the same industry	V	
			Examination by PCAOB of the United States upon the CPA firm: Is the average number of faults in auditing cases appropriate when compared with peers in the same industry	V	
			Are cases of disciplines upon the certified public accountants and cases of penalty imposed thereupon in accordance with Article 37 of the Securities and Exchange Act appropriate	V	
		Individual cases	Number of faults amidst the examination by the Financial Supervisory Commission upon the CPA firm: Whether the average number of faults found upon Principal Certified Public Accountant Lin, Po-Chuan and Deputy Independent Certified Public Accountant Lin, Jun-Yao is appropriate.	V	
Improvements in response to letters issued by the competent authority(ies) (4-2)	Have the quality control and auditing cases in the CPA firm been duly carried out exactly according to laws and ordinances concerned	CPA firm	Percentage of improvements in response to letters issued by the competent authority(ies): Is the CPA firm appropriate when compared with peers in the same industry	V	
		Individual cases	Percentage of improvements in response to letters issued by the competent authority(ies): Were Certified Public Accountants Lin, Po-Chuan and Lin, Jun-Yao appropriate.	V	

V. Aspect V: Capability of innovation

AQIs indicators	Key points of measurements	Information levels	Assessment items	Assessment results	
				Yes	No
Planning and initiatives in innovation (5-1)	Commitments by the CPA firm to heighten auditing quality: Including the capability and planning of the CPA firm.	CPA firm	Has the CPA firm indicated the initiatives or plans linked up with upgrade of the auditing quality having been adopted or mapped out over the past three (3) years (including the measures to be adopted, time schedule, budget and time as well as such resourced anticipated to be invested and the benefits anticipated therefrom).	V	

Note 3: The key issues, communication methods and performance within the concern of the interested parties (stakeholders) and methods of communications are shown through Table. The performance of communications with interested parties (stakeholders) is reported to the board of directors on a regular basis every year. The performance in communications was reported to the board of directors on August 8, 2023 (The 9th meeting of the 22nd Board of Meeting) and December 21, 2023 (11th Meeting of the 22nd Board of Meeting) for Year 2023.

The interested party	Communication Channel/Format	Communication Frequency	Concerned Topics	Performance in communications
Investors	1. Annual Shareholders' Meeting 2. Company Website and Market Observation Post System 3. Investor Hotline 4. Investor Conference	1. Once a Year 2. Irregularly, Anytime 3. Irregularly, Anytime 4. Two Times a Year	Economic Performance Occupational Health and Hygiene	1. Through the shareholders' meetings, juristic person explanation meetings and Market Observation Post System (MOPS), the Company pro-actively reports to the shareholders and investors about the updates regarding the Company's business performance and financial condition. 2. The Company keeps shareholders and investors closely informed through the methods of communications with the Company via the Special Zone of Investors and Special Zone for Interested Parties (Stakeholders) who may inquire with the Company all the time. 3. The Company convened the shareholders' regular meeting on May 30, 2023 to report to investors about the Company's business performance. 4. The Company convened two investor conference (earnings call) in 2023, on March 29 and August 29 respectively.
Employee	1. Labor Conference 2. Employee Welfare Committee 3. President Mailbox 4. Company Bulletin Board 5. Company Website	1. Four Times a Year 2. At Least Once a Quarter 3. Irregularly 4. Irregularly 5. Irregularly	Economic Performance Legal Compliance Occupational Health and Hygiene	1. In 2023, the Company convened four labor-management conferences on March 24, June 14, September 14 and December 19, respectively. 2. In an attempt to fortify workplace health oriented services and upgrade the quality of health toward the entire staff, the Company, exactly in accordance with Article 3 of "Regulations Governing Protection of Labor Health", has duly staffed full-time nursing staff along with one special physician. Moreover, the Company has set up the Nursing Room to render thoughtful services to the entire staff. 3. During Year 2023, the Company, through Hong-en Clinic and Boren General Hospital, conducted employee health checkups and health examinations for special operations. 4. For the entire year 2023, no employee grievance case was ever recorded.
Supplier	1. Supplier Visit and Certification Audit 2. Supplier Satisfaction Survey 3. Telephone or Email Communication	1. Irregularly 2. Irregularly 3. Irregularly	Economic Performance Supply Chain Management	1. The efforts to support suppliers in verification through quality management system to firmly control the use of raw materials and materiel to, in turn, assure that the provided products would satisfy the required standards/criteria. 2. On a regular basis every year, we visit key suppliers. In 2023, we conducted on-the-spot surveys and visits to 2 suppliers.
Customer	1. Customer Visit and Certification Audit 2. Corporate Website, Telephone, and Email Communication	1. Irregularly 2. Irregularly	Legal Compliance Supply Chain Management Occupational Health and Hygiene	1. Official inspection of the factory in 2023: In May, the Company satisfactorily passed the factory inspection by the Taiwan Food and Drug Administration (TFDA) of the Ministry of Health and Welfare. 2. In 2023, successful completion of factory verification for 11 customers without any significant faults.

The interested party	Communication Channel/Format	Communication Frequency	Concerned Topics	Performance in communications
				3. Participation in exhibitions in 2023: CPhI China: 6/19/2023–6/21/2023 CPhI Worldwide: 10/24/2023–10/26/2023 4. All customer feedback is processed and responded to in a timely manner.
Government Agencies	1. Participation in the Various Policy and Regulation Related Seminars, Forums, Advocacies, and Training Courses 2. Market Observation Post System 3. On-site Plant Audit 4. Official Document and Telephone Communications	1. Irregularly 2. Released According to Regulations 3. Irregularly 4. Irregularly	Legal Compliance GHG and Energy Management Water Resource Management Waste Management Occupational Health and Hygiene	1. We declared a variety of information in real time as required by law. 2. From time to time on a non-scheduled basis, we participated in the forums, publicity and dissemination programs and seminars under the auspices of competent authority(ies).
Bank	1. Document Exchanges and Telephone Communications 2. Personal Visits 3. Company Website	1. Irregularly 2. Irregularly 3. Irregularly	Economic Performance Corporate Governance:	The Company carried out business visits and information exchanges with correspondent banks frequently.
Nearby Communities and Social Welfare Groups	1. Visit the neighborhood or township chief nearby the plant, care for the community residents, and implement the community affinity work. 2. Charitable Events	1. Irregularly 2. Irregularly	GHG and Energy Management Waste management Water Resource Management Legal Compliance Occupational Health and Hygiene	1. NTD 1.5 million was donated to the Wang Ming-Ning Memorial Foundation. 2. Offered sponsorship of NTD 131,206 to the “Youths and Seniors Co-Creation” charity event jointly organized by industry, government, and academia (the Company, Shulin District Office, and Shu Jen High School of Home Economics & Commerce). 3. Donation of 96 sets of the Green series shower gel to the 5th Forest Fire Brigade of the Fire Department of the New Taipei City Government in the amount of NTD 9,600. 4. Sponsored the concert held by Taiwan Yale Ensemble at the Taipei National Concert Hall on May 2 with an amount of NTD 58,800. 5. Donated 78 sets of health and safety accessory bags totaling NTD 61,800 in support of the four rural clinics and health check-ups. 6. Sponsored the charity fair organized by St. Anne’s Home with an amount of NTD 8,236. 7. Jointly donated 144 unit of healthy frozen meals to the local elderly people living alone in collaboration with China Chemical & Pharmaceutical Co., Ltd. The Company donated NTD 18,000. 8. After the employees of the Company participated in the public welfare activities, they were certified by the organizer for a total of 156 hours of volunteer work. 9. Firefighting and toxic chemical disaster prevention drills are held every six months. In 2023, two drills were held: On May 25 and September 22.

(IV) Composition, Duties, and Operation of the Compensation Committee:

1. Information of the Remuneration Committee members:

April 1, 2024

Identity \ Criteria / Name		Professional qualifications and experience	Independence situation	Number of other public companies where the members are also the members of the remuneration committee of these companies.
Independent Director (Convener)	Chang, Chih-Hsien	Refer to related contents of 3. Disclosure of Professionalism of Directors and Supervisors and Independence of Independent Directors on Pages 20-22.		None
Independent Director	Wang, Kuo-Chiang			3
Independent Director	Kuan, Hsin			None

2. Compensation Committee Operating Status Information:
   (1) The Remuneration Committee of the Company is consisted of 3 persons.
   (2) Current term of office: May 25, 2022 to May 24, 2025. The most recent Compensation Committee has held 3 meetings (A), and the member qualifications and attendance records are as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%) (B/A)	Remarks
Convener	Chang, Chih-Hsien	3	0	100%	
Members	Wang, Kuo-Chiang	3	0	100%	
Members	Kuan, Hsin	3	0	100%	

Other remarks:

I. Situation where the Board of Directors does not adopt or amend the salary compensation committee's recommendation: None.

II. A member has objected or showed reservations against the resolution passed by the Compensation Committee in the record: None.

III. Matters in connection with the official powers of the Remuneration Committee:
   1. The Remuneration Committee faithfully exercises due diligence as a bona fide administrator to perform the following functions and powers and submits its suggestions to the board of directors for discussion:
      (1) The Committee will establish and periodically review the annual and long-term performance goals for the directors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
      (2) Periodically evaluate and prescribe the remuneration of directors, and managerial officers.
   2. Where performing the aforementioned functions and powers, the Remuneration Committee faithfully complies with the following principles:
      (1) On the performance evaluation and remuneration toward the directors and managers, the Remuneration Committee shall refer to the general level of payment in the counterpart firms in the same industry, taking into account the relevant rationality in connection with personal performance, the Company’s operating conditions as well as future risks.
      (2) The Committee shall not lure directors and managers to engage in behavior that exceed the Company's risk tolerance in pursuit of remuneration.

(3) Regarding the ratio of the short-term performance of directors and ranking managers and the payment time of partial variable salary compensation, the Committee shall take into account the characteristics of the industry and the attribute of the Company's business.

IV. The operation of the remuneration committee:

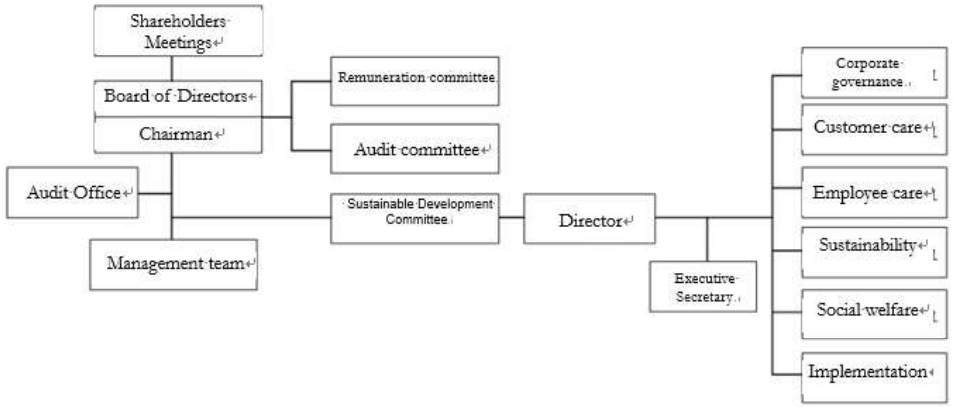
Date	Agenda	Resolution	The Company's handling in response to the opinions of the Remuneration Committee.
2023.03.07	1. The 2022 Employees Remuneration Discussion Case.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 6th meeting of the 22nd session. Exactly as resolved, the Company duly completed the declaration to the competent authority within the specified time limit as required.
	2. Proposal on the remuneration of directors in 2022.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 6th meeting of the 22nd session. Exactly as resolved, the Company duly completed the declaration to the competent authority within the specified time limit as required.
2023.08.08	1. Proposal for the general salary adjustment of the Chairman and the President.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 9th meeting of the 22nd session and duly put into enforcement exactly as resolved.
	2. Proposal for reappointment and remuneration of former senior consultant.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 9th meeting of the 22nd session and duly put into enforcement exactly as resolved.
2023.12.21	1. The Regular Review for the Director and Manager Remuneration Methods and Payment Standards.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 11th meeting of the 22nd session and duly put into enforcement exactly as resolved.
	2. Motion regarding the plan to distribute incentives based on the performance evaluation result in 2023.	Passed unanimously by all members of the Committee in full.	Duly resolved and passed in the Board of Directors in its 11th meeting of the 22nd session and duly put into enforcement exactly as resolved.

3. Information of members of the Nomination Committee and its operational status: The Company has not set up the Nomination Committee and hence it is not applicable.

(V) Promotion of sustainable development and its implementation status and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons:

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
I. Does the Company have the governance framework in place to help promote sustainable developments and have a unit that specializes (or is involved) in promoting sustainable developments and have the Board of Directors to empower high-ranking management to take care of it and report the progress to the Board of Directors?	V		(I) The Company established the "CSR Committee" in 2014, and in December 2021, it was renamed the "Sustainability Committee" in conjunction with legislative amendments. It is the highest-level sustainable development decision-making center within the Company, and is chaired by the chairman. The committee is divided into teams responsible for corporate governance, customer care, employee care, sustainable environment, social welfare and implementation according to functions. Its members are composed of personnel from the Office of the President, finance and accounting, human resources, management, sales, procurement, quality assurance, manufacturing and safety and health units. According to the "Sustainable Development Best-Practice Principles" approved by the board, the Company integrates company resources to promote and review the status of compliance with sustainability laws and regulations and the effectiveness of implementation. The implementation status of sustainable development and future work plans are reported to the board twice a year. The contents of the report include sustainability issues and response action plans and implementation results, corporate governance, product responsibility, sustainable environment, employee care, and social welfare, etc. The board of directors listens to the reports, evaluates the progress and implementation of strategies and provides suggestions, and urges the management team to make adjustments when necessary. The Company already reported to the Board of Directors on August 8 (in its 9th meeting of the 22nd session) and December 21 (in its 11th meeting of the 22nd session), 2023. (II) The Company's sustainable development and corporate governance structure:	No significant difference

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	



1. Description of duties of each task team:
   (1) Corporate governance
   Responsible for promoting corporate governance and providing suggestions for improvement including governance structure, code of conduct, board of directors, remuneration committee, audit committee, internal control system, risk management and continuous management.
   (2) Customer care
   Responsible for marketing communication, maintaining customer privacy, product and service labeling and health and safety of customers.
   (3) Employee care
   Responsible for building a friendly work environment, hiring, training and caring of employees and physical and mental wellbeing of foreign workers.
   (4) Sustainability
   Responsible for promoting sustainability initiatives and environmental protection measures and providing suggestions for improvement, including environmental management system, green products and processes, energy and resources management, water resources management and wastewater management, greenhouse gas inventory, inventory of other air pollutants, waste management, supplier management and violations of environmental laws.

<table>
<tr><th rowspan="2">Action Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>(5) Social welfare
Responsible for promoting social welfare programs and providing suggestions for improvement, community participation and social welfare.
(6) Implementation
Responsible for the coordination of internal project teams and publication of sustainable reports.</td><td></td></tr>
<tr><td>II. Has the Company conducted risk evaluation based on significant principles toward the environments, society linked up with the Company's business operations and corporate governance issues and, in turn, enacted relevant risk management policies or strategies?</td><td>V</td><td></td><td>(I) The information disclosed covers the Company’s performance in sustainable development from January to December 2023. Based on the relevance of its own businesses and the impact level of major topics, the boundary of risk assessment is within the Company, excluding re-investment enterprises.
(II) In accordance with the materiality principles and materiality analysis process in the sustainability report, the Company’s Sustainable Development Committee members shall identify corporate governance (including legal compliance and economics), environment and social aspects, and other major issues through the portals of communication and exchange with interested parties. According to the evaluated risks, the risk management policies or strategies and implementation are as follows:
<table>
<tr><th>Significant issues</th><th>Items for risk assessment</th><th>Risk management policies or strategies and the implementation results thereof</th></tr>
<tr><td>Corporate Governance</td><td>Law compliance and economy</td><td>1. Here at the Company, the incumbent Manager of Finance concurrently serves as the “Head of Corporate Governance”, taking charge of all corporate governance related affairs to heighten information transparency and law compliance. Besides, the Company sets up the Audit Office under the Board of Directors to implement thoroughly the internal control system and, in turn, assure that the entire personnel and business operation of the Company will be well satisfactory to laws and ordinances concerned.
2. The Company conducts one self-evaluation toward the overall Board of Directors, all individual directors and the functional committees at the first quarter every year. The Company further conducts a third party assessment</td></tr>
</table></td><td>No significant difference</td></tr>
</table>

Action Item	Implementation Status					Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No			Summary description	
						through a commissioned external institution in every three years. The results of evaluation so carried out have been disclosed through the Company's website. 3. To collect information on laws and regulations prevalent at home and abroad and changes thereof to work out the right countermeasures in real time. 4. Here at the Company, greenhouse gas emissions have not been included in the regulated implementation and thus there is no need to disclose relevant information on a regular basis. The Company, nevertheless, still proactively conducts its own greenhouse gas inventory each year and continues to pay attention to changes in domestic and foreign laws and regulations to make sure of the trends and respond accordingly before it becomes too late. The ISO 14064-1 green house inventory was implemented in 2023, and it is planned that the third-party verification will be completed in Q2 2024. 5. The Company, as an excellent API manufacturer, has successively passed cGMP API Plant, cGMP biotechnology factory, cGMP pilot factory and has further passed official inspections verification in Taiwan, the United States, the European Union and Japan and the Company's cGMP plant equipment has been checked and approved by many manufacturer audit processes. The Company's products well satisfy standards/criteria prevalent in the international community. As of December 31, 2023, 29 products have completed the API master file DMF for registration by the U.S. Food and Drug Administration. 6. Strategies to diversify procurement risks. The Company mainly maintains two or more suppliers for the key raw materials in order to diversify procurement risks. On a regular basis, we assess the best inventory plan, evaluate	

Action Item	Implementation Status					Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description			
					raw materials inventory all the time and avoid supply being affected by extreme climate conditions to carry out process safety management and ensure safety operation. 7. All properties of the Company have been well insured to prevent a potential impairment in case of larceny or disaster to assure absolute asset safety.	
			Environment	1. Stringent water resources. 2. Inadequate power supply. 3. Rising greenhouse gas emission.	1. To strengthen water resources management and reuse and further strengthen water supply system management. A. 6 sets of solvent-phase vacuum pump water recovery systems were newly installed in 2023. The daily water-saving capacity of full-load operation is about 170 metric tons, which can effectively save water resources; B. In 2023, 6 sets of non-solvent phase vacuum pumps were replaced with cooling water recycling and reuse systems. The daily water saving capacity of full-load operation is about 173 tons, which can effectively save water resources. C. Publicity promotion of water conservation and use of water-saving toilets. 2. To replace and renew outdated equipment, improve operating efficiency and promote various energy-saving projects, e.g., replace old equipment, install inverters to replace water-saving, low-power consumption and energy-saving equipment and the like. 3. In 2023, exactly in accordance with the established energy management system, the Company, as always, continually promoted energy-saving and carbon-reduction policies and a variety of energy-saving plans. We set the energy goal of reducing electricity consumption by more than 1% year by year. The 2023 energy-saving plan saved 510,058 kilowatt-hours of electricity, reducing carbon emissions by a total of	

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	

		252,479 kilograms, and the electricity saving rate was 2.16%.
Society	1. Industrial security and emergency countermeasures mechanism	1. The efforts to strengthen the education of work safety awareness. On a regular basis, the Company holds two fire drills and poisonous substance disaster prevention drills every year to cultivate the employees' emergency response capacity and minimize occurrence of disasters. The drills were held on May 25 and September 22, 2023, with a total of two sessions and 80 participants.
	2. Negative response from interested parties (stakeholders)	2. Amidst different types of stakeholders, the Company has duly set up a variety of channels and frequencies for communications, e.g., websites, telephones, e-mails, visits amidst meetings, participation in events to assure proactive communications.
	3. Workplace safety and employee health	3. The Company spares no effort to provide employees with safe and healthful workplaces. Here at the Company, the Safety & Health Department takes the overall charge to map out and sponsor safety related educational & training programs as well as seminars, including notably firefighting, public safety facilities, overall review upon public safety. On a regular basis every year, the Company sponsors general health examinations and specific operation oriented health examinations. In 2023, a total of 293 incumbent employees received health examinations and 64 employees received specific health examinations (focusing on employees as specific chemical users), with a total of 357 employees provided with sound health examinations. Further pursuant to Article 3 of “Regulations Governing Protection over Labor Health”, the Company has staffed one full-time nursing specialist and one contracted doctor stationing at the factories.

III. Environmental Issues				

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		1. In order to effectively reduce energy costs, the Company has set up the goal of reducing power consumption by more than 1% every year in reference to the energy management system. The company also carries out cleaning and recycling of waste according to the “business waste disposal cleaning plan” and follows the environmental regulations of the competent authority to handle all related matters. 2. In each and every year, the Company at its discretion carries out greenhouse gas inventory examination to track the effect of emission reduction and discloses the results publicly through the Company's website (http://www.ccsb.com.tw/chinese/10_csr/02_report.aspx). In 2023, the Company introduced the implementation of the ISO 14064-1 greenhouse gas inventory certification, earlier than previously scheduled.	No significant difference
(II) Is the Company committed to enhancing energy utilization efficiency and using recycled materials that pose low environmental impacts?	V		1. Adhering the by the goal of resource efficiency and in reference to the energy management system, the goal is to reduce power consumption by more than 1% every year. Energy saving and carbon reduction related work has been promoted. The 2023 energy-saving plan saved 510,058 kilowatt-hours of electricity, reducing carbon emissions by a total of 252,479 kilograms, and the electricity saving rate was 2.16%. 2. The Company implemented waste sorting and set up the recycling area. The Company continues to focus on saving energy and is committed to resource utilization efficiency. Air-conditioning temperature control in summer, paperless process for sign-off, double-sided paper printing, reduced paper use, unplugging unused electrical appliances or equipment, recovery of carbon cartridges for photocopies and printers, use of environmentally friendly carbon, etc., are some examples that aid in energy conservation, carbon emissions reduction, waste reduction and recycling.	No significant difference
(III) Has the Company evaluated the potential risks and opportunities of climate change on the enterprise’s present and future. Have related coping measures been adopted?	V		The Sustainability Committee of the Company is the highest-level decision-making unit for climate change management and is chaired by the Chairman. The committee shall review the climate change strategies and objectives, manage climate change risk and opportunity related actions, inspect implementation status, and discuss future plans. Related risks affecting the sustainable development of the Company shall be identified through daily operations. Relevant management strategies and coping measures shall be formulated in order to reduce risks of operation interruptions. With reference to climate related financial disclosure (TCFD), the Company identifies those major risks and opportunities likely to impact upon the Company’s business operations through four core elements as “governance,” “strategies,” “risk management” and “indicators & targets.” In turn, we implement a variety of climate change mitigation and adaptation to continually minimize potential risks, and enhance resilience to	No significant difference

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>create opportunities for sustainable development.
<table><tr><th>Governance</th><th>Strategy</th><th>Risk Management</th><th>Index and Goal</th></tr><tr><td>1. The “Sustainable Development Committee” set up by the Company assumes the responsibilities to map out corporate sustainable strategies and visions to carry out sustainable development related tasks and management.
2. The “Sustainable Development Committee” is chaired by the Company's chairman. The Committee members carry out tasks based on their respective functional planning and reported to the Board of Directors on a regular basis every year. The Board of Directors examines the</td><td>With reference to TCFD framework and pursuant to items in risks and opportunities, the major items of potential occurrence and impacts, the Company conducts prudential evaluation into the potential impacts upon finance aiming at significant risks and opportunities.</td><td>Comprehensively consider the impact of climate-related risks and opportunities on corporate image, operations management, products and services, employee safety, etc., and assess the likelihood of occurrence, and adopt corresponding strategies based on the degree of risk.</td><td>1. Investment into research & development to optimize manufacturing process and, in turn, to boost the efficiency in utilization of resources
2. Circular economic projects to boost reuse of resources.
3. Promotion of energy saving & carbon reduction.
4. Conduct greenhouse gas inventory in-house and introduce ISO 14064-1 greenhouse gas inventory certification in 2023.
Objective:
By then, we shall further cut electricity consumption by over 1% every year.
Substantial performance:
The 2023 energy-saving plan saved 510,058 kilowatt-hours of electricity, reducing carbon emissions by a total of 252,479 kilograms, and the electricity saving rate was 2.16%.</td></tr></table></td><td></td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>implementation and performance and urges the managerial teams to proceed with adjustment whenever necessary.</td><td></td></tr>
<tr><td>(IV) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?</td><td>V</td><td></td><td>1. The Company has issued a sustainability report every year since 2013, disclosing the company's active sustainability actions in the fields of environmental protection, corporate governance and social welfare. The contents of such reports would include greenhouse gases emission volume, water consumption and aggregate total weight of waste and garbage over the past 3 to 5 years. The reports would be further disclosed through the Company’s website in the special zone (http://www.ccsb.com.tw/chinese/10_csr/02_report.aspx) of corporate social responsibility (CSR) and the Market Observation Post System (MOPS). The Company’s 2022 and 2023 greenhouse gas emission, water usage, and total weight of waste are tallied blow (the information disclosure is company based, excluding reinvestment enterprises).
(1) Greenhouse gas emissions in the recent two years:
Unit: tons
<table><tr><th>Year</th><th>Category 1</th><th>Category 2</th><th>Total</th><th>Emissions per unit product (tons/kg)</th></tr><tr><td>2022</td><td>4,029</td><td>11,913</td><td>15,942</td><td>0.077</td></tr><tr><td>2023</td><td>5,533</td><td>11,462</td><td>16,995</td><td>0.081</td></tr></table>Note 1 The source of greenhouse gas emissions for 2022 is based on the information reported to the government regulators in 2022
Note 2 The source of greenhouse gas emissions for 2023 is the 2023 ISO 14064-1 greenhouse gas inventory report and inventory data
(2) Water usage in the recent two years
Unit: tons</td><td>No significant difference</td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Year</th><th>Water consumption volume</th><th>Water usage per unit product (tons/kg)</th></tr>
<tr><td>2022</td><td>83,241</td><td>0.404</td></tr>
<tr><td>2023</td><td>53,731</td><td>0.258</td></tr>
</table>
(3) Waste output in the recent two years:
Unit: tons
<table>
<tr><th>Year</th><th>Harmful waste</th><th>Harmless waste</th><th>Output per unit product (tons/kg)</th></tr>
<tr><td>2022</td><td>1,549</td><td>525</td><td>0.010</td></tr>
<tr><td>2023</td><td>1,868</td><td>612</td><td>0.012</td></tr>
</table>
2. The Company formulates the following management policies in line with enterprise management and taking into consideration the friendly environment with love for the earth:
(1) Energy savings and carbon reduction and reduction of greenhouse gas emission volume
The Company adopts low-polluting fuels and uses natural gas boilers in place of heavy oil boilers, and actively promotes various energy saving plans. In 2023, exactly in accordance with the established energy management system, the Company, as always, continually promoted energy-saving and carbon-reduction policies and a variety of energy-saving plans. We set the energy goal of reducing electricity consumption by more than 1% year by year. The company's 2023 energy conservation implementation results and 2024 energy conservation plans are as follows:
A. The results of the annual energy-saving plan implementation 2023:
The 2023 energy-saving plan saved 510,058 kilowatt-hours of electricity, reducing carbon emissions by a total of 252,479 kilograms.
<table>
<tr><th>Item</th><th>Energy-conservation Projects</th></tr>
<tr><td>1</td><td>The total intake and exhaust windmills in Zone 06 are 45 HP. The newly added external inverter saves 148,438 kWh of energy.</td></tr>
<tr><td>2</td><td>The performance improvement of the compressed air system for fermentation in Zone 7 of Biotechnology Section 1 resulted in energy savings of 185,625 kWh.</td></tr>
</table>
</td><td></td></tr>
</table>

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			3 | Variable frequency adjustment of the 40HP exhaust windmill in Zone 15 of Biotechnology Course 2 saved 175,995 kWh. B. Energy conservation plan 2024: Energy-conservation target: Reduce electricity consumption by over 1%. Energy saving measures: a. Renewal of energy-saving inverter compressors used in fermentation production. b. Adjust the frequency of the exhaust windmill. (2) Water conservation: A. 6 sets of solvent-phase vacuum pump water recovery systems were newly installed in 2023. The daily water-saving capacity of full-load operation is about 170 tons, which can effectively save water resources. B. In 2023, 6 sets of non-solvent phase vacuum pumps were replaced with cooling water recycling and reuse systems. The daily water saving capacity of full-load operation is about 173 tons, which can effectively save water resources. C. Publicity promotion of water conservation and use of water-saving toilets. (3) Decrement of waste: Implementation of waste sorting and setting up a resource recycling office with continued efforts to aim at saving energy and committing to the utilization efficiency of various resources, e.g., the use of double-sided printing to minimize the use of paper, the recycling of toner cartridges for photocopiers and printers, use of environmentally friendly toners and the like to achieve waste reduction and resource recovery goals. The Company implemented waste sorting and set up the recycling area, and is committed to waste reduction measures such as paperless process for sign-off, double-sided paper printing, reduced paper use, recovery of carbon cartridges for photocopies and printers, use of environmentally friendly carbon, etc.	
IV. Social Issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		1. The Company has formulated a “Human Rights Policy” to safeguard the basic human rights of employees, shape an environment that fully protects human rights, and recognize and support the UN Universal Declaration of Human Rights, the Global Compact and the International Labor Convention. In response to the international human rights conventions, the company requires cooperative manufacturers to operate without any violations of human rights, so that members of the company and collaborating partners can be treated fairly and	No significant difference

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>with dignity.
The Company’s specific management plans for human rights protection are as follows:<table><tr><th>Item</th><th>Concrete measures of implementation</th></tr><tr><td>The policy to provide safe and healthful working ambiance</td><td>1. The Company has set up the Safety and Health Department which is staffed with 1 occupational safety and health administrators responsible for occupational safety and health-related affairs. According to the fire and environmental protection laws, there has been an emergency response group set up in the factory and the necessary emergency rescue equipment is set up with fire protection and poison prevention and emergency drills conducted on a annual basis so that the entire staff of the Company would familiarize themselves with the use of fire protection and escape systems. The drills were held on May 25 and September 22, 2023, with a total of two sessions and 80 participants.
2. Education and training for new hires: To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety and know the work of every department, management of chemicals, professional capabilities and requirements, labor laws, safety and health training and cGMP training so they can understand the environment, safety and policies better. In 2023, a total 5 education and training sessions on general safety and health were held, with a total of 29 participants. A total of 5 education and training sessions on chemical hazards were held, with a total of 27 participants.
Education and training for in-service personnel: In order to enhance the professional and technical capabilities of employees, enhance work efficiency, and pay attention to and improve product quality, the Company proposes an annual education and training plan based on work needs. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities. The Company has these professional</td></tr></table></td><td></td></tr>
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Action Item	Implementation Status					Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description			
					safety and health licenses: Operation supervisor for handling organic solvents, operation supervisor for specific chemicals, operation supervisor for anoxic treatment, forklift operator, high-pressure equipment operator, fire protection manager, security and safety inspectors, first-aid personnel and other specialized licenses. In 2023, 42 people took a retraining course and 27 people were assigned as new trainees. Contractor education training: In conjunction with the provisions in the Occupational Safety and Health Act, the "Contractor Operation Management Guidelines" have been set up. In 2023, education training implemented for contractors entering the factory for operation totaled 49 people. They were also informed of the hazards, prevention of occurrences of work hazards, and maintenance of work environment safety. 3. The existing employees are given a free health check every year, better than what the provisions of the "Occupational Safety and Health Act" require. In 2023, a total of 293 incumbent employees received health examinations and 64 employees received specific health examinations (focusing on employees as specific chemical users), with a total of 357 employees provided with sound health examinations. 4. In order to strengthen workplace health services and enhance the quality of employee health and in accordance with Article 3 of the "Rules for Labor Health Protection", a nurse and contract physician to regularly provide in-factory services shall be appointed. The service contents include: health consultation, health care, occupational disease prevention, emergency medical disposal, general wound disposal, exceptional workload, human-induced hazard prevention, work resumption assessment, and other health management and health promotion work. 5. Following the installation of one set of AEDs in the reception room in February 2022, the second set was added to the 1st floor of the research building in December 2023.		

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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			6. Shaping a healthy workplace culture through diverse means such as group sports events and softball games, club activities, and encouraging employees to participate in arts and cultural activities. 7. To provide employees with a safe and comfortable working environment in accordance with the requirements of the "Occupational Safety and Health Act," specialized testing organizations are invited to perform chemical exposure assessment in the product areas every half a year. The most recent testing was done in February and August 2023. There were 4 product processes areas and research department, 9 chemicals and 24 testing items. The results were in compliance with the allowable concentration to ensure employees' health. 8. The Company has set up sound fire protection system in accordance with the provisions of the Fire Protection Act, including an alarm system, fire protection water system, escape system, fire extinguisher and the like. In each and every year, the Company invites professional fire technicians to conduct fire safety inspections in the entire Company premises.	
			The policy to eliminate employment discrimination and ensure equal job opportunities: The Company has formulated sound "Work Rules" and various regulations and has faithfully abided by labor laws and international norms which are applicable entire staff. In all such aspects as personnel recruitment, assignment, labor conditions, promotion, transfer, rewards and punishments, educational and training programs, welfare, layoff, retirement, severance, performance appraisal and other relevant regulations and operations, the Company assure impartial performance absolutely free of potential discrimination due to ethnic race, social class, language, thoughts, religions, partisanship, origin, birthplace, gender, sexual orientation, age, marital status, appearance, facial features, physical and mental disabilities, blood type constellations or previous union memberships into a different treatment.	
			Ban on the use of child labor: Strictly in accordance with the Company's "Human Rights Policy," all departments of the Company are banned from hiring any one below	

Action Item	Implementation Status				Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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				sixteen years of age. All successful candidates for employees are strictly checked and verified to prevent a potential fault.	
			Prohibition of forced work	Strictly in accordance with the Company's “Human Rights Policy” and the “Employee Work Behavior Code,” all employees should abide by those rules and regulations. Under no circumstances shall they get involved in illegal or unethical behaviors. Instead, they shall faithfully comply with the work ethics of dedicated work groups thereby all units are prohibited from engaging in forced labor.	
			Personal information protection	The Company has established an internal control system for the protection and management of personal information, which regulates the inventory and management of personal information by all units. Personal information shall not be collected, processed, or used at will except for specific purposes.	
			Freedom of speech and association	1. The Company upholds a sound policy with absolutely no interference with the establishment and participation of trade unions by employees. Where to date there has not been any work union, the Company has not executed any group agreement. In order to establish communication channels and promote labor-management harmony, the Company holds regular labor-management meetings every three months. Labor representatives are directly elected by employees. In addition to protecting their right to speak, they ensure that they are provided with fair working conditions and are not treated differently. In addition, the president's mailbox is set up in the employee cafeteria to encourage employees to express their opinions and suggestions. Employees can also file complaints via "Stakeholders' Area" of the Company's website. The management will conduct investigation and handle issues in accordance with the relevant regulations to protect the interests of the Company and employees. 2. The Company's Welfare Committee has formulated the "Employee Association Activities Establishment and Subsidy Regulations" to provide financial subsidies to encourage colleagues to establish associations to promote exchanges. As of December 31, 2023,	

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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	employees have established 5 clubs and applied for subsidies from the Welfare Committee.
Channels for remedial measures	The Company has stipulated the "Measures for Reporting Cases of Illegal and Unethical or Dishonest Conducts" and “Regulations Governing Prevention and Settlement of Sexual Harassment.” Employees are advised to use the suggestion box set up in the employee restaurant and the report box set up on the Company's website (report@ccsb.com.tw). The Company has assigned a special department to accept and implement investigation and also carry out relevant publicity courses to keep the entire staff informed on the use of such sound channels. The Company upholds the policy to keep the whistleblowers and the contents of the report in strict confidence and to protect whistleblowers absolutely from improper treatment due to the report. Where the investigation results verify the reported misconduct, the offender shall be penalized in accordance with the “Working Regulations” and the relevant rules and regulations as the actual situations may justify.
Support to employees to maintain work-life balance and take care of the family	1. Efforts to promote employee health and balanced life: The Company encourages employees to organize clubs and organize group family days and athletic meets. Through diversified activities, the Company enhances cross-departmental interaction among employees. Such efforts would not only unite employees' emotions and centripetal force, but also effectively helps employees relieve physical and mental stress. 2. Support to employees for optimum care towards their families Provide family care leave, antenatal examination leave, maternity leave, paternity leave and long-term leave without pay for childcare. The Company has set up a breastfeeding room and grants female employees with regular time for breastfeeding every day. Through Employee Welfare Committee, the Company provides childbirth subsidy. With the entire costs borne by the Company, the Company has

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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			acquired group insurance for the entire staff. The group insurance policy includes life insurance, inpatient medical insurance, accident insurance and accident medical care and such protection. 2. We established "Working Rules" in accordance with Labor Standards Act and International Bill of Human Rights, and policies on salary, vacation, promotion, awards and insurance have been clearly stated. 3. Complied with the "Employment Service Act" provisions to respect employees with various differences. The salary is based on the principle of equal pay for equal work without gender, race, age, ethnicity, or religion differences. 4. Complied with the "Act of Gender Equality in Employment" to formulate the "Sexual Harassment Control Measures." 5. The Company has incorporated the “human rights policies” into the pre-employment training programs for newly hired employees to actively implement a variety of human rights policies, with friendly terms and serious efforts to the entire staff. In 2023, the Company sponsored 11 training program sessions, attended by a total of 26 trainees. Furthermore, the relevant regulations, notably “human right policies,” have been put into the Company’s internal website platforms and the Company website, which are readily accessible to both inside employees and outsiders at all times.	
(II) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?	V		1. The Company recruits newly hired employees by offering wages that are more than the minimum wage level promulgated by the Ministry of Labor and attracts superior talents to join the Company with a competitive overall salary system and very attractive employee welfare measures. Employee remunerations are based on education, job position held, market standards, and personal performance. There shall be no differential treatment with regard to gender, race, religion, political stance, place of birth, the province of family register, disabilities, marital status, etc. Both genders shall be entitled to the remuneration conditions of equal pay for equal work and equal opportunity to job advancement. Due to the industrial characteristics and on-site operational processing requirements, the male employees account for a higher ratio of on-site operators. At the end of 2023, the proportion of female employees was 26%, and the proportion of female supervisors above the manager (assistant manager) level was 18%. 2. In the Company, the Remuneration Committee has been set up under the Board of Directors. The Remuneration Committee is organized by three independent directors to take major	No significant difference

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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			charge of reassessing the performance evaluation by the directors and managerial officers, the policies, systems, standards/criteria and structures of salaries and remuneration. 3. As expressly provided for in Article 32 of the Company's "Articles of Incorporation," with the profit earned in a year, a sum 1%~15% shall be appropriated for remuneration to employees. Different assessment systems are formulated for employees based on supervisors and general employees, and year-end assessments are conducted accordingly. Verification and evaluation are achieved through performance goal setting and performance appraisal interviews. In addition, relevant measures such as the Sustainable Development Best-Practice Principles and Work Rules are used to standardize corporate ethics, and the standards of rewards and punishments are clearly defined and included in the evaluation items. The evaluation results are used as the basis for promotions, salary adjustments, rewards and punishments, bonuses and remuneration. The bonus design is combined with the company operating performances, net profit for the current year, and employee assessment and is standardized, so that employees can share results, which effectively motivate them. In addition to measuring the key indicators of business profit achievement and department management, bonuses are linked to various sustainable development indicators (such as energy saving and carbon reduction achievement indicators, industrial safety protection targets, product quality indicators, customer complaint prevention, and R&D and innovation indicators) to continue to integrate social responsibility into the Company's operations to achieve sustainable business operations. 4. Employees are the most important assets of the company. The company provides a safe and comfortable office environment. It is a 45-minute flexible working time for the understanding of the hard work of the children and the long-distance commuting. In addition to various group insurance plans and proper health examinations, we take care of our colleagues' health and establish a diverse community to encourage employees to participate actively, so that employees can achieve a balance between work and family, family and self. The employees who have served for one year enjoy 100% ESOP (Employee Stock Ownership Plan) awards in the company. The ESOP help the company's colleagues to achieve long-term savings and accumulated wealth through the "ESOP" to ensure the stability of the future life and enhance employees' sense of belonging to the company. Employees could have the ability to hold company stocks and share business profit. The company uses proper occasions and channels to disseminate the principles that the company would not discriminate against race, class, language, thought, religion, partisanship, place of birth, gender, sexual orientation, age,	

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			marriage, appearance, facial features, physical and mental disabilities, or former union members. The company will implement workplace equality, building a happy enterprise, and move towards a society of plural respect. 5. In addition to policies meeting the Labor Standards Act, the Company also provides health examination for employees. An employee welfare committee has also been established to handle benefits and manage benefit payments. The employee benefits are listed as follows: (1) Employees having served with the Company for up to one year in full were granted inventive award with 100% shareholding trust. (2) In addition to having all employees participate in labor insurance and national health insurance according to law, the Company also provides group insurance and periodic health examination. (3) Employees receive days off for weddings, deaths in the family and national holidays based on the requirements of Labor Standards Act, as well as benefit payments. (4) Gifts issued to employees in the month of their birthday. (5) Employees receive holiday bonuses or gifts for Lunar New Year, Labor Day, Dragon Boat Festival and Autumn Festival holidays. (6) Employee trips are held or travel subsidies are given out. (7) Breastfeeding rooms for female employees. (8) Meals: Meals have been ordered by the Company, with NTD 62 subsidized with Company allowance and NTD 28 paid by employees for each meal. (9) Under the thoughtful policy to intensify health services at workplaces and to upgrade the quality of employee health, the Company has, in accordance with Article 3 of "Regulations Governing Protection over Labor Health," staffed a full-time nursing specialist and contracted doctor, one in number each. In addition, the Company has newly established the Nursing Care Office to provide general care and consultation services as necessary.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		1. Here at the Company there is Safety & Health Department which is staffed with one occupational safety & health administrator in charge of occupational safety & health related affairs. The Company has enacted "Emergency Countermeasure Program", "Occupational Safety & Health Work Code", "Occupational Safety & Health Management Plan" and the like to expressly regulate the responsibilities to be assumed by personnel of all levels before and after occurrence of an incident as well as the contents of their respective tasks. The Company strictly requires both employees and contractors to faithfully comply with the	No significant difference

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
			aforementioned guidelines to prevent a potential occupation-oriented calamity from occurrence. Pursuant to the requirements set forth under the Fire Services Act and the Environmental Protection Act, the Company has organized an emergency response task force and installed emergency rescue equipment. Every year, the Company carries out a variety of drills, including fire protection, poison calamity prevention, and air-related emergencies, to keep the entire staff familiar with the firefighting and escape equipment and facilities. In 2023, two drills were carried out on May 25 and September 22, respectively, which were attended by a total of 80 participants. 2. Education and training for new hires: To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety and know the work of every department, management of chemicals, professional capabilities and requirements, labor laws, safety and health training and cGMP training so they can understand the environment, safety and policies better. In 2023, a total 5 education and training sessions on general safety and health were held, with a total of 29 participants. A total of 5 education and training sessions on chemical hazards were held, with a total of 27 participants. Education and training for in-service personnel: In order to enhance the professional and technical capabilities of employees, enhance work efficiency, and pay attention to and improve product quality, the Company proposes an annual education and training plan based on work needs. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities. The Company has these professional safety and health licenses: Operation supervisor for handling organic solvents, operation supervisor for specific chemicals, operation supervisor for anoxic treatment, forklift operator, high-pressure equipment operator, fire protection manager, security and safety inspectors, first-aid personnel and others specialized licenses. In 2023, 42 people took re-training course and 27 people were assigned as new trainees. Contractor education training: In conjunction with the provisions in the Occupational Safety and Health Act, the “Contractor Operation Management Guidelines” have been set up. In 2023, education training implemented for contractors entering the factory for operation totaled 49 people. They were also informed of the hazards, prevention of occurrences of work hazards, and maintenance of work environment safety.	

Action Item	Implementation Status			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies
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			3. The existing employees are given a free health check every year, better than what the provisions of the “Occupational Safety and Health Act” require. In 2023, a total of 293 incumbent employees received health examinations and 64 employees received specific health examinations (focusing on employees as specific chemical users), with a total of 357 employees provided with sound health examinations. 4. In order to strengthen workplace health services and enhance the quality of employee health and in accordance with Article 3 of the “Rules for Labor Health Protection”, a nurse and contract physician dedicated to periodic in-factory services shall be appointed. 5. Established various social clubs, such as corporate softball games, sports day/family day, and numerous clubs (Yoga Club, Slow Softball Club, Table Tennis Club, Golf Club, and Soft Fire Makes Sweet Malt Club). Encouraged employees to participate in arts and cultural activities; through the corporate group's sports games and softball games, club activities and arts and cultural activities, a healthy workplace culture is created. 6. To provide employees with a safe and comfortable working environment in accordance with the requirements of the “Occupational Safety and Health Act,” specialized testing organizations are invited to perform chemical exposure assessment in the product areas every half a year. The most recent testing was evaluation completed in February and August 2023. There were 4 product processes areas and research department, 9 chemicals and 24 testing items. The results were in compliance with the allowable concentration to ensure employees' health. 7. The Company has set up sound fire protection system in accordance with the provisions of the Fire Protection Act, including an alarm system, fire protection water system, escape system, fire extinguisher and the like. In each and every year, the Company invites professional fire technicians to conduct fire safety inspections in the entire Company premises. 8. In 2023, there were 7 employees in 7 occupational injury incidents, accounting for 2% of the total number of employees at the end of 2023: There were 5 occupational injuries in the traffic accident on the way to and from work (1 employee in each). The awareness of driving safety among employees reduces the incidence of occupational injuries; there were 2 occupational injuries in the factory area (1 in each case), which were considered minor accidents and were immediately checked by the permanent nursing staff and treated with appropriate medical care. 9. No fire incidents occurred in 2023.	

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(IV) Does the Company have an effective career capacity development training program established for the employees?	V		1. In order to improve the professional capabilities of employees, the Company has planned comprehensive talent cultivation and development plans for supervisors at all levels, functional employees and new employees, such as: training for new hires, general training, cGMP training, SOP training, professional training and encourage employees to take on-the-job training. Continue to grow through diverse learning methods and cultivate the key capabilities for future career development. Detailed information on talent cultivation and development has been disclosed in Chapter 7.2 Talent Cultivation and Development of the Company's 2022 Sustainability Report (http://www.ccsb.com.tw/chinese/10_csr/02_report.aspx). 2. The Company improves the quality and competitiveness of employees through education, training and performance evaluation measures. The company uses education and training to cultivate professional skills, knowledge, and attitudes of employees; and uses performance assessments to develop the employee potentials, enable the employees to grow together with company performances, increase company performances, and improve the quality of employees.	No significant difference
(V) With product and service related customer health and safety, customer privacy, marketing, labeling, and other issues as the focuses, is the Company abiding by relevant laws and regulations and international standards? Have relevant consumers or customers' rights policies and complaint procedures been formulated?	V		This company is an excellent API plant and has successively passed plant inspections conducted by the cGMP API plants, cGMP biotech plants, and U.S. FDA official plants. The company's cGMP plant equipment has also been recognized by numerous manufacturers and meets the international standards. The Company is a pharmaceutical company of Active Pharmaceutical Ingredients (API). Its major clients include pharmaceutical companies at home and abroad. Customer complaint handling regulations have been set up to provide customers with effective complaint procedures and protect their rights.	No significant difference
(VI) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as, environmental protection, occupational safety and health, or labor rights, and their implementation?	V		1. The Company has enacted "Regulations Governing Evaluation of Qualified Manufacturers". Only those manufacturers and suppliers having been granted a pass in the evaluation process would be named onto the List of Qualified Suppliers. Meanwhile, we faithfully safeguard employees' rights & interests with supreme focus on pharmaceutical safety and the environments thereof. With all such key concepts taken into account, we review and verify suppliers under very strict conditions. Amidst the procurement of raw materials, we request all suppliers accompany the raw materials with up-to-date versions of safety & security data of the substances. Besides, the raw materials shall be further posted with conspicuous signs and indications. for the relevant labeling. Moreover, amidst our faithful coordination with the government upon the raw materials subject to control (including poisonous chemicals) to prevent potential harms against human health and environment in case of misuse by	No significant difference

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			negligence, we do not permit a procurement until both parties prove to have held government issued permits for sales and for procurement. We grant very generous support to suppliers to help them satisfactorily pass the verification process for the quality management system. On a regular basis every year, we visit key suppliers to ensure that their products meet the requirements. In 2023, we conducted on-the-spot surveys and visits to 2 suppliers. 2. In order to ensure the sustainable development of the supply chain, the Company works with suppliers to enhance corporate social responsibility, reduce the negative impact of the supply chain on the environment, and achieve the goal of mutual benefit for the enterprise and society. From 2023 onwards, the Company has requested each supplier to respond to the following requirements: Agree with the supplier's code of conduct, friendly environment, human rights policy, business ethics, talent training, regular publication of CSR/ESG reports, participation in third-party assessments (e.g. EcoVadis), etc. In addition to ensuring the quality, delivery and price of suppliers' products, we urge our suppliers to jointly fulfill their corporate responsibility for sustainable development, risk management and business continuity plans. If the supplier's actual actions are not in conformity with the information provided, the Company will immediately notify the supplier to make corrections; if the supplier fails to make improvements after being notified, the Company may suspend or terminate the contract at any time. A total of 68 suppliers responded to the "Sustainable Procurement Survey" in 2023. 3. Under the Company's “Sustainable Development Best Practice Principles,” where the Company executes a contract with a key supplier, the contents of such contract shall expressly contain the requirements that the supplier shall faithfully comply with the sustainable development policies. Whenever the supplier proves to be in contravention of such policies and causes a significant impact on the environment of the supply source and the society, that contract may be terminated or rescinded forthwith, as covered within the contract.	
V. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, sustainable reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?	V		In reference to the core items in the GRI Standards issued by the global Reporting Initiative, GRI, the Company shall voluntarily prepare the sustainability report to disclose the situation of sustainability development promotion. Such information shall be disclosed on the Company website and Market Observation Post System (MOPS). The 2022 Sustainability Report has obtained verification or assurance from a third-party verification unit.	No significant difference
VI. If the Company has formulated the “Sustainable Development Best Practice Principles” in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed				

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Companies," please specify the operations and differences with the principles formulated. In reference to the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", the Company approved the "Sustainable Development Best Practice Principles" on December 2014. In March 2022, the renaming of "Corporate Social Responsibility Best Practice Principles" to "Sustainable Development Best Practice Principles" was approved by letter of Tai-Cheng-Chi-Li-Zi No. 11000241731 dated December 7, 2021. This amendment is intended to implement corporate governance, develop a sustainable environment, maintain social welfare, and strengthen the disclosure of sustainable development information. The Company shall inspect the implementation situations according to the best practice principles and make improvement accordingly. No major deviations have occurred since implementation.				
VII. Other important information that facilitate an understanding of the situation of sustainable development implementation: The situation and effectiveness of sustainable development implementation promoted by respective Sustainable Development Committee teams in 2023 are as follows: 1. Corporate Governance: (1) The Company has worked out the "Corporate Governance Best-Practice Principles" and disclosed the same onto the Market Observation Post System (MOPS) and the Company's website. (2) In an attempt to safeguard shareholders' interests to keep the public investors well aware of the Company's business performance, the Company has faithfully disclosed the relevant information onto the Market Observation Post System (MOPS) according to law in real time. Moreover, the Company further sets up the "Special Zone of Investors" inside the Company's website to update a variety of equity and financial information readily accessible to investors. The Company has, as well, intensified communications with investors by means of the shareholders' meeting, investor conference (earnings call) and spokesman mechanism. 2. Sustainable environment: (1) Each year, the company has commissioned air pollution and waste water inspection reports according to law, implemented environment protection in accordance with the relevant laws and regulations, and fulfilled its environmental protection responsibility as corporate citizen. (2) The Company has actively promoted various energy saving plans. The goal is to reduce power consumption by more than 1% every year. The 2023 energy-saving plan saved 510,058 kilowatt-hours of electricity, reducing carbon emissions by a total of 252,479 kilograms, and the electricity saving rate was 2.16%. (3) In 2023, 6 new sets of solvent phase vacuum pumps water recycling systems were installed, and 6 sets of non-solvent phase vacuum pumps were replaced with cooling water recycling and reuse systems. The daily water saving capacity of full-load operation is about 343 tons, which can effectively save water resources. (4) In 2023, ISO 14064-1 was introduced to conduct a comprehensive inventory of greenhouse gas emission sources and emissions. More efficient energy-saving and emission-reduction strategies were continuously formulated and thoroughly implemented to strengthen the ability for a sustainable environment. 3. Social welfare: (1) NTD 1.5 million was donated to the Wang Ming-Ning Memorial Foundation. (2) Offered a sponsorship of NTD 131,206 to the "Youths and Seniors Co-Creation" charity event jointly organized by industry, government and academia (the Company, Shulin District Office and Shu Jen High School of Home Economics & Commerce). (3) Donation of 96 sets of the Green series shower gel to the 5th Forest Fire Brigade of the Fire Department of the New Taipei City Government in the amount of NTD 9,600. (4) Sponsored the concert held by Taiwan Yale Ensemble at the Taipei National Concert Hall on May 2 with an amount of NTD 58,800. (5) Donated 78 sets of health and safety accessory bags totaling NTD 61,800 in support of the four rural clinics and health check-ups. (6) Sponsored the charity fair organized by St. Anne's Home with an amount of NTD 8,236. (7) Jointly donated 144 unit of healthy frozen meals to the local elderly people living alone in collaboration with China Chemical & Pharmaceutical Co., Ltd. The Company donated				

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NTD 18,000.

(8) After the employees of the Company participated in the public welfare activities, they were certified by the organizer for a total of 156 hours of volunteer work.

4. Employee care:

(1) We maintain a friendly work environment in accordance with the requirements of "Labor Standards Act", "Act of Gender Equality in Employment" and "Sexual Harassment Prevention Act".

(2) To enhance employees' professional and technical capabilities and improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities.

(3) The Company promotes physical and mental health activities for employees, including Group Family Day and Sports Day, corporate softball games, sports day/family day, and numerous clubs (Yoga Club, Slow Softball Club, Table Tennis Club, Golf Club, and Soft Fire Makes Sweet Malt Club), and encourages employees to participate in arts and cultural activities.

(4) In order to maintain the workplace health and safety of all employees, the Company's Department of Safety and Health shall periodically conduct safety education training and related drills. These drills include: public safety facilities, general review of public safety, etc. Employees are also requested to carry out undertakings according to the Safety and health work rules in order to prevent occurrences of disasters. In accordance with "Fire Services Act" and regulations for environmental protection, the Company assigns emergency response teams, install emergency and rescue equipment and perform fire-fighting, toxin control and emergency exercises every year. The drills were held on May 25 and September 22, 2023.

(5) In order to strengthen workplace health services and improve the health quality of employees, in accordance with Article 3 of the "Regulations Governing Protection over Labor Health", a full-time nursing staff and a contracted physician are stationed to provide on-site services; at the same time, there is a nursing room in the factory, equipped with height and weight machines, simple health measuring instruments such as forehead thermometers and sphygmomanometers, as well as medical kits for preliminary treatment of minor accidents.

(6) In 2023, Country Hospital was appointed by the Company for health examinations for our employees, with 293 employees receiving on-the-job health examinations and 64 employees receiving specific health examinations (as employees involving use of specific chemicals), at the aggregate total of 357 recipients for health examinations.

(7) The Company has formulated a "Human Rights Policy" to safeguard the basic human rights of employees, shape an environment that fully protects human rights, and recognize and support the UN Universal Declaration of Human Rights, the Global Compact and the International Labor Convention. In response to the international human rights conventions, the company requires cooperative manufacturers to operate without any violations of human rights, so that members of the company and collaborating partners can be treated fairly and with dignity.

5. Customer care:

(1) The cGMP level by the Company's well lives up to the requirements of various pharmaceutical companies throughout the world.

(2) The Food and Drug Administration, Ministry of Health and Welfare of Taiwan (TFDA) conducted hands-on inspection of our factory in May 2023.

(VI) Climate-related information of publicly traded and OTC companies:

1. Implementation of reporting of climate-related information

<table>
<tr><th>Item</th><th>Implementation Status</th></tr>
<tr><td>1. Describe board and management supervision and governance of climate-related risks and opportunities.</td><td>The Company has established the Sustainable Development Committee as the highest-level decision making center. The Committee is responsible for the proposal and implementation of the policy, system or relevant management policies as well as concrete promotion plans for sustainable development. Aside from this, the Committee also reports the performance results to the Board of Directors twice a year, so that the Board of Directors is able to keep abreast of sustainability-related trends, implementation progress, and response situations regarding climate governance issues in a timely manner.
The Chairman of the board serves as the chairperson of the Sustainable Development Committee. The committee is composed of cross-functional members, including the corporate governance team, customer care team, employee care team, sustainable environment team, social welfare team and implementation team. Each team assesses the likelihood and impact of climate-related risks and opportunities based on their scope of responsibility, actively manages various risks and opportunities, formulates and implements necessary action plans to improve the Company's climate governance performance and reduce the risk of business interruption.
With reference to climate-related financial disclosure (TCFD), the Company also identifies those major risks and opportunities likely to impact upon the Company’s business operations through four core elements as “governance,” “strategies,” “risk management,” and “indicators & targets.” In turn, we implement a variety of climate change mitigation and adaptation to continually minimize potential risks and enhance resilience to create opportunities for sustainable development.
For related information, please refer to the Company's Sustainability Report.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy and finances (short, intermediate and long term).</td><td>The Company regards climate actions as our priority. We integrate climate actions with the Company’s operations and take proactive approaches to address climate-change issues while also reducing GHG emissions. In order to identify climate issues related to operations, strategy, and finance, the Sustainable Development Committee convenes various departments to collect climate-related issues by analyzing industry overview, international sustainable development trends, TCFD guidelines, impact periods, and impact probabilities for compilation and evaluation, and then uses scientific methods to analyze major risks and opportunities, so as to formulate necessary management strategies to reduce or avoid potential impacts on business and finance.
For related information, please refer to the Company's Sustainability Report.</td></tr>
<tr><td>3. Describe the financial impact caused by extreme climate events and transition actions.</td><td>In response to the identified climate risks and opportunities, the Company has assessed the potential financial impacts from revenue and cost aspects.
<table>
<tr><th>Aspects</th><th>Issue</th><th>Potential Financial Impact</th></tr>
<tr><td>Transition risks - Risks associated with policies and regulations</td><td>Raise the GHG emissions pricing</td><td>Higher operating costs</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Item</th><th>Implementation Status</th></tr>
<tr><td></td><td>
<table>
<tr><td>Transition risks - Market risk</td><td>Increase in raw material cost</td><td>Higher operating costs</td></tr>
<tr><td>Physical risks - Long-term risk</td><td>Changes in precipitation types, and extreme changes in climate models</td><td>Higher operating costs
Decrease in revenue</td></tr>
<tr><td>Physical risks - Long-term risk</td><td>Rising average temperature</td><td>Higher operating costs</td></tr>
<tr><td>Opportunity - Resource benefits</td><td>Application of the production and distribution process with higher efficiency</td><td>Lower operating cost
Higher revenue</td></tr>
<tr><td>Opportunity - Energy sources</td><td>Utilization of low-carbon energy</td><td>Higher revenue
Higher operating costs</td></tr>
</table>
The above is the aspects of identification of the 2022 Sustainability Report. Please refer to the Company's 2023 Sustainability Report for the information on the identification of 2023.
</td></tr>
<tr><td>4. Describe how the identification, assessment, and management processes of climate risks are integrated into the overall risk management system.</td><td>The Company's Sustainable Development Committee convenes the meetings of personnel from the President's Office, finance and accounting, human resources, management, sales, procurement, quality assurance, manufacturing, safety and health, and auditing units to collect and compile climate-related topics.
After considering the industry overview and international sustainable development trends:
1. Issues are divided into three main categories: physical risks, transition risks, and opportunities in accordance with TCFD guidelines.
2. Based on the impact period, it is divided into: Short-term (1 to 3 years), intermediate-term (within 3 to 5 years), and long-term (after 5 years).
3. Each department will assess the impact level (5 levels) of the proposed climate issue.
4. Each department will assess the probability of occurrence (5 levels) of the proposed climate issue.
The sustainable development committee maps the evaluation opinions of each department into a matrix chart through quantitative scoring to grasp major risks and opportunities. After formulating a climate risk management strategy, the Committee reports performance results to the board twice a year, so that the board can timely grasp relevant aspects of sustainable development trends and the Company’s implementation progress and response status on climate governance issues.</td></tr>
<tr><td>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions and analysis factors used and significant financial impacts should be explained.</td><td>The company conducts climate risk analysis by defining response strategies based on scenario descriptions, and then identifies the significance and financial impact based on the impact period, impact possibility and extent, and then formulates specific plans; during the implementation of the plan, performance results are regularly reported to the board of directors.</td></tr>
</table>

Item	Implementation Status
6. For any transition plans that cope with climate-related risks, please state the content and the indicators and goals used to identify and manage physical risks and transition risks.	Focusing on four identified climate risks - transformation risks and physical risks, the company has formulated a transition plan: Short-term: 1. Conduct greenhouse gas inventory, identify major emission sources, and formulate carbon reduction strategies. 2. Evaluate the acquisition, use, and cost-effectiveness of renewable energy. 3. Installation or conversion of water recovery and reuse equipment. 4. Replacement of equipment that have high energy consumption and low energy conversion rate. 5. Optimization of procurement model and logistics system. Medium to long-term: 1. Incorporating the concepts of energy saving and low carbon into the prerequisites for process development and improvement. 2. Formulate carbon reduction strategies and support low-carbon energy with practical actions
7. For any internal carbon pricing used as a planning tool, please state the basis of price establishment.	The Company continues to pay attention to the development trends of domestic and foreign issues such as carbon tax, carbon right and carbon pricing, and conducted greenhouse gas inventory in 2023 in advance. Through inventory data analysis, the direction, goals and schedule for gradually promoting carbon reduction in the future are formulated, including low-carbon production technology and manufacturing processes, logistics system adjustments, estimated financial impact, internal carbon pricing, etc., to assist enterprises in implementing low-carbon transition.
8. For any set goals associated with climate, please state information such as covered activities, scopes of greenhouse gas emissions, arranged schedules, and yearly progress. For carbon offset or Renewable Energy Certificates (RECs) used to achieve relevant goals, please state the source and number of reduced carbon credit that were offset, and the number of RECs.	Relevant Goals and Progress 1. Short-term: (1) Introduce the greenhouse gas inventory in 2023 to verify the carbon emission volume of each emission source. (2) From 2024 onwards, it has been included in the consolidated financial statements for the implementation of greenhouse gas inventory by subsidiaries (3) For 2024–2025, carbon reduction plans and targets are being established and implemented. 2. Medium Term: (1) Continue to implement and improve the greenhouse gas inventory operation. (2) Continue to implement and amend the content and goals of the plan on a rolling basis. (3) Assess and introduce product carbon footprint inventory. 3. Long-term: (1) Drawing on the existing low-carbon and carbon reduction experience and achievements, plan the process of moving towards net zero emissions.
9. Greenhouse gas inventory and assurance status, as well as reduction targets, strategies and concrete action plans (indicated in 1-1 and 1-2 separately).	Status of greenhouse gas inventory and assurance is shown as follows.

1-1 GHG inventory and assurance in the last 2 years

1-1-1 Greenhouse gas inventory information

Note 1: Direct emissions (Scope 1, i.e. emissions directly from sources owned or controlled by the Company), emissions from indirect energy choices (Scope 2, i.e. indirect greenhouse gas emissions from in-taken electricity, heat, or steam) and other indirect emissions (Scope 3, i.e. emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage of direct emissions and indirect energy emissions shall be processed in accordance with the schedule specified in Paragraph 2, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies". Other indirect emissions may be disclosed voluntarily.

Note 3: Greenhouse gas inventory standard: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of GHG emissions can be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NTD million) should be disclosed.

Emission volume (metric tons CO2e), intensity (metric tons CO2e/million NTD) and data coverage of greenhouse gases in 2022

<table>
<tr><td>Category 1 (Note 1)</td><td>Total emissions (Metric tons of CO2e)</td><td>Intensity (metric tons of CO2e/NTD million) (Note 4)</td><td>Assurance organization</td><td>Explanation of assurance (Note 3)</td></tr>
<tr><td>The Company</td><td>4,029</td><td>1.951</td><td rowspan="2">None</td><td rowspan="2">1. No assurance in 2022.
2. The source of Scope 1 data is the data reported to the government in the current year.
3. Scope 1 items of inventory in 2022 were natural gas (used in boilers), septic tanks, and diesel (used in emergency generators and stackers).</td></tr>
<tr><td>Total</td><td>4,029</td><td>1.951</td></tr>
<tr><td>Category 2 (Note 1)</td><td>Total emissions (Metric tons of CO2e)</td><td>Intensity (metric tons of CO2e/NTD million) (Note 4)</td><td>Assurance organization</td><td>Explanation of assurance (Note 3)</td></tr>
<tr><td>The Company</td><td>11,913</td><td>5.769</td><td rowspan="2">None</td><td rowspan="2">1. No assurance in 2022.
2. The source of Scope 2 data is the data reported to the government in the current year.
3. The Scope 2 Inventory item in 2022 was input electricity.</td></tr>
<tr><td>Total</td><td>11,913</td><td>5.769</td></tr>
<tr><td>Category 3 (Note 1)</td><td colspan="4">No inventory was conducted in 2022.</td></tr>
</table>

Emission volume (metric tons CO2e), intensity (metric tons CO2e/million NTD) and data coverage of greenhouse gases in 2023

Category 1 (Note 1)	Total emissions (Metric tons of CO2e)	Intensity (metric tons of CO2e/NTD million) (Note 4)	Assurance organization	Explanation of assurance (Note 3)
The Company	5,533	2.714	TUV NORD Taiwan Co., Ltd.	1. The third-party verification is scheduled in late April 2024 and the review is in early May. 2. In addition to natural gas, diesel, and septic tanks that were originally reported to the government as Scope 1, inventory data for six new direct emission sources were added.
Total	5,533	2.714		
Category 2 (Note 1)	Total emissions (Metric tons of CO2e)	Intensity (metric tons of CO2e/NTD million) (Note 4)	Assurance organization	Explanation of assurance (Note 3)
The Company	11,462	5.621	TUV NORD Taiwan Co., Ltd.	1. The third-party verification is scheduled in late April 2024 and the review is in early May.
Total	11,462	5.621		
Category 3 (Note 1)	1. The third-party verification is scheduled in late April 2024 and the review is in early May. 2. A total of seven types of indirect greenhouse gas emission sources were surveyed, with a total of 28 detailed items and a greenhouse gas emission amount of 5,156 metric tons CO2e.			

1-1-2 Greenhouse gas assurance information

Describe the status of assurance in the last 2 years as of the date of publication of the annual report, including the scope of assurance, body of assurance, standards of assurance and opinions of assurance.
1. The Company started conducting ISO 14064-1 greenhouse gas inventory in 2023, and set 2023 as the base year. The boundary setting of the 2023 greenhouse gas inventory is based on the responsibility limits of greenhouse gas emissions of CCSB's production processes, production facilities and business activities as the scope of the inventory: Category 1 and Category 2 adopt reasonable assurance level verification, Category 3 to Category 6 are limited assurance levels. 2. The greenhouse gas inventory report was completed in Q1 2024, and a third-party verification by TUV NORD Taiwan Co., Ltd. is planned for Q2. 3. The Company will include the subsidiaries in the consolidated statements in the 2024 GHG inventory and verification.

Note 1: It shall be processed in accordance with the schedule specified in Paragraph 3, Article 4-1 of these measures.
Note 2: The assurance organization shall comply with the relevant requirements for sustainability report assurance stipulated by the Taiwan Stock Exchange and Taipei Exchange.
Note 3: For disclosure methods, please refer to the Best Practice Examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange Corporation

1-2 Greenhouse gas reduction goals, strategies and concrete action plans

Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of reduction goals.
1. CCSB started conducting ISO 14064-1 greenhouse gas inventory in 2023, and set 2023 as the base year. 2. The greenhouse gas emission data are disclosed in the attached table in "1-1 Greenhouse Gas Inventory Information." 3. After the completion of the third-party verification in Q2 2023, the Sustainable Development Committee will convene a meeting to formulate the reduction strategy, target, and concrete action plan.

Note 1: Shall be processed in accordance with the schedule specified in Paragraph 2, Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies."

Note 2: The base year should be the year that the inventory is completed based on the boundaries of the consolidated financial statements. For example, pursuant to Paragraph 2, Article 10 of the Guidelines, companies with a capital over NTD 10 billion should complete the inventory for the 2024 consolidated financial reports before 2025, so the base year is 2024. If the Company has completed the inventory ahead of schedule, the earlier year can be used as the base year, and the data of the base year can be calculated by a single year or the average of several years.

Note 3: For disclosure methods, please refer to the Best Practice Examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange Corporation

(VII) The Company's ethical corporate management performance and its difference from the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies" and the root causes

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
I. Business Integrity Policy and action plans				None
(I) Has the Company specified its policy and method for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to pursue the policy of ethical corporate management?	V		(I) Here at the Company, the "Operating Procedures and Behavioral Directions of Best-Practice Principles on Good Faith Management" were officially resolved by the Board of Directors on December 30, 2014 the latest amendment of which was resolved by the Board of Directors on August 11, 2020 in response to laws and ordinances concerned. The Operating Procedures and Behavioral Directions expressly require that the Company's Board of Directors and Management shall faithfully implement thoroughly the Best-Practice Policy and shall put them into enforcement in the internal management and external commercial activities. The Company expressly emphasizes the Best-Practice Policy through its website and Annual Report to keep all suppliers, customers and other institutions and personnel linked up with the Company's business well informed of the Company's Best-Practice Philosophy and to regulate the entire staff of the Company with sound key points for attention upon their performance of duties. When signing external contracts, the company and its subsidiaries shall observe the principle of honesty and mutual benefit to negotiate reasonable contract contents, and actively fulfill the contractual commitments.	
(II) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?"	V		(II) Here at the Company, the special unit in charge of good faith management policy, exactly in accordance with Article 5 of "Best-Practice Principles on Good Faith Management" enacted by the Company, has established a regular analysis and evaluation of the risk of dishonest behavior within the business scope and accordingly formulated a plan to prevent potential dishonesty and has further stipulated standard operating procedures and behavior guidelines for work operations in each plan. The operating procedures expressly prohibit offering and accepting bribes, offering and accepting of unjust benefits, offering of and commitment to payment to swing a business deal, providing illegal political contributions, engaging in unfair competition, improper charitable donations or sponsorships, disclosure of business secrets and damage to interested parties (stakeholders). The Company has further enacted "Internal major information processing and management procedures for preventing insider trading," "Employee Work Conduct Code" and "Ethical Code of Conduct" to regulate the behavior of directors and employees. The Company has taken preventive measures and	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			organized relevant educational and training programs so that they fully understand the importance of good faith behavior. The concrete specifications have been included in the aforementioned regulations as well as the penalties for violations of the procedures and codes as the very grounds for implementation.	
(III) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?	V		(III) The Company has set up "Internal major information processing and management procedures for preventing insider trading," "Employee Work Code of Conducts," "Integrity Management Operation Procedures and Behavior Guidelines" and "Reports On Cases of Illegal And Unethical or Dishonest Behavior" to expressly guide over honest behavioral operating procedures, and procedures to report violations, grievance systems and penalties as the very grounds for implementing honest management and reporting any illegal actions or violations of the Code of Ethical Conducts or Integrity Management Code. In the promotion and implementation of the good faith management policy, in the pre-employment training of newly hired employees, the courses have been arranged to underline the Company's integrity management philosophy, professional ethics and introduce the "integrity management operating procedures and behavioral guidelines," the rules and regulations which should be complied with throughout the Company's business operations. The dedicated department regularly reports the implementation of the integrity management policy to the board of directors and, on a regular basis, reviews and updates the operating procedures. Also through the audit mechanism of the internal audit unit, those dedicated personnel would put forth maximum possible efforts to prevent business activities involving dishonest behavior, including offering and accepting bribes, providing illegal political contributions and other malpractices.	
II. Proper enforcement of business integrity				
(I) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?	V		(I) The company has established a client evaluation mechanism, engaged in fair business activities, and fulfilled and complied with the contracts in a transparent manner in order to provide fair and reasonable results to each customer and vendor.	None
(II) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the	V		(II) In an attempt to assure sound integrity management, here at the Company, our General Manager Office has coordinated with the Human Resources Department and Department of Finance and such departments concerned to implement the enactment of “Procedures for Ethical Management and Guidelines for Conduct” for which the General Manager Office and the Human Resources Department have assumed the responsibility for enforcement and reported the outcome of enforcement to the board	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
implementation of supervision?			of directors on a regular basis every year and further helped the board of directors evaluate whether or not the preventive measures toward the integrity management have been put into efficient implementation. Per reports submitted to the board of directors (the 11th meeting of Session 22) on December 21, 2023, the Company proved that throughout Year 2023, there had not been any staff member in contravention of the integrity management policy. In addition to the efforts to proclaim "integrity and faithfulness" as the very core value to all colleagues of the Company, the Company further announces the key issues as key points for attention in the educational and training programs oriented to newly hired employees. The entire staff of the Company are readily accessible to all management levels and Human Resources Department via multiple channels (including notably the Company's website, internal e-mail and the like) for immediate communications. Meanwhile, the Company provides sound channels through its website toward potential whistleblowers or informants to report on any malpractices. The Company will, in response, handling the cases according to the rules and regulations and keeping the status of whistleblowers or informants reporting malpractice and contents of reports in strict confidence.	
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		(III) The "Rule and Procedure of the Board of Directors" formulated by the company has clearly defined the recusal principle so any Board of Directors with any conflicts of interests can recuse himself/herself from participating or voting in the meeting. The company has also clearly defined the conflicts of interests prevention policy in the "Code of Conduct for Employee Work Practices." Employees can use the employee suggestion box and the company website to reflect their opinions. The company has also established a spokesperson system externally, which is in charge of external communications.	
(IV) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the	V		(IV) To assure a faithful environment of the good faith management policy, the Company has duly set up sound and efficient accounting and internal control systems. The Audit Office, meanwhile, duly audits the compliance with the aforementioned requirements based on the annual audit plans. Moreover, the Company has faithfully complied with the provisions set forth under the “Company Act” and “Securities and Exchange Act.” The retained certified public accountants would audit and authenticate the relevant accounting books.	

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
check? (V) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(V) In order to implement good faith management, the Company has included the “Code of Employee Conduct at Work” and the “Operating Procedures for Good Faith Management and Code of Conduct” in the pre-service education training courses for incoming personnel. The corporate culture of emphasis for integrity has also been advocated to incoming employees. As of December 31, 2023, 11 training sessions have been conducted, with 26 participants and 78 hours in total. The contents include: “Operating Procedures for Good Faith Management and Code of Conduct” and related precautions. In order to implement the value of integrity, corporate sustainable development, the Department of Quality Assurance, the Research Institute, and related departments received education training on cGMP (Current Good Manufacturing Practice) related courses, with 5,938 participants and 6,267 hours in total. Moreover, the "Procedures for Ethical Management and Guidelines for Conduct" and other related measures have been placed onto the Company's internal network platforms and Company website readily accessible to employees and external personnel all the time. The Company promotes toward all colleagues with education through the internal network platforms to reach the goals of law compliance. Toward external business counterparties, we would try hard to publicize integrity management specifications before execution of a contract.	
III. The operations of the Company’s Report System (I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (II) Has the Company established the standard operation procedures for the investigation of complaints as reported, follow-up actions after the investigation, and related mechanisms for confidentiality?	V V		(I) The company has established a reporting and complaint channel in the "Procedure for Handling the Illegal, Unethical, or Dishonest Conduct Complaints" and established a dedicated unit to take charge of the relevant matters. All business integrity violation related matters shall be handled according to the relevant regulations. (II) The Company has duly stipulated "Handling Rules for Cases of Reporting Illegal and Unethical or Dishonest Conduct," established internal and external reporting channels and handling systems for the entire Company and has duly archived records of the acceptance, investigation process and results of the reported cases. The Company keeps the identities of the whistleblowers or informants reporting malpractice and the content of the reports in strict confidentiality. Where a reported malpractice is verified as being against the Company's good faith management policy or laws and ordinances concerned, the offender in the reported malpractice shall be requested to discontinue the malpractice forthwith and shall be penalized as	None

Assessment items	Actual governance			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			appropriate. As necessary, the Company could claim on such offender for compensation through statutory procedures to firmly safeguard the Company's goodwill and interests. Where an accused malpractice is verified through investigation, the relevant unit(s) of the Company shall be requested to assess the case and work out countermeasures so as to eradicate a same or similar malpractice from reoccurrence. The Company's dedicated unit shall report to the Board of Directors about the facts of the informant report, manner of settlement and the subsequent reassessment and corrective action.	
(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		(III) The company has established the "Procedure for Handling the Illegal, Unethical, or Dishonest Conduct Complaints" and established internal and external reporting channels and processing system. The company is also committed to protect the whistle-blowers from unreasonable treatment for filing a complaint.	
IV. Enhanced information disclosure Has the company disclose the contents of the integrity management rules and its implementation effectiveness on its website and the Market Observation Post System?	V		The Company has promulgated into its own website, Market Observation Post System (MOPS) the "Integrity Management Operation Procedures and Behavioral Guide" and relevant messages. Honesty and integrity represent the Company’s key core values and corporate philosophy. All employees of the entire Company shall abide by the definite moral standards and character ethics and make the utmost efforts to take into account the rights and interests of all related parties toward manufacturers, customers, employees, shareholders and the entire society.	None
V. Where the Company has faithfully enacted its own good faith management policy in accordance with the “Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies,” please elaborate on the differential gap between its hands-on operation and the requirements under the Principles: Exactly in accordance with the “Best-Practice Principles on Good Faith Management for TSEC/GTSM Listed Companies,” the Company has duly enacted its own “Integrity Management Operation Procedures and Behavioral Guide” and has faithfully operated the business exactly in accordance with the said Operating Procedures and Guides. The hands-on implementation by the Company proves to be very satisfactory to the Operating Procedures and Guides enacted by the Company itself.				
VI. Additional important information that may assist in the understanding of corporate business integrity operations: The company has fulfilled its obligations of legal compliance to the public sectors, good faith transactions to the customers and suppliers, and business integrity to the shareholders under the principle of honesty, transparency, and responsibility. The company has also prevented the directors, managers, and employees from acts that violate the business integrity so as to avoid reputation damages or legal liabilities caused by dishonest behaviors.				

(VIII) Inquiry method for the Code of Corporate Governance and relevant provisions: The corporate governance related chapters are disclosed in the company website - Investor area (http://www.ccsb.com.tw).

(IX) Other important information that can enhance the understanding of the corporate governance operation status:

2023 Director training status:

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang Hsieh, I-Che	2023.11.07	Corporate Governance Association in Taiwan	The Impact of Global Minimum Tax on Taiwan-Funded Enterprises and the Response Strategies	3
		2023.12.21	Corporate Governance Association in Taiwan	ESG-Related Regulatory Issues That the Board Should Consider	3
Director	China Chemical & Pharmaceutical Co., Ltd. Representative: Wang, Hou-Kai	2023.11.07	Corporate Governance Association in Taiwan	The Impact of Global Minimum Tax on Taiwan-Funded Enterprises and the Response Strategies	3
		2023.12.21	Corporate Governance Association in Taiwan	ESG-Related Regulatory Issues That the Board Should Consider	3
Director	The Mr. Wang Min-ning Memorial Foundation representative: Huang, Chung-hsin	2023.11.07	Corporate Governance Association in Taiwan	The Impact of Global Minimum Tax on Taiwan-Funded Enterprises and the Response Strategies	3
		2023.12.21	Corporate Governance Association in Taiwan	ESG-Related Regulatory Issues That the Board Should Consider	3
Director	Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	2023.12.12	Institute of Internal Auditors – Taiwan	Interpretation of financial analysis indicators and business risk prevention	6
Independent Director	Wang, Kuo-Chiang	2023.04.13	Taiwan Academy of Banking and Finance (TABF)	Forum of corporate governance	3
		2023.09.27	Taiwan Investor Relations Institute	Empower the board of directors to become a key force in leading sustainable governance	3
		2023.11.07	Corporate Governance	The Impact of Global Minimum Tax on	3

Title	Name	Training date	Organizer	Course name	Training hours
			Association in Taiwan	Taiwan-Funded Enterprises and the Response Strategies	
		2023.12.21	Corporate Governance Association in Taiwan	ESG-Related Regulatory Issues That the Board Should Consider	3
Independent Director	Chang, Chih-Hsien	2023.11.07	Corporate Governance Association in Taiwan	The Impact of Global Minimum Tax on Taiwan-Funded Enterprises and the Response Strategies	3
		2023.12.21	Corporate Governance Association in Taiwan	ESG-Related Regulatory Issues That the Board Should Consider	3
Independent Director	Kuan, Hsin	2023.11.16	Taiwan Project Management Association (TPMA)	Board of Directors vs. management team	3
		2023.11.21	Taiwan Project Management Association (TPMA)	Operation and evaluation of corporate governance performance management system	3

(X) Internal Control System Implementation Status:

1. Declaration of internal control:

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Declaration of Internal Control Policies

Date: March 11, 2024

The following declaration is based on the 2023 self-audit over the Company's internal control policies:

I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.

II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. Regarding the internal control system criteria in the "Regulations," the internal control system is divided into five composing elements in accordance with the management and control process: 1. environment control, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervise operation. Each element further contains several items. Please refer to "The Governing Principles" for details.

IV. The Company has adopted the internal control system criteria in the preceding paragraph to assess the effectiveness of the internal control system design and implementation.

V. Based on the results of the previous evaluation, the company considers its internal control system (including the supervision and management of its subsidiaries) on December 31, 2022 as effective and can reasonably ensure the achievement of the goals mentioned above. They include the company's understanding of the operation effectiveness and the extent to which the efficiency goals have been achieved as well as the validity, timeliness, transparency, and relevance to the relevant laws, regulations, and rules as intended by the design and implementation of the internal system.

VI. The "Internal Control System Declaration" will be the main content of the Company' annual report and prospectus for the reference of the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. This declaration was approved by the Board of Directors meeting on March 11, 2024 without objection where seven directors attended the meeting. It is hereby declared that all of the directors have agreed to the contents of the declaration.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Signature and Seal of Chairwoman Wang Hsieh, I-Che

Signature and Seal of President Wei, Ching-Peng

2. Internal control system review report commissioned to an CPA: None.

(XI) In the latest fiscal year and as of the publication date of the annual report, the Company and internal personnel had been punished according to law or the Company had imposed penalties on internal personnel for violation of the internal control system where the results of the penalties may have a significant impact on the rights and interests of shareholders or the price of securities. For that, the Company should explain the content of the punishment, the main defects and corrective action:

Subject Receiving Punishment	Disposal Method	Main Defects	Rectification
Company	A fine of NTD 30,000 was imposed	The issue in violation of Paragraph 14, Article 116 of Occupational Safety and Health Regulations and Paragraph 1, Article 6 of Occupational Safety and Health Act: Regarding vehicles and machines to be operated at the labor workplaces, the employer shall require the drivers or relevant personnel to assume the responsibility for implementation. Regarding seat-equipped and counterbalance forklifts and side-lift forklifts, the employer shall assure that the driving labor to use driver seat belt.	The Company has satisfactorily completed the required corrective action as required by Labor Inspection Division of New Taipei City and has further satisfactorily completed the relevant educational & training programs.
Company	A fine of NTD 60,000 was imposed	Violation of Paragraph 1, Article 77 of the Building Act: The owner and user of a building shall maintain the legal use of the building and the safety of its structure and equipment; fire doors on floors shall meet the requirements of self-closing.	Repairs have been completed in accordance with the requirements of the Public Works Department, New Taipei City Government, and the condition of each fire door is regularly checked.
Company	A fine of NTD 30,000 was imposed	Violation of Paragraph 1, Article 6 of the Occupational Safety and Health Act: The employer shall have the necessary safety and health equipment and measures for the following matters; the part of the lathe protruding from the rotating work shall be provided with a protective device to prevent personnel from rolling injury.	The corrective action has been satisfactorily completed in response to the request by the Labor Inspection Administration of New Taipei City.

(XII) Important Resolution of the Board of Directors as of the Publication Date of the Annual Report:

1. Important resolution of the 2023 Board of Directors meeting

Year	Date	Important Resolution Items	Resolution and Implementation Status
Shareholders' meeting 2023	2023.05.30	1. Recognized the 2022 Business Report Final Accounts 2. Recognized the 2022 Earnings Distribution.	1. Passed without objection. 2. Passed the resolution for the shareholders' cash dividend of NTD 100,828,000 (NTD 1.3 per share), set July 30, 2023 as the dividend benchmark date, and distribution was completed on August 18, 2023.

		3. Passed the partial amendments to the “Regulations Governing Procedure for shareholders’ Meetings”.	3. The Company has promulgated through the Company's website and, accordingly, duly handled in accordance with the post-amendment “Rules of Procedure for Shareholders Meetings”
		4. The handling of the “private placement and issue of common stocks or the issue of convertible bonds (including convertible bonds with or without collateral)” case was approved.	4. Not yet issued substantially. As resolved by the Board of Directors on March 11, 2024, the Company shall not continually carry out private placement for negotiable securities within the remaining duration.

2. Important Resolution of the Board of Directors for 2023 and as of the Publication Date of the Annual Report

Year	Date	Important Resolution Items
1st Board of Directors Meeting in 2023	2023.03.07	1. Duly resolved: Discussion on the remuneration to employees in 2022. 2. Duly resolved: The motion on remuneration to directors in 2022. 3. Duly resolved: Motion on the method to grant remunerations to employees and directors in 2022. 4. Duly resolved: The Business Report and Final Account Statements of 2022. 5. Approved the 2022 earnings distribution 6. Passed the 2023 Business Plan Case. 7. Duly resolved: The evaluation of the certified public accountants in independence and the appointments thereof. 8. Duly resolved: Approval in advance the non-confirmation services to be rendered by the CPA firm and its affiliated enterprise(s) to the Company and subsidiaries thereof. 9. Passed the partial amendments to the “Regulations Governing Procedure for shareholders’ Meetings”. 10. Duly resolved: The update of the proceedings of private placement negotiable securities. 11. The handling of the “private placement and issue of common stocks or the issue of convertible bonds (including convertible bonds with or without collateral)” case was approved. 12. Passed the Formulation of the Company's 2023 Shareholders Meeting Date, Location, Method and Share Transfer Cessation Date Case. 13. Passed the motion for the Company’s “2022 Declaration of Internal Control System” 14. Duly resolved: Procurement of equipment 15. Passed the amendment proposal of some of the provisions of the Company’s “Sustainable Development Best Practice Principle”. 16. Passed the Bank Quota Renewal and Loan Increase Case.
2nd Board of Directors Meeting in 2023	2023.05.09	1. Passed the consolidated financial statements of the 2023 Q1. 2. Approved the amendment to provisions of the “Operating Procedures in Management of Major Internal Information and Prevention of Insider Trading” and the internal control system of “Management to Prevent Insider Trading.” 3. Approved the application to banks for adding and renewal of line of credit.
3rd Board of Directors Meeting in 2023	2023.06.27	Passed the Internet Payment Benchmark Date and Cash Dividend Distribution Date Settings.

Year	Date	Important Resolution Items
4th Board of Directors Meeting in 2023	2023.08.08	1. Passed the consolidated financial statements of the 2023 Q2. 2. Duly resolved: Procurement of equipment 3. Approved the general salary adjustment of the Chairman and the President. 4. Approved the reappointment and remuneration of former senior consultant. 5. Passed the Bank Quota Renewal Case.
5th Board of Directors Meeting in 2023	2023.11.07	1. Passed the consolidated financial statements of the 2023 Q3. 2. Passed the 2024 Audit Plan Case. 3. The donation to the Wang Ming-Ning Memorial Foundation case was approved. 4. Approved the establishment of the "Procedures for the Preparation and Verification of Sustainability Report". 5. Duly resolved: Procurement of equipment. 6. Passed the Bank Quota Renewal Case.
6th Board of Directors Meeting in 2023	2023.12.21	1. Passed the Regular Review for the Director and Manager Remuneration Methods and Payment Standards. 2. Duly resolved: The plan to grant performance evaluation incentives for 2023.
1st Board of Directors Meeting in 2024	2024.03.11	1. Duly resolved for the amendment to: “Regulations Governing Salaries &Remunerations for the Directors and Functional Committee Members”, with partial amendment to the contents. 2. Passed the 2023 Management Personnel Remuneration Discussion Case. 3. Duly resolved: The motion on remuneration to directors in 2023. 4. Duly resolved: Motion on the method to grant remunerations to employees and directors in 2023. 5. Duly resolved: The Business Report and Final Account Statements of 2023. 6. Approved the 2023 earnings distribution. 7. Passed the 2024 Business Plan Case. 8. Duly resolved: The evaluation of the certified public accountants in independence and the appointments thereof. 9. Duly resolved: Approval in advance the non-confirmation services to be rendered by the CPA firm and its affiliated enterprise(s) to the Company and subsidiaries thereof. 10. Passed the partial amendments to the “Articles of Incorporation”. 11. Duly resolved: The update of the proceedings of private placement negotiable securities. 12. The handling of the “private placement and issue of common stocks or the issue of convertible bonds (including convertible bonds with or without collateral)” case was approved. 13. Passed the Formulation of the Company's 2024 Shareholders Meeting Date, Location, Method and Share Transfer Cessation Date Case. 14. Passed the motion for the Company’s “2023 Declaration of Internal Control System” 15. Passed the Bank Quota Renewal and Loan Increase Case.

(XIII) In the most recent year and as of the publication of the annual report, did a director have different opinions regarding to an import resolution passed by the Board of Directors that was recorded or written down: None.

(XIV) Summary of resignation by company chairman, President, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, or R&D director in the most recent year and as of the publication of the annual report:

V. Disclosure of CPAs' remuneration:

(I) The amounts of audit fees and non-audit fees paid to the CPA, the CPA affiliated firms, and the conglomerate and the non-audit service contents:

Unit: NTD thousand

Auditor's firm	Name of CPA	CPA auditing period	Audit remuneration	Non-audit remuneration	Total	Remarks
PwC Taiwan	Lin, Po-Chuan Lin, Jun-Yao	2023.01.01-2023.12.31	2,509	414	2,923	Service content of non-audit fee Taxation certification
PwC Taiwan	-	-	0	337	337	Transfer Pricing Report
PwC Taiwan	-	-	0	800	800	Sustainability report consultation service
PwC Taiwan	-	-	0	250	250	Sustainability Report Assurance

(II) Accounting Firm Replacement whereby the Audit Fee of the Year was Reduced Compared to Audit Fee of the Previous Year: None.

(III) Audit Fee that Has Reduced by Over 10% Compared to the Previous Year: None.

VI. Change of CPA: None.

VII. Has there been any Company Chairperson, President, or Managerial Officer in Charge of Finance or Accounting Matters who was Previous Employed by the CPA's Firm or its Affiliates within the Last Year: None.

VIII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, managers and shareholders with more than 10% ownership interest:

(I) Director, Manager, and Major Shareholder Changes

Unit: shares

Title	Name	2023		As of April 21, 2024	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman, major shareholders	China Chemical & Pharmaceutical Co., Ltd.	0	0	0	0
	China Chemical & Pharmaceutical Co., Ltd. representative: Wang Hsieh, I-Che	0	0	0	0
	China Chemical & Pharmaceutical Co., Ltd. representative: Wang, Hou-Kai	(758)	0	0	0
Director	Wang Ming-Ning Memorial Foundation	0	0	0	0
	Wang Ming-Ning Memorial Foundation representative: Wang, Hou-Jie	0	0	0	0
	Wang Ming-Ning Memorial Foundation representative: Huang, Chung-hsin	(11,638)	0	0	0
Independent Director	Wang, Kuo-Chiang	0	0	0	0
Independent Director	Chang, Chih-Hsien	0	0	0	0
Independent Director	Kuan, Hsin	0	0	0	0
President and Vice President of R&D Department	Wei, Ching-Peng	(45,000)	0	0	0
Vice President of Manufacturing Division	Tseng, Kuo-Hsien	(2,000)	0	0	0
Vice President of Business Department	Chen, Ying-Chi	0	0	0	0
Assistant President of Biotechnology Institution	Mai, Jin-Cheng	(6,000)	0	0	0
Assistant Vice President of Quality Assurance Department	Wang, Wen-Bing	(4,000)	0	0	0
Chief Auditor	Hung, Chao-Sheng	(16,000)	0	0	0
Associate manager of General Manager's Office	Lin, Chien-Wen	0	0	0	0
Manager of Finance Department and Head of Corporate Governance	Wang, Kuan-Chieh	0	0	0	0

(II) Information on the transfer of equity interests by a director, manager, or shareholders holding over 10% of the shares to an affiliate: None.

(III) Information on the pledge of equity interests by a director, manager, or shareholders holding over 10% of the shares to an affiliate: None.

IX Information shareholders holding over 10% of the shares who are related to each other or are spouses or second degree relatives:

April 1, 2024

Name	Own shareholdings		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Title and name of shareholders holding over 10% of the shares who are related to each other or are spouses or second degree relatives.		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name	Relation	
China Chemical & Pharmaceutical Co., Ltd.	21,575,064	27.82%	—	—	—	—	—	—	
China Chemical & Pharmaceutical Co., Ltd. Representative: Wang Hsieh, I-Che	347	0%	2,456,179	3.17%	320,000	0.41%	Wang, Hsun-Sheng Hsieh, Chun-Ju	Spouse Sister	
Wang, Hsun-Sheng	2,456,179	3.17%	347	0%	—	—	Wang Hsieh, I-Che Hsieh, Chun-Ju	Spouse Relatives of second degree	
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%	—	—	—	—	—	—	
Wang Ming-Ning Memorial Foundation representative: Hsieh, Chun-Ju	—	—	—	—	—	—	Wang Hsieh, I-Che Hsun-Sheng Wang	Sister Relatives of second degree	
Wang, Hou-Jie	1,006,600	1.30%	—	—	—	—	Wang, Hou-Che	Relatives of second degree	
Wang, Xun-Wei	1,003,066	1.29%	—	—	—	—	—	—	
Lin, Kuei-Mei	990,000	1.28%	—	—	—	—	—	—	
Hsieh, Chia-Ying	884,000	1.14%							
Ko, Ching-Hui	851,000	1.10%							
Wang, Hou-Che	739,758	0.95%	—	—	—	—	Wang, Hou-Jie	Relatives of second degree	
Yuanta Commercial Bank entrusted with the custody of CCSB employee trust account	602,266	0.78%							

X. Investments jointly held by The Company, The Company's directors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties:

Unit: share; December 31, 2023

Reinvestment businesses (Note)	Invested by The Company		Directors, Managers, and the Directly or Indirectly Controlled Business Investments		Aggregate investment	
	Quantity	Shareholding percentage	Quantity	Shareholding percentage	Quantity	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	42,053,137	14.11%	10,432,912	3.50%	52,486,049	17.61%
PHARMAPORTS, LLC	—	100.00%	—	—	—	100.00%

Note: Must be long-term investments according to the equity method adopted by the company.

Four. Funding Status

I. Capital and Shares:

(1) Sources of Capital Share:

1. Capital Share Formation Process:

April 1, 2024; Unit: NTD; share

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks		
		Quantity	Amount	Quantity	Amount	Source of capital	Paid in properties other than cash	Others
1991.11 (Note 1)	10	50,000,000	500,000,000	44,500,000	445,000,000	Surplus to capital increase: NTD45,000,000 Cash capital increased: NTD100,000,000 Total NTD145,000,000	None	—
1997.10 (Note 2)	15	80,000,000	800,000,000	70,000,000	700,000,000	Cash capital increased: NTD255,000,000	None	—
1999.12 (Note 3)	10	120,000,000	1,200,000,000	92,000,000	920,000,000	Cash capital increased: NTD220,000,000	None	—
2003.09 (Note 4)	10	120,000,000	1,200,000,000	40,200,000	402,000,000	Capital reduction NTD518,000,000	None	—
2003.09 (Note 4)	10	120,000,000	1,200,000,000	65,200,000	652,000,000	Cash capital increased: NTD250,000,000	None	—
2009.08 (Note 5)	10	120,000,000	1,200,000,000	70,200,000	702,000,000	Cash capital increased: NTD50,000,000	None	—
2011.01 (Note 6)	10	120,000,000	1,200,000,000	77,560,000	775,600,000	Cash capital increased: NTD73,600,000	None	—
2015.07 (Note 7)	10	160,000,000	1,600,000,000	77,560,000	775,600,000	-	None	—

Note 1: Approved by letter No. (1991)TCZ(1)02602 issued by the Ministry of Finance Securities and Futures Commission on September 12, 1991.

Note 2: Approved by letter No. (1997)TCZ(1)70406 issued by the Ministry of Finance Securities and Futures Commission on September 18, 1997.

Note 3: Approved by letter No. (1999)TCZ(1)107856 issued by the Ministry of Finance Securities and Futures Commission on December 17, 1999.

Note 4: Approved by letter No. (2003)TCZ(1)136955 issued by the Ministry of Finance Securities and Futures Commission on August 15, 2003.

Note 5: Approved by letter JG1Z No. 0980023798 issued by the Executive Yuan Financial Supervisory Commission on May 21, 2009.

Note 6: Approved by letter JG1Z No. 0990059478 issued by the Executive Yuan Financial Supervisory Commission on November 1, 2010.

Not 7: Approved by the Department of Commerce, MOEA under Notice Jing-Shou-Shang -Zi No. 10401135540 dated July 21, 2015.

2. Type of Shares: April 1, 2024, Unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common shares	77,560,000	82,440,000	160,000,000	Listed stocks

(II) Shareholder Structure:

April 1, 2024; Unit: Shares

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of People	2	1	227	37,371	68	37,669
Number of shares held	26,030	120,000	25,162,287	50,465,276	1,786,407	77,560,000
Shareholding percentage	0.03%	0.15%	32.45%	65.07%	2.30%	100%

(III) Status of Share Dispersion:

1. Regular Shares

Face value per share: NTD10 April 1, 2024 per unit: share

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	29,986	838,188	1.08%
1,000 to 5,000	6,217	12,056,611	15.54%
5,001 to 10,000	741	5,880,280	7.58%
10,001 to 15,000	241	3,141,562	4.05%
15,001 to 20,000	143	2,656,461	3.43%
20,001 to 30,000	120	3,056,864	3.94%
30,001 to 40,000	60	2,144,763	2.77%
40,001 to 50,000	39	1,790,130	2.31%
50,001 to 100,000	62	4,459,460	5.75%
100,001 to 200,000	38	5,420,992	6.99%
200,001 to 400,000	8	2,296,169	2.96%
400,001 to 600,000	4	2,018,605	2.60%
600,001 to 800,000	2	1,342,024	1.73%
800,001 to 1,000,000	3	2,725,000	3.51%
1,000,001 and above	5	27,732,891	35.76%
Total	37,669	77,560,000	100%

2. Special Shares: None.

(IV) Main shareholders list: (shareholders with the shareholding ratio of over 5% or shareholders with the top 10 shareholding ratio)

April 1, 2024; Unit: Shares

Name of main shareholder \ Shares of Stock	Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	21,575,064	27.82%
Wang, Hsun-Sheng	2,456,179	3.17%
Wang Ming-Ning Memorial Foundation	1,691,982	2.18%
Wang, Hou-Jie	1,006,600	1.30%
Wang, Xun-Wei	1,003,066	1.29%
Lin, Kuei-Mei	990,000	1.28%
Hsieh, Chia-Ying	884,000	1.14%
Ko, Ching-Hui	851,000	1.10%
Wang, Hou-Che	739,758	0.95%
Yuanta Commercial Bank entrusted with the custody of CCSB employee trust account	602,266	0.78%

(V) The price, net value, earnings, dividends, and other information per each share for the last two years:

Unit: NTD; Thousand Shares

Item \ Year			2022	2023	The current year as of March 31, 2024 (Note 4)
Market price per share	Highest		70.50	102.50	58.20
	Lowest		49.40	52.50	47.80
	Average		57.97	70.97	51.26
Net worth per share	Before dividend distribution		41.17	43.20	–
	After dividend distribution		39.87	42.40 (Note 5)	–
Earnings per share	Weighted average outstanding shares (Thousand Shares)		77,560	77,560	–
	Earnings per share		6.01	3.42	–
Dividends per share	Cash dividend		1.3	0.8 (Note 5)	–
	Stock dividends	From earnings	–	–	–
		From capital reserves	–	–	–
	Retained Dividends		–	–	–
Analysis of investment returns	P/E ratio (Note 1)		9.65	20.75	–
	Price to dividends ratio (Note 2)		44.59	88.71 (Note 5)	–
	Cash dividend yield (Note 3)		2.24%	1.13% (Note 5)	–

Note 1: P/E ratio = Average closing price per share for the year / earnings per share.

Note 2: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 3: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

Note 4: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Note 5: The 2023 earnings distribution case was approved by the board of directors on March 11, 2024 The case is pending resolution at the 2024 shareholders meeting.

(VI) Company's dividend policy and execution status:

1. Dividend policy:

   According to the Articles of Association of the Company, the dividend policy of the company must take the company's future capital requirements into consideration and the long-term financial planning must meet the needs of shareholders for cash inflows. If there is a surplus in the annual final accounts, tax should be paid first to make up for losses in previous years, and then 10% shall be set aside for statutory surplus reserve. If there is still surplus after setting aside the statutory surplus reserve, the surplus available for distribution shall include the accumulated undistributed earnings from the previous year. However, part of it shall be retained depending on the business conditions, and the rest shall be distributed as dividends to shareholders. The cash dividends shall not be less than 50% of the shareholders dividends, but stock dividends shall be issued instead if the cash dividend is less than NTD0.1 per share.

2. Dividend distribution proposed by this shareholders meeting:

   The 2023 earnings distribution of the company has passed the Board of Directors resolution on March 11, 2024 and is still subject to resolution by the shareholders' meeting. The cash dividend of NTD0.8 per share is proposed, and the cash dividend issuance of NTD62,048,000 is anticipated.

(VII) The effects that the stock grant proposed by the shareholders' meeting have on the company's business performance and earning per share:
Not applicable because the company's 2024 shareholders meeting did not propose any stock grant.

(VIII) Remuneration to employees and directors:

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

   According to the Articles of Association for the company, if the company has earned annual profits, it shall allocate 1% to 15% as employee remuneration and no more than 3% for director renumeration. However, in case of the accumulated losses, certain profits shall first be reserved to cover them.

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

   The remunerations of the employees and directors are based on the profitability of the current year and the amount determined by the Articles of Association. They are recognized as the operating expenses for the current year. If there is a discrepancy between the actual distribution amount and the estimated amount, said discrepancy shall be treated as a change in the accounting estimates and be listed as a profit or loss for the following year.

3. Remuneration to be distributed as resolved in the board of directors:

   (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors:

The company's 2023 annual employee remunerations were estimated at NTD 23,449 thousand; and the director remunerations were NTD 4,221 thousand. The Board of Directors has passed a resolution on March 11, 2024 to allocate employee remunerations of NTD 23,449 thousand and the director remunerations of NTD 4,221 thousand; which is no different than the annual costs estimated. The employee and director remunerations mentioned above are all paid in cash.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: not applicable.

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

The company's 2022 annual employee remunerations were estimated at NTD 51,292 thousand; and the director remunerations were NTD 9,335 thousand. The Board of Directors has passed a resolution on March 7, 2023 to allocate employee remunerations of NTD 51,292 thousand and the director remunerations of NTD 9,335 thousand; which is no different than the annual costs estimated.

(IX) Buy-back of the Company's shares by the company: None.

II. Disclosure relating to corporate bonds: none.

III. Disclosure relating to preference shares: none.

IV. Disclosure relating to depository receipts: none.

V. Employee stock warrants: none.

VI. The new shares from restricted employee stock option: none.

VII. Disclosure on new shares issued for the acquisition or transfer of other shares: none.

VIII. Progress on the use of funds: none.

Five. Business performance

I. About Our Business

(I) Scope of business:

1. Core business:

According to the Company license, the scope of business includes:

(1) Manufacture of Drugs and Medicines

(2) Wholesale of Western Pharmaceutical

(3) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Proportions of overall business:

Biotechnological products: 37%; chemically synthesized products: 63%

3. Current products:

(1) Biotechnology products (Including development):
Caspofungin Acetate (CAS; antifungal medication),
Dalbavancin Hydrochloride (DA; Bacterial Skin Infection Drug),
Everolimus (EVE; immunosuppressant, anticancer drug),
Midostaurin (MID); the drug for treating acute myeloid leukemia. Mycophenolate Mofetil (MMF; immunosuppressive drug),
Mycophenolate Mofetil HCl (MMF-HCl; immunosuppressive drug),
Mycophenolate Sodium (MPA-NA; immunosuppressive drug),
Pneumocandin B0 (PNB0; antifungal intermediate),
Rapamycin (Sirolimus) (RAPA; immunosuppressant),
Tacrolimus (FK506; immunosuppressant),

(2) Biotechnology products (Including development):
Abaloparatide (ABA; osteoporosis medication)
Baricitinib (BA; rheumatoid arthritis medication),
Brivaracetam (BCT; antiepileptic drug),
Difelikefalin Acetate (DFK; Pruritus results from hemodialysis),
Edoxaban Tosylate Monohydrate (ETH; anticoagulant),
Eltrombopag Olamine (ELT; for thrombocytopenia),
Ethyl Icosapentate: (EPAE; Lower triglyceride),
Favipiravir (FVP; influenza antiviral medication).
Ozanimod HCl (OZH; medicine for multiple sclerosis),
Palbociclib (PB; breast cancer medication),
Plecanatide (PLE; chronic idiopathic constipation medication),
Ribociclib (RIB; breast cancer medication),
Sugammadex Sodium (SGM; anesthesia recovery medication),
Selumetinib Sulfate (SEL; for neurofibromatosis),
Setmelanotide Acetate (SET; genetic obesity drug),
Trandolapril (TDP; antihypertensive medication),
Trilaciclib Dihydrochloride (TRC; bone marrow protectant),
Tofacitinib Citrate (TOF; rheumatoid arthritis medication).

4. New products to be developed:

(1) New product development: The Company's main core business is to supply high-quality new APIs required by global development that challenges for patented new products and generic manufacturers whose patents are about to

expire or have expired. The Company, as well, uses the core advantages of chemical synthesis and microbial fermentation technology process development to continuously develop new products such as immune preparations, anti-cancer drugs, cardiovascular drugs and rheumatoid arthritis medication.

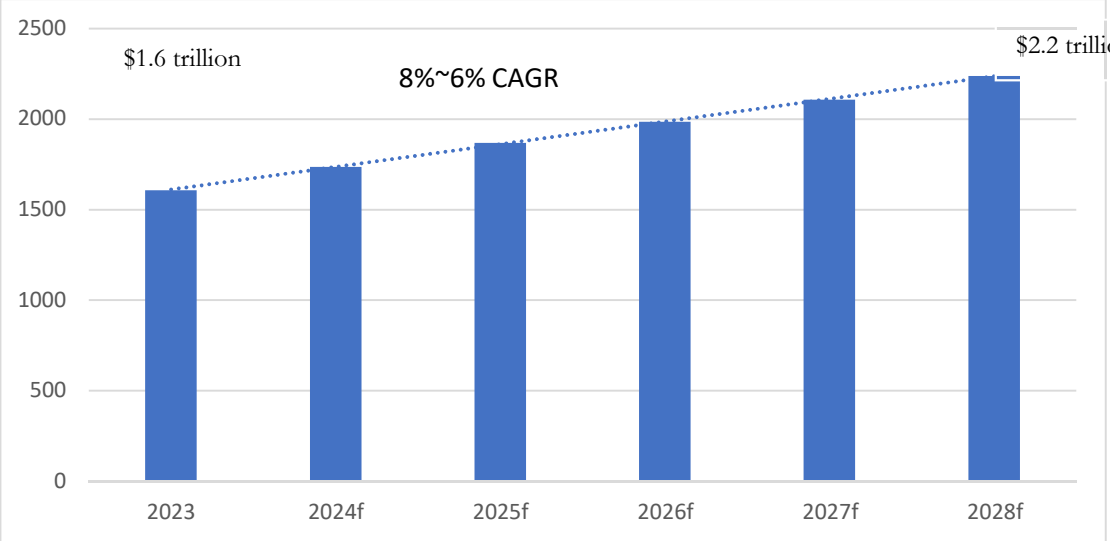
(2) Contract manufacturing business: The Company also provides research and development and contract manufacturing (CDMO/CMO) services to new drug developers and generic drug companies at home and abroad, striving to become the provider of active pharmaceutical ingredients to those new drug developers when they successfully launch their drugs.

(II) Industry overview:

1. Status and development of the industry:

Active pharmaceutical ingredients are the components that provide medical effects, and their production technology can be divided into extraction and purification, chemical synthesis and fermentation. Generally pharmaceuticals are divided into patented medicines of the original developers and generic pharmaceuticals. The up-to-date report revealed by the Global Market Research Institute IQVIA indicates: The market demand hit US$1.6 trillion in 2023. The global pharmaceutical market has been driven by entry of new pharmaceutical products into the market with continued increase in the usage. In the markets, the compound annual growth rate is up to 8–6% and the market scale is estimated to hit US$2.2 trillion by the year 2028.

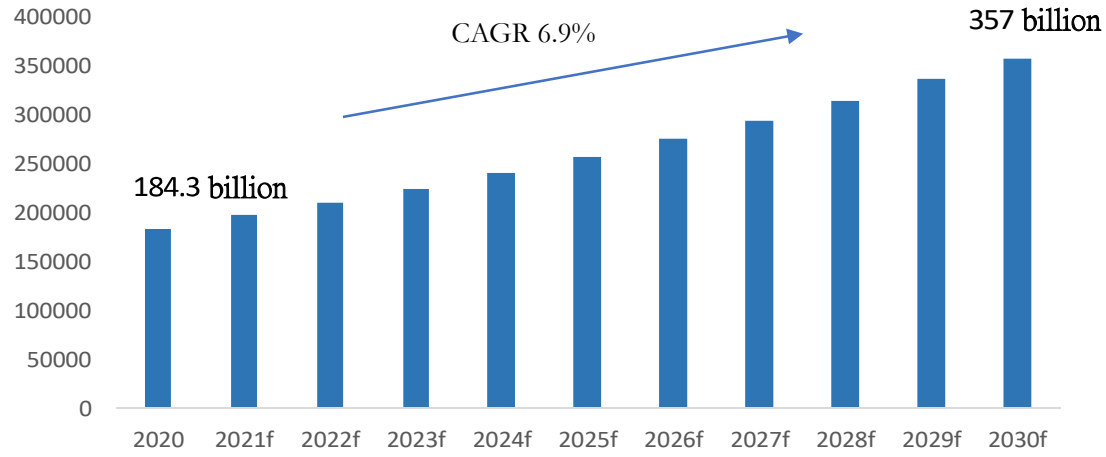
Changes in global pharmaceutical market size 2023-2028



Data source: IQVIA

According to the P&S Intelligence report, the increased life expectancy of the global population and the decline in mortality rates have led to an increase in the aging population, Moreover, elders with decline in immune system function require longer time for recovery and critical care monitoring. Furthermore, with chronic diseases and incidences of cancer on the rise, the demand for High Potency Active Pharmaceutical Ingredients (HPAPIs) has also increased. The API market size of US$184.3 billion in 2020 is expected to achieve 6.9% compound annual growth rate (CAGR). The market size is expected to reach US$357 billion by 2030.

2020-2030 (APIs market size)

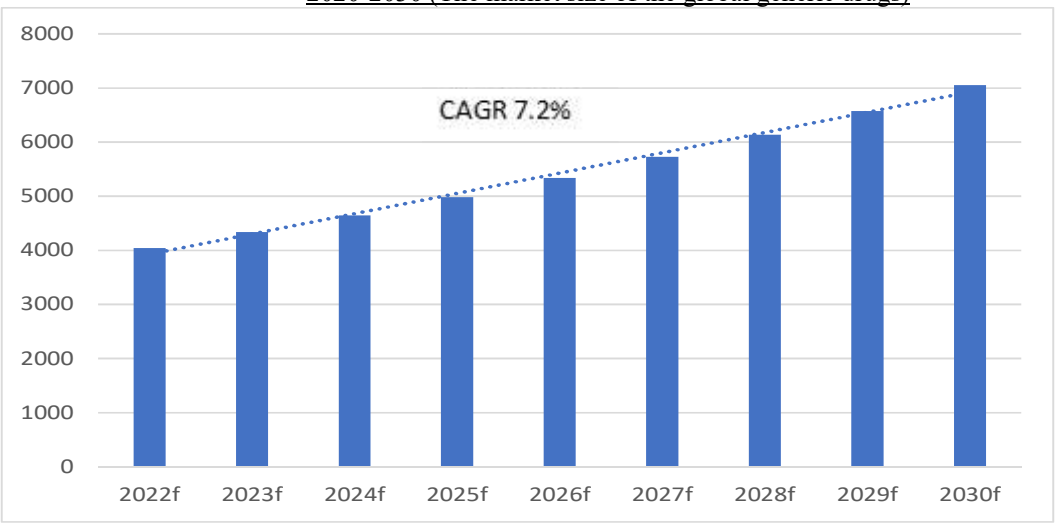


Data source: P&S Intelligence

Generic drugs are brand drug alternatives. The dosage forms and actions identical with the brand drugs are provided in order to adopt low-cost medical approaches for coping with the patent expiry of many brand drugs, an increase in chronic parents, and the incentive measures of governments around the world and other supervision agencies. These approaches will contribute to the generic drug market's annual growth.

According to the Precedence Research report, the global generic drug market would reach US$404.3 billion in 2022, with a compound annual growth rate (CAGR) of 7.2%. It is estimated that the market size will reach US$705.1 billion by 2030.

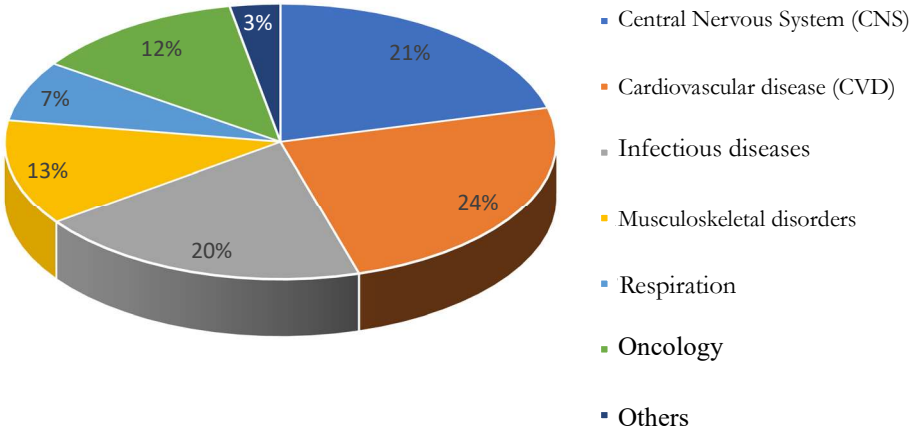
2020-2030 (The market size of the global generic drugs)



Data source: Precedence Research

Besides this, the highest percentage of generic pharmaceuticals in the entire world is 24% for cardiovascular diseases followed by central nervous system at 21%. As a result of the coronavirus pandemic (COVID-19), the percentage of communicable diseases accounts for 20%. Taking markets in the United States for instance, in 2021 only 679 generic pharmaceuticals were approved by the FDA, a total of 722 generic pharmaceuticals were approved by the FDA in 2022, and 782 items in 2023. The FDA points out through its report that sales of American generic pharmaceuticals virtually help reduce overall medical expenditures and help sound competition in the products as well. In turn, the sales would help cut medical treatment costs to facilitate more patients into use.

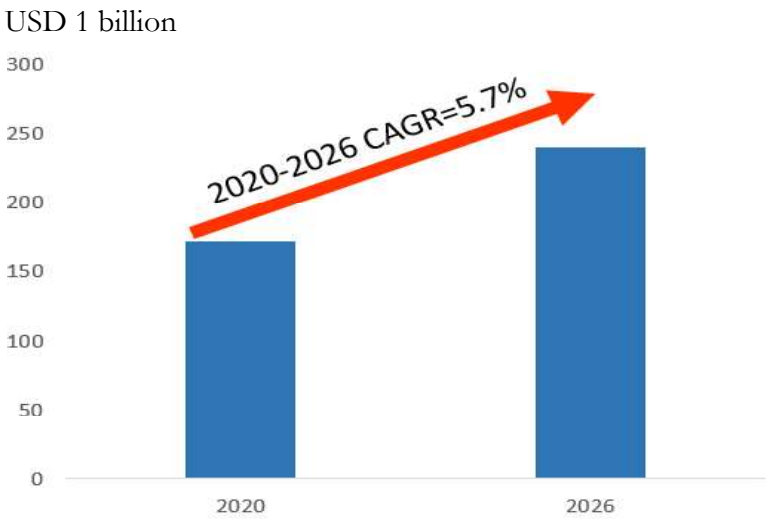
The ratio of global generic drug indications



Data source: Precedence Research

Based on the Renub Research report, it can be found that the US generic drug market will continue to achieve growth at 5.7% compound annual growth rate (CAGR). The market is expected to reach US$239.5 billion by 2026.

Changes in 2020-2026 U.S. generic drug market size



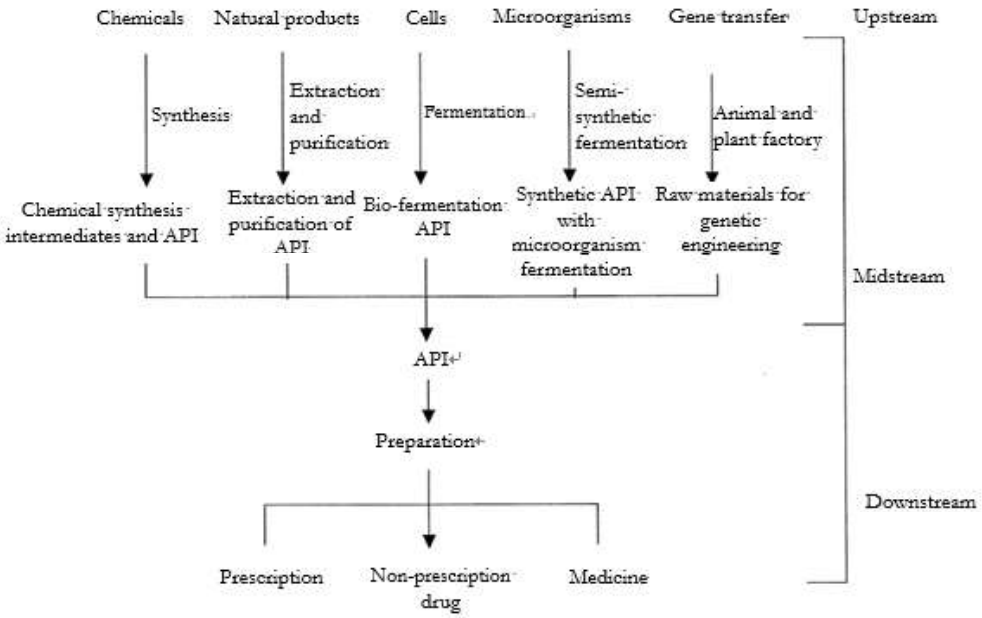
Data source: Renub Research

2. Relations between upstream, midstream and downstream of the industry:

There are more than 3,000 API manufacturers in the world, but only about 542 API manufacturers have the ability to meet the cGMP requirements of the US, Europe and Japan in terms of quality and regulations. According to the NEWPORT database, these 542 companies Most of the API manufacturers are located in the United States, Europe, Japan, China and India. The company's cGMP system has been officially inspected by the United States, Europe and Japan many times. We have been one of the major suppliers of high-tech companies in the United States, Europe and Japan, although we face low-cost competition in the market from Chinese and Indian API manufacturers. With the increasingly strict inspection of the US and EU pharmaceutical authorities and the increasingly stringent requirements for cGMP requirements, the quality requirements of APIs have established a new milestone. In the face of the increased threshold of pharmaceutical quality in advanced countries, the Company that places emphasis on cGMP sees opportunity. We are committed to enhancing product competitiveness, laying down roots in R&D technology, and developing APIs with market potential and a high technology threshold. In the fiercely competitive domestic and foreign environment, we strive to achieve breakthroughs and steady growth.

The Company is an API manufacturer in the midstream of the industry. Different drug characteristics require different manufacturing methods, which include biological fermentation, chemical synthesis and extraction and purification or a mixture of these processes. Based on product requirements, the Company purchases raw chemical materials or intermediates from upstream suppliers and manufactures APIs to be sold to downstream drugmakers who add in the related excipients to manufacture convenient dosage forms. As APIs possess curative effects, they directly impact the health and safety of medicine users. To ensure the effectiveness and safety of drugs, drug manufacturers in all aspects of the pharmaceutical industry (APIs and formulation) demand strict requirements on the quality of raw materials. Government agencies in all countries also provide regulations for the major intermediates of APIs. To comply with the cGMP of the FDA and maintain stability of quality, companies from upstream to downstream are usually long-term strategic partners.

Supply chain structure showing the upstream, midstream and downstream of the API industry:



Source: Provided by the Company

3. Various product trends:

The Company is one of the few API pharmaceutical companies in the country that manufacture microbial biotechnology products. The rest of the companies are mostly engaged in organically synthesized products. Unlike general chemical synthesis processes, we have stepped into chemical synthesis processes of key technologies, such as heavy metal reactions, bromination reactions, grignard reactions, sodium azide reactions, etc., thus achieving product diversification. For the Company's non-biotechnological products, in addition to gradually developing chemically synthesized products through key technologies, such as nib product series for treating arthritis, contract production of non-technological products is also one of the directions of focus. The ACE Inhibitor drug Trandolapril and anesthesia recovery drug Sugammadex will continue to achieve growth through the entrusting party's gradual market expansion.

Peptide symbolizes a unique class of synthetic drugs located at the boundary between traditional small molecules and large proteins. Peptide drugs are structurally imitating and are responsible for regulating the endogenous properties of target proteins peptides. These target proteins can cause important effects in the human body, including notably hormones, neurotransmitters, growth factors and antibacterial agents and the like. Nevertheless, the peptide is in high potency, high specificity, low toxicity and high binding. As a result, peptide is a sort of new drug developed for treatment of various diseases. In recent years, the FDA's approval rate for peptides has increased very promptly, including notably: Abaloparatide, Difelikefalin Acetate, Etelcalcetide HCl and Setmelanotide Acetate. These drums have come into being as a result of research & development efforts by our Company. The new synthetic technology of peptide, through amino acids or structural changes as well as the increase of non-natural amino acids would at the same time improve the half-life extension or improve the solubility of the part which will provide stability of physical properties as the very fact behind our research & development efforts toward long-acting efficacy peptides or reduce the cost into the long-acting formulation of drug frequency. Here at our Company, we shall, as always, continuously improve the research and development, purification, analytical method development and mass production technology of peptide APIs to enter the small molecule protein drug market.

4. Competition

Medicines are used to treat diseases and injuries and help your body to recover health, and it remains a difficult task to find any other alternatives or services to replace the effectiveness of medicines. Toward the treatment of the same disease, nevertheless, there could be a great variety of drugs with different therapeutic effects available. Among those different drugs with the same therapeutic effect, there would inevitably be harsh competition. In our Company, our flagship product would be the raw material of immunosuppressive drugs. We would, therefore, explain more specifically aimed at the competition of immunosuppressive drugs.

Currently, the main immunosuppressants in the market are Tacrolimus, Mycophenolate Mofetil and Rapamycin(Sirolimus) derivatives. The Company has successfully developed APIs for these three products, and commercial shipments have commenced. In particular, Tacrolimus is the Company's product of the year. The Company is also a major supplier in the U.S. market. Meanwhile, as Novartis developed by Everolimus and Sirolimus developed by Pfizer, the generic pharmaceuticals have hit market with commercial supply. A customer of the Company has obtained Everolimus Chubb Limited and been granted 180-day monopoly in the

market. Where the existent Paragraph IV customers have been in sales in the US markets successively one after another, the demand for such products would continually grow. EPAE, the raw material drugs of fish oil, was launched in the US market in 2021 ahead of schedule as a result of market factors. Our Company is the prime supplier in the American markets. At the moment, it ranks among the top three in terms of market shares in the United States.

The Company has successfully boosted productivity and satisfied customers' needs in line with customer requirements. Although in addition to the Company there are peers who want to cut into such product market, the Company's products are of high quality, and cGMP inspection records are excellent and trusted by customers. By taking these competitive advantages, the Company continues to grow with mass production and shipment.

In the Company, the very competitive edge lies upon immunosuppressants which has been mass-produced and shipped. Amidst strain optimization, process improvement, improved purity, reduced and lowered amount in residuals and impurities, the quality already significantly excels equivalents available from other international suppliers. Where the Company puts forth maximum possible efforts to continually cut its costs, this is the very flagship product highly competitive in the markets.

(III) Overview of technology and R&D

1. R&D expenses spent in the most recent year as of the publication date of the annual report:

Unit: NTD thousand

Item \ Year	2023	April 21, 2024 (Note)
Research and development expenses	242,696	54,594
Net operating income	2,086,441	345,356
Percentage of net operating income	12%	16%

Note: Not yet audited by the certified public accountant.

2. Technologies and products successfully developed:

Synthesis research institute:

(1) Completed the process development of the bulk drug Tofacitinib Citrate for JAK kinase inhibitor.

(2) Completion of the development of the process for the API Difelikefalin, which is used to treat moderate to severe pruritus.

(3) Completion of development of the process and scale-up plan for the inherited obesity API Setmelanotide laboratory.

(4) Completion of the experiment in the development of the process and scale-up plan for the anti-epileptic API Eslicarbazepine Acetate.

(5) Completed the laboratory process development of the bulk drug Eltrombopag olamine for the treatment of platelet deficiency purpura.

Biotechnology research institute:

(1) Completed the effectiveness confirmation of the new process for the

immunosuppressive bulk drug Tacrolimus, which will effectively alleviate the factory's fermentation capacity and reduce costs.

(2) Completed the effectiveness confirmation of the process for the oral breast cancer bulk drug Palbociclib, with a purity of over 99%.

(3) Completed the process optimization of the anticoagulant drug Edoxaban, with a purity of over 99%.

(4) Completed the effectiveness confirmation of the process for Ozanimod, the bulk drug for multiple sclerosis, with a purity of over 99%.

(5) Completed the laboratory scale-up process development of the antiepileptic bulk drug Brivaracetam, with a purity of over 99%.

(6) Completed the new synthetic pathway development for the cancer drug Trilacicinib.

3. Future R&D projects and projected R&D expenses:

(1) Synthesis research institute:

Name of research project	Projected R&D expenses in 2024
Plecanatide	Excluding the commercialization programs, our Company estimates to additionally invest about NTD 37,500 thousand.
Setmelanotide	
Eltrombopag olamine	
Selumetinib Sulfate	
Synthesis of Semaglutide	

(2) Biotechnology research institute:

Name of research project	Projected R&D expenses in 2024
Trilaciclib	Excluding the commercialization programs, our Company estimates to additionally invest about NTD 35,000 thousand.
Brivaracetam	
Edoxaban	
Dalbavancin	
Semaglutide fermentation	

(IV) Long- and short-term business development plans:

1. Long-term business development plan:

(1) We shall continually boost our research & development momentum, adjust research & development strategies to further develop products in high pricing, high technical threshold with few competitor but highly profitable. Through such efforts we could successfully enhance the productivity and operating benefits at the current business premises.

(2) The company will develop unique key technologies to develop special products, such as high-growth products such as anti-cancer, high potency and peptide drugs, to support the development of new customers and enhance the niche and appeal of product differentiation.

(3) Develop key technologies such as hydrogenation, optical splitting, asymmetric synthesis and organometallic reactions.

(4) The company will integrate chemical synthesis and microbial fermentation technology to develop biotechnology and semi-synthetic products in the fields of cancer, immunosuppression and anti-fungals, and strengthen product features to facilitate market competition.

(5) By increasing our long-term investment into China Chemical and Pharmaceutical Co., Ltd., we shall incessantly strengthen the strategic alliance between the businesses undertakings of both parties. Taking Tacrolimus SD20 as the very blueprint, we shall to expand to cover other new products on the existent grounds to lay out the market over the entire world.

2. Short-term business development plan:

(1) With our incessant efforts, we shall continuously enhance the Company's unique fermentation and chemical synthesis technology to distinguish ourselves from other peers that have only chemical synthesis or fermentation technology-related products, to boost our multiple choices of new product development items, enhance competitive edge in the global market; and strengthen our Company's niche products including notably Everolimus, Tacrolimus, Ethyl Icosapentate (EPAE) and Caspofungin. Through process optimization to surge production capacity amidst our advantageous position to minimize costs, we shall significantly increase our Company's market share in the entire world market.

(2) The company will ensure compliance with regulations, strengthen the inspection of raw materials and API intermediate supply plants, ensure compliance with the upstream supply plants, raw materials comply with the latest requirements of the official drug regulatory authorities of all countries and the supply is intact, and ensure the quality of the products of the company and the domestic verification of the cGMP factory is continuously passed through the inspection of the US FDA, Japan PMDA and EU EMA.

(3) To develop CDMO/CMO business, by rallying to participate in domestic, foreign major drug makers' new drug R&D plans, through which to enter into early stage joint R&D relation, such as pre-clinical and various clinical stages' intermediary, products' trial, manufacturing process development and related work, in anticipation to form a strategic alliance with major pharmaceutical plants, for joint growth.

(4) For purchase of major raw materials, we have duly establishes a second supplier mechanism and tried hard to promote the outsourcing of fermented intermediates, release the production capacity of fermented intermediates to increase the production of fermented raw materials and, in turn, reduce unit costs and increase market share.

(5) Develop solvent recovery technology, continue to incorporate the various management systems and mechanisms, autonomously implement waste reduction and emission reduction operations, reduce operating costs, and fulfill the social obligations of environmental friendliness in response to the increasingly strict environmental protection requirements.

II. Overview of the market and marketing:

(I) Market analysis:

1. Major market of the Company's products

Unit: NTD thousand; %

Region \ Year		2022		2023	
		Amount	%	Amount	%
Export sales	Asia	405,262	19.14	323,513	15.51
	America	1,441,365	68.08	1,418,331	67.98
	Europe	151,756	7.17	236,550	11.34
	Others	869	0.04	576	0.02
	Subtotal	1,999,252	94.43	1,978,970	94.85
Domestic sales		117,892	5.57	107,471	5.15
Total		2,117,144	100.00	2,086,441	100.00

2. Market share

Taiwan’s API manufacturing industry is export oriented. Owing to the development of key APIs and the effective control of product costs and quality, many domestic API pharmaceutical companies have become important suppliers of generic drugs at home and abroad. These companies have also entered the supply chain of multinational pharmaceutical companies, becoming a sub-sector in the pharmaceutical industry with a higher ratio of exports. APIs account for about 30% of the pharmaceutical industry. Under the pandemic impact in 2020, countries around the world have adopted high control and lockdown measures, resulting in deferred handling of non-emergency or non-urgent medical practices This has resulted in a steep reduction in global consumption energy. With the easing of the pandemic in 2021, the medical energy and clinical trials have gradually got back on track The IDB information revealed by the Ministry of Economic Affairs indicates that in 2022, the overall turnover value from the pharmaceutical manufacturing industry came to NTD 96.1 billion, a 4.8% growth over 2021. In 2022, there were 74 countries exporting raw material pharmaceuticals, an increase of 10 countries compared with 64 countries in 2020. The export value was NTD 5.417 billion, an increase of 12.44% compared with 2021. Japan, the United States, India, China and Germany are our top five export destinations of APIs. Among them, Japan's value amounted to NTD 972 million, and the United States amounted to NTD 864 million. Furthermore, South Korea, which has the largest growth rate at 93%, has a value of NTD 150 million. The reason for the increase was the launch of APIs at customer end, which led to an increase in the export of APIs.

In response to competition in the global API market, domestic API companies have launched diverse strategic plans to respond to and actively assist customer needs and develop new APIs to expand the scale of the domestic API industry. Meanwhile, those countries the world over are facing an excessive concentration of some pharmaceutical raw materials in a single country, resulting in a potential drug shortage crisis which has naturally prompted such involved countries to start thinking about an adjustment toward the drug supply chain system. Here in Taiwan, we may make prudent use of the technology development energy of domestic manufacturers in APIs to endeavor for opportunities to participate in the adjustment process of such supply chain of the pharmaceutical industry in a variety of countries. In turn, we may further expand the API industry in Taiwan to go all-out for the opportunities to participate in

the process of supply chain adjustment to further expand Taiwan’s API industry.

The Company's export sales in 2023 decreased by approximately 1.01% compared with the same period last year. As price-cutting competition among latecomers in the generic drug market intensifies, our clients actively maintain their market share amid the competition. In response to customer requirements and market changes, the Company adjusted the shipping demand in the second half of the year. Therefore, the export amount was slightly reduced compared with last year.

(1) Global demand

With large international pharmaceutical companies continuing to outsource API and waves of patent drug expiring, the domestic API drugmakers are receiving more orders. The global demand for API continues to growth and there are 10 to 15% growth every year, higher than the 2 to 5% growth experienced by generic drugs. According to the statistics of the Technology Department of the Ministry of Economic Affairs, the API market has been affected by the expiry of generic drug patents for the best-selling Active Pharmaceutical Ingredient (API), the market reached US$75 billion in the past three years. The huge business opportunities of generic drugs drive the growth of the API market. To put it in more understandable terms, the global demand for APIs will also reach its peak within three years and directly drive the growth momentum of the domestic API market to take orders.

(2) Global supply

Due to production efficiency and cost of environmental protection, many US-based pharmaceutical companies have reduced and withdrawn from the manufacturing of API and started to source from API manufacturers in the developing companies that meet cGMP requirements and have passed plant inspection. As for Western Europe, the drugmakers there are equipped with more advanced technologies due to their earlier start in the pharmaceutical industry and are still the main exporters of API. However, the competition of lower pricing from China and India has led to excessive production from European drugmakers. They actively look for transformations in order to enter the supply chain of the generic drug industry. With cheap production costs and lower requirements in environmental protection, as well as the support from their governments’ long-term policies, both China and India have established good industry API foundations, gradually becoming one of the world’s production bases for API. Overall, the emergence of China and India has moved the center of API development from Europe to Asia. Taiwan's API manufacturers may be small in terms of production scale, but their excellent product quality, management of the manufacturing process and cGMP implementation are all better than China and India’s. They focus on developing high-priced niche API and are starting to play an important role in the global niche market.

(3) Growth

The global pharmaceutical industry has maintained a steady growth over the past hundred years. In recent years, the industry has started to experience changes due to population aging, the governments of many countries promoting the use of generic drugs, waves of brand-name drugs experiencing patent expiration and being replaced by generic drugs, and the FDA approving fewer new drugs. Thanks to the prudent countermeasures by the pharmaceutical industry with continued adjustment of the managerial strategies coupled with reorganization of the industry to boost productivity, the entire pharmaceutical manufacturing industry still maintains a trend of steady growth. Amidst the expiring patents and rising supply of generic pharmaceuticals with newly emerging pharmaceuticals in the

significant growth, the IQVIA predicts that the pharmaceutical markets the world over would hit US$2.2 trillion by 2028, including the growth of the pharmaceutical markets in the developed countries to hit US$1.7 trillion, for a growth of 5% to 8%. Among them, the value of generic pharmaceuticals will be up to a value ranging from US$500 billion to US$550 billion where the non-original brand generic pharmaceuticals in the developed countries will hit a value ranging from US$315 billion to US$345 billion, for a growth rate of 8% to 11%. The growth of unbranded generic will decrease by 3% to 6%, anticipated up to the value ranging from US$185 billion to US$205 billion.

4. Competitive niche

(1) The Company has passed the US FDA and European PIC/S regulations and their requirements for plant inspection

Our Company was officially verified and certified by Europe-France Methocarbamol amidst factory examination in June 2019. In March 2021, the Company was further granted a pass in the follow-up factory examination by Taiwan Food and Drug Administration (TFDA). Moreover, the Food and Drug Administration (FDA) of the United States granted cGMP System certification in September 2021 and conducted factory examination after Mycophenolate Mofetil was launched to market in November 2022. In addition to the official plant inspections verification in Taiwan, the United States and Japan, our Company has further successfully passed the plant inspection certification for the biotechnological plants based on Pravastatin by the Japanese Competent Authority (PMDA) and the strictest pharmaceutical certification unit in Europe, the Cologne Pharmaceutical License Management Office.

We have met the cGMP standards of various global pharmaceutical companies. Being listed on the certification platforms will encourage global drugmakers from Europe, the US and Japan to work with us.

(2) Many products have been certified for DMF and proven competitive in export.

A Drug Master File (DMF) mainly introduces manufacturers' company profiles, organizational charts, chemistry, manufacturing and control (CMC) in quality control and assurance, stability tests, product specifications and impurity profiles. In general, the sales of API in a particular country requires DMF registration with FDA. When downstream drugmakers prepare medicine and apply for certification, the FDA reviews the DMF of the API manufacturers to make sure the API meet the local requirements. Since a DMF requires approval from the FDA, registering more DMF with the FDA can demonstrate the R&D, production and export capabilities of a company. As of December 31, 2023, we have completed the DMF registration with the US FDA for 29 products and received many orders for export. We will continue to develop new products, obtain their DMF registrations and improve our competitiveness in export.

(3) An API manufacturer that is equipped with bio-fermentation and chemical synthesis technologies and equipment.

Currently, most API manufacturers still use the chemical synthesis approach as it offers steady manufacturing processes, short product time and relatively simple equipment requirements. However, as the barriers to entry are lower for this type of manufacturing process, there are more competitors in the market. The concept of bio-fermentation is similar to the production of yogurt in which cell strains, animal and plant tissues, enzymes and bacterial species used in biotransformation, fermentation and purification are used to manufacture API. Since fermentation requires longer processing time, as well as the consideration of humidity, temperature and strain quality, product prices tend to be higher. The process

involves many conditions and complex factors, so there are fewer capable manufacturers which offer API based on fermentation.

We are one of the few companies in Asia which possesses both bio-fermentation and chemical synthesis technologies and equipment. To improve our market competitiveness, we develop API medicine using bio-fermentation or a mixture of bio-fermentation and chemical synthesis in anticipation of the future growth in biotechnology medicines.

(4) Enters the part of market in which small-batches of API are used for R&D.

Smaller pharmaceutical companies tend to use smaller batches of API for clinical trials when developing new drugs. These short-term and small-batch orders may not contribute greatly to the revenue, but the collaboration can provide future business opportunities. In other words, once their products enter large-scale clinical trials or obtain commercialization approval, they become an important source of orders for API manufacturers.

We have worked with drugmakers to provide them with API and they are in the third stage of clinical trials. Once they successfully obtain marketing authorization, we will benefit from the increased sales and improve our competitiveness.

5. Favorable and unfavorable factors affecting the future outlook:

(1) Favorable:

① With numerous honors accumulated over the years, notably hands-on cGMP production experience and the approval of the domestic raw materials drug cGMP with factory- inspection records and the US FDA, the European Union German factory inspection and the Japanese PMDA verification, we have firmly secured our successful marketing in the European, American and Japanese markets in our cGMP products. Our Company is primarily export-oriented and has effectively upheld our export volume and values.

② The successful introduction of Rapamycin, Tacrolimus, Mycophenolate Mofetil, Everolimus and Ethyl Icosapentate helps us accumulate experience and facilitates the development of Baricitinib, Midostaurin and Difelikefalin Acetate and open up the markets in Europe, the US and Japan.

③ We are one of the few Active Pharmaceutical Ingredients (API) pharmaceutical companies in Taiwan engaged in both synthetic processes and biological fermentation processes. We also have a strong synthesis and biotechnology R&D team, providing strong support for new products such as Everolimus in the limus series and Caspofungin in the fungin series.

④ In November 2023, Taiwan was successfully included in the list of third countries for exporting raw materials to Europe by the European Union. This means that Taiwan's API management system, including production, quality management and GMP standards, is equivalent to that of the European Union. This will effectively reduce the time for Taiwan to export APIs to the European Union, strengthen the global competitiveness of Taiwan's pharmaceutical industry, and bring opportunities to expand the European market. Currently, only Canada, South Korea, Australia, Brazil, Israel, Japan, Switzerland, and the United States have successfully joined the list. Taiwan is the ninth country to join the list.

(2) Unfavorable:

① It is true that the American market is large in scale and high in unit prices. On the other hand, nevertheless, it calls for lengthy preparatory work and huge amounts of manpower and material resources where it is virtually hard even if

not impossible for us to pass the FDA verification. The extremely time-wasting and time-consuming process which is indispensable in the customer research and development schedule and the ANDA application progress would significantly dampen us from entry into the American markets.

② Our biotech product Tacrolimus has been in the market for quite a number of years, we have, nevertheless, not yet reached the pre-determined target as a result of the technical barriers on the preparation terminal. Those European and American patents have expired successively one after another but lots of manufacturers with competitive edge have emerged, leading to a decline in prices and increasingly fierce competition in the market.

③ The synthetic product, Ethyl Icosapentate, helps customers obtain first mover advantage in the market. However, customers face price cutting from late entrants and shortage of initial raw materials, which will affect their market share.

④ The domestic healthcare policy on drug price-regulation greatly impacts the domestic sales market. The rigorous PIC/S requirements had driven the domestic drugmakers to withdraw from the market. The low-volume and low-price conditions make the market competition even more severe.

⑤ The main source of supply to raw materials used in upstream and chemical intermediates is in China. Global inflation, policy changes, environmental awareness, more strict labor laws and the rise in crude oil prices are driving up the cost.

⑥ Taiwan's API manufacturers are all export-oriented and they need to face the risk of exchange rate. At the present time as trade conflicts are lingering, protectionism rises, coronavirus pandemic (COVID-19) remains a threat, the global economy has slowed down the pace of growth and central banks throughout the world continue to uphold a loose monetary policy, leading to an increased risk of fluctuations in the exchange rate of currencies denominated in US dollars.

(3) Countermeasures:

The company put efforts to diversify its supply and seek qualified suppliers in India and other emerging market countries. In the intermediate-term, improve the manufacturing technology and add in hydrogenation and metals reactions to reduce dependence on foreign intermediates.

(II) Main uses and production processes of major products:

1. Main uses:

(1) Biotechnology products:

A. Caspofungin Acetate: As a sort of antifungal drug to be used for Candida infections and the like.
B. Everolimus: An anti-cancer or cardiovascular stent coating drug and also serves as an immunosuppressive agent.
C. Midostaurin is an anticancer drug for treating acute myeloid leukemia.
D. Mycophenolate Mofetil: An immunosuppressive drug which inhibits ejection of organ transplant.
E. Rapamycin: An immunosuppressive agent which inhibits ejection of organ transplant.
F. Tacrolimus: An immunosuppressive agent which inhibits ejection of organ transplant.

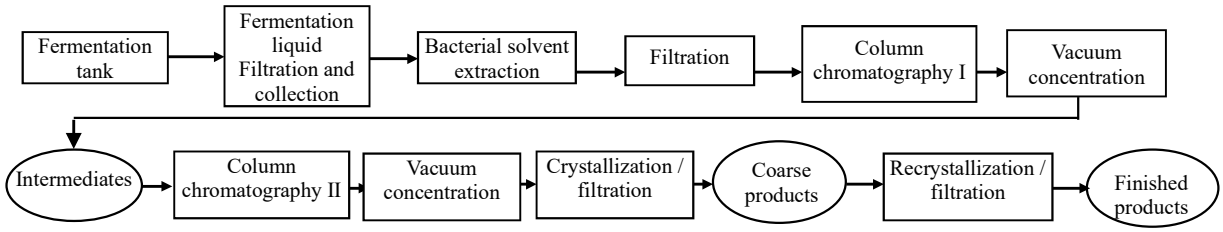
(2) Non-biotechnology products:

A. Difelikefalin Acetate: Aiming at treatment of pruritus induced by hemodialysis among patents with CKD.
B. Ethyl Icosapentate: Lower triglyceride
C. Ozanimod HCl: For treatment of relapsing-remitting multiple sclerosis.
D. Palbociclib: breast cancer medication
E. Ribociclib: breast cancer medication
F. Trandolapril: For prevention and treatment of heart disease and hypertension.
G. Tofacitinib Citrate: rheumatoid arthritis medication.
H. Sugammadex Sodium: anesthesia recovery medication

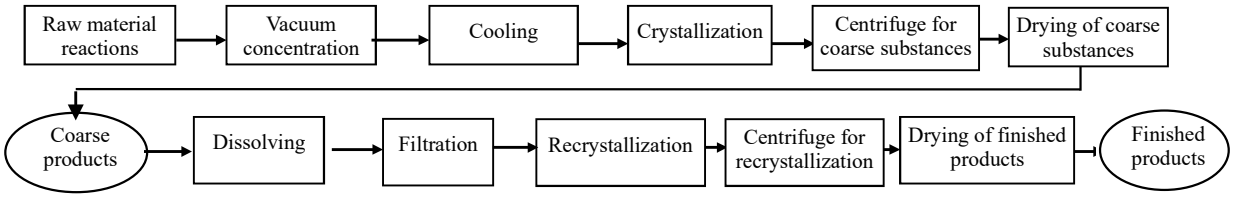
2. Manufacturing processes:

API:

(1) Biotechnology products:



(2) Non-biotechnology products:



(III) Supply status of main raw materials:

We always purchase raw materials from our long-term contracted suppliers who have no material shortage problems.

Main raw materials	Main suppliers	Supply status
EPAE-70	Supplier A	Good
	Supplier B	
EPAE-70/Others	Supplier C	
AgNO3/N-HEP	Supplier D	
	Supplier E	
Solvents	Supplier F	
Starch	Supplier G	

(IV) Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold in any one of the past two years, their amount, proportion and reasons for changes:

1. Suppliers who account for more than 10% of the total purchased amount:

Information about the main suppliers the past two years

Unit: NTD thousand

Item	2022				2023				As of the end of the previous quarter in 2024 (Note 1)			
	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase as of the end of the previous quarter in the year (%)	Relationship with the issuer
1	Supplier A	187,466	26.47	None	Supplier A	438,110	37.24	None	—	—	—	—
2	Supplier B	146,778	20.73	None	Supplier B	314,418	26.72	None	—	—	—	—
3	—	—	—	—	—	—	—	—	—	—	—	—
4	Others	373,946	52.80	—	Others	424,038	36.04	—	—	—	—	—
	Net purchase	708,190	100.00	—	Net purchase	1,176,566	100.00	—	—	—	—	—

Note 1: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Reason for change: The net amount of purchases in 2023 increased from the same period last year, mainly due to the tight supply of upstream raw materials, and the strategic purchase was made to prepare materials in advance in consideration of the continuing rise of raw material prices in the later period.

2. Clients who account for more than 10% of the total sales amount:

Information about the main clients the past two years

Unit: NTD thousand

Item	2022				2023				As of the end of the previous quarter in 2024 (Note 1)			
	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales as of the end of the previous quarter in the year (%)	Relationship with the issuer
1	Client A	1,101,947	52.05	None	Client A	874,189	41.90	None	—	—	—	—
2	—	—	—	—	Client B	486,462	23.32	—	—	—	—	—
3	Others	1,015,197	47.95	—	Others	725,790	34.78	—	—	—	—	—
	Net sales	2,117,144	100.00	—	Net sales	2,086,441	100.00	—	—	—	—	—

Note 1: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

Reason for change: The net amount of sales in 2023 decreased from the same period last year, mainly due to the sluggish market demand for the Company's main products.

(V) Production volume the most recent two years:

Unit: amount (kg), value (NTD in thousands)

Year / Main products	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Biotechnology products	11,462	5,692	555,344	17,700	8,623	456,000
Non-biotechnology products	340,620	200,486	828,749	345,000	199,932	1,038,330
Total	352,082	206,178	1,384,093	362,700	208,555	1,494,330

Description: The Table above shows the Company's production and value of finished products.

(VI) Sales volume in the most recent two years:

Unit: amount (kg), value (NTD in thousands)

Year / Sales revenue / Main products	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Biotechnology products	47	54,661	7,445	986,788	57	77,245	8,981	687,678
Non-biotechnology products	31,585	56,816	150,385	1,012,464	125	29,032	185,244	1,291,292
Labor revenue	-	6,415	-	-	-	1,194	-	-
Total	31,632	117,892	157,830	1,999,252	182	107,471	194,225	1,978,970

III. Employees:

Year		2022	2023	The current year as of April 21, 2024
Number of employees	Administrative department	32	33	33
	Quality control	46	47	45
	Production (Note)	201	185	171
	R&D	69	72	71
	Marketing	10	10	10
	Total	358	347	330
Average age		37.48	38.47	39.18
Average years of service		7.86	8.45	9.04
Academic qualification	Doctoral Degree	4.75%	5.19%	5.45%
	Master's Degree	22.63%	25.07%	25.76%
	Bachelor's Degree	46.93%	47.26%	47.58%
	High school	24.30%	21.04%	19.70%
	Below high school	1.40%	1.44%	1.52%

Note: The numbers of production workers (including foreign workers) were 67, 55, and 47 for 2022/12/31, 2023/12/31, and 2024/4/21 respectively.

IV. Environmental protection expenditure:

In the latest fiscal year and as of the publication date of the annual report, losses resulting from pollution to the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the file number of the punishment, the provisions of the statute, the content of the violation of the statute, and the content of the punishment) should be listed, and the current and future estimates should be disclosed as well. If the amount and the corresponding measures cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated: no fact ever existed.

V. Employer and employee relationships:

(I) The availability of employee welfare, training, ongoing education, and retirement policies. Elaborate on the agreements between employers and employees, and the protection of employees' rights:

1. Employee benefits and implementation status:

Employees are the most important assets of the company. The company provides a safe and comfortable office environment. It is a 45-minute flexible working time for the understanding of the hard work of the children and the long-distance commuting.

In addition to various group insurance plans and proper health examinations, we take care of our colleagues' health and establish a diverse community to encourage employees to participate actively, so that employees can achieve a balance between work and family, family and self.

The employees who have served for one year enjoy 100% ESOP (Employee Stock Ownership Plan) awards in the company. The ESOP help the company's colleagues to achieve long-term savings and accumulated wealth through the "ESOP" to ensure the stability of the future life and enhance employees' sense of belonging to the company. Employees could have the ability to hold company stocks and share business profit.

The company immediately announced on various occasions that the company would not be classified as race, class, language, thought, religion, partisanship, place of birth, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities or former union members. The company will implement workplace equality, building a happy enterprise, and move towards a society of plural respect.

In addition to policies meeting the Labor Standards Act, the Company also provides health examination for employees. An employee welfare committee has also been established to handle benefits and manage benefit payments. The employee benefits are listed as follows:

(1) Pay out pension as required by law.

(2) In addition to having all employees participate in labor insurance and national health insurance according to law, the Company also provides group insurance and periodic health examination.

(3) Paid holidays according to law.

(4) Employees in the company, who are married, mourned, happy, and celebrated are entitled to a vacation and receive a subsidy for benefits, in addition to the provisions of the Law on Labor. In 2023, there were 41 applicants.

(5) A monthly birthday gift is issued to employees in the company; a total of 359 persons were issued them in 2023.

(6) Employees can receive annual bonuses or prizes during festivals such as Spring Festival, Labor Day, Dragon Boat Festival and Mid-Autumn Festival; a total of

1,426 people were issued them in 2023.

(7) The Company sponsors employee tours or provides travel subsidies from time to time.

(8) Staff dormitories for employees living far from work

(9) All employees got 100% subsidy for shareholding trust for their secured retired life.

2. Self-improvement, training and implementation status:

To enhance employees' professional and technical capabilities and to improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities.

(1) Education and training of new hires:

To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety, know the work of every department, and learn about the Company's approach to environmental management, professional capabilities and requirements, labor laws and safety and health training so they can become the talent that the Company really needs.

(2) Education and training of the existing employees:

Conduct training based on the education and training program every year. Provide education on the existing task and position and knowledge and skills needed for additional specialty so they can perform better in their positions.

Implementation progress of education and training in 2023:

Types of training	Man-hours	Total cost (NTD in thousands)
cGMP	6,267.0	872
SOP Training	766.0	
Specialized training	488.5	
Instrument Training	303.5	
New-hires	78	
Industrial Safety	746.5	
Others	1,380.6	
Total training hours	10,030.1	
Average training hours / per person per year	28.91	

3. Retirement system and implementation progress

The Company has set up the "Regulations for Employee Retirement" (hereinafter the Old Fund) in accordance with the Labor Standards Act. In accordance with the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" of the Ministry of the Interior. Retirement reserve funds in sufficient amounts shall be provisioned and deposited into the Bank of Taiwan (account designated for retirement reserve funds) for safekeeping and utilization.

With "Labor Pension Act" (referred to as "the new system") becoming effective on July 1, 2005, incumbent employees under the "old system" who have qualified

service tenure under the “new system” and new hires after the effective date of “Labor Pension Act” who select the contribution plan with the “new system" have no less than 6% of their monthly pay deposited into the account of employee reserve fund by the Company. With regard to the contribution plan, we contribute 6% of the monthly payroll, in accordance with Labor Pension Act, to Bureau of Labor Insurance and the amount contributed is recognized as part of the annual expense.

The company adheres to the Labor Pension Act’s applicable regulations as follows:

(1) Voluntary retirement:

Workers encountering one of the following circumstances may apply for retirement: (those choosing the Labor Pension Act are processed per the same act’s regulations).

A. Having been employed for more than fifteen years and more than 55 years of age.
B. Having been employed for more than twenty-five years.
C. Having been employed for more than ten years and more than 60 years of age.

(2) Mandatory retirement:

Of employees other than those meeting one of the circumstances below, the company may not force them to retire:

A. More than 65 years of age.
B. Having lost mental capacity or having been physically disabled and thus incompetent to work.

The preceding section article 1 specified age for those rendering work with a hazardous, strong stamina and related special nature, the company may declare with competent central government authorities for approval to adjust it. However, it may not fall below fifty-five years of age.

(3) Pension payout standard:

A. Of employees eligible to the working seniorities before and after the Employment Standards Act and choosing to stay on “Employment Standards Act” pension regulations per the Employment Standards Act or retain their working seniority prior to the applicable Employment Standards Act, their pension payout and the standard are calculated and paid out per Employment Standards Act article 84-2 and article 55.
B. Of employees commanding the preceding section’s working seniorities and are subject to a mandatory retirement per article 35 par I subpar II stipulations, whose mental loss or physical disability has been a result of rendering their duties, their payout is made per Employment Standards Act article 55 par I subpar II regulations plus an additional twenty percent.
C. Of employees eligible to the Labor Pension Act regulations, the company allocates a 6% of whose working wages to a worker’s individual pension account.

(4) Pension payout:

The company shall pay to its employees when the retirement pension is paid out, within thirty days from an employee’s retirement date.

(5) Fact in appropriation of pension fund:

The Old Fund: As of December 31, 2023, the Labor Retirement Reserve Fund cumulatively amounted to NTD 142,277 thousand.

New pension mechanism: In 2023, the total amount amortized came to NTD 11,042 thousand.

4. Agreement between the employers and employees

We respect employees' opinions and are committed to build a work environment that offers open communication. Employer-employee meetings are held periodically to encourage colleagues to voice their opinions in an open and transparent manner. Supervisors and the related work departments are required to provide prompt responses in order to achieve the goal of having two-way communication.

5. Protection measures for employee benefits

We have a well-established management system which specifies employees' rights, obligations and welfare. The content is reviewed regularly to protect employees' interests.

6. Protection measures for work environment and employees' personal safety:

Item	Content
Entrance Security	The Company maintains strict access control day and night and is in contract with a security firm to provide office and factory plant security.
Equipment maintenance and inspection	1. In accordance with the requirements of Fire Services Act, the Company commissions professional fire inspectors to conduct inspection. 2. In accordance with the occupational safety and health guidelines, the Company invites professional inspection agency to check industrial lifts and elevators every half a year (completed as of January 2023, July 2023) and issue certificates. Boiler (completed as of March 27 2023, May 12, 2023 and October 18, 2023), high-pressure equipment (completed as of June 13, 2023) and Class 1 pressure vessel (completed as of May 12, 2023, October 18, 2023) inspections are conducted once a year to obtain necessary certificates. 3. In accordance with the occupational safety and health guidelines, all the responsible departments conduct daily, monthly, quarterly, semi-annual or annual inspection of forklifts, lifts, ventilation system, storage tanks, high- and low-voltage electrical equipment, fire fighting equipment and others and perform maintenance and repair based on the inspection plan. Industrial lift vendors are hired to perform professional inspections and maintenance of lifts on a monthly basis.
Disaster prevention and response actions	1. In order to maintain the safety and health of employees, the Department of Safety and Health is established, and one occupational safety and health administrators are prepared to handle occupational safety and health affair related business. 2. "Response Measures for Emergencies," "Occupational Safety and Health Rules" and "Occupational Safety and Health Management Plan" are established to clearly define the responsibilities and tasks of personnel at all levels before and after incidents, and employees and contractors are required to follow the rules to prevent any occupational disasters. 3. Employees are given personal protective gears which include goggles, protective clothing and gloves, work safety shoes, respiratory protection equipment and others, and they are required to wear the gears in their daily work. 4. In accordance with "Fire Services Act" and regulations for environmental protection, the Company assigns emergency response teams, install emergency and rescue equipment and perform fire-fighting, toxin control and emergency exercises every half a year. A total of 40 participants on 2023/05/25 and 40 participants on 2023/09/22.
Physical and mental health and work environment hygiene	1. Health examination: The existing employees are given a free health check every year, better than what the provisions of the “Occupational Safety and Health Act” require. In 2023, a total of 293 examinees for on-the-job employee health examinations and 64 examinees for specific health examinations (specifically, employees involving use of specific chemicals), at the aggregate total of 357 examinees. 2. Work environment hygiene: Smoking is prohibited within the factory floor.

Item	Content
	Full-time cleaners are hired to clean office space, factory and warehouses. 3. In accordance with the requirements of the “Occupational Safety and Health Act,” specialized testing organizations are invited to perform chemical exposure assessment in the product areas every half a year. The most recent testing was done in February and August 2023. There were 4 product processes areas and research department, 9 chemicals and 24 testing items. The results were in compliance with the allowable concentration to ensure employees' health. 4. The company installed a new AED on the first floor of the research building in December 2023. Currently, the company has installed two units, one in the reception room and the other on the first floor of the research building. 5. Expressing opinions: A "General Manager's Mailbox" is set up in the cafeteria to welcome employees' inputs regarding the Company's operations and current status. Suggestions for improvement are also welcomed. The input can be anonymous or with employees' name attached and the president office will personally handle the cases. 6. Online communication channels: A "CCSB Employee Discussion Forum" is established in the Company's system which serves as a platform for announcements and for employees to voice their opinions and concerns. In addition, employees can file complaints via "Stakeholders' Area" of the Company's website. The management will conduct investigation and handle issues in accordance with the relevant regulations to protect the interests of the Company and employees.
Education and training	1. Education and training for new hires: To help new hires learn about the environment, understand the Company's regulations and history, pay attention to work safety and know the work of every department, management of chemicals, professional capabilities and requirements, labor laws, occupational safety and health training and cGMP training so they can understand the environment, safety and policies better. In 2023, a total 5 education and training sessions on general safety and health were held, with a total of 29 participants. A total of 5 education and training sessions on chemical hazards were held, with a total of 27 participants. 2. Education and training for the existing employees: To enhance employees' professional and technical capabilities and improve work efficiency and product quality, the Company provides an Annual Education and Training Planning Chart. In addition to conducting employee training based on the chart, internal courses on management and professional skills are provided from time to time. Employees are also sent to external organizations to receive training to strengthen their professional capabilities. The Company has these professional safety and health licenses: Operation supervisor for handling organic solvents, operation supervisor for specific chemicals, operation supervisor for anoxic treatment, forklift operator, stationary crane operator, boiler operator, high-pressure equipment operator, fire protection manager, security and safety monitoring staff, first-aid personnel and others specialized licenses. In 2023, 42 people took re-training course and 27 people were assigned as new trainees. 3. Contractor education training: In conjunction with the provisions in the Occupational Safety and Health Act, the “Contractor Operation Management Guidelines” have been set up. In 2023, education training implemented for contractors entering the factory for operation totaled 49 people. They were also informed of the hazards, prevention of occurrences of work hazards, and maintenance of work environment safety.

(II) In the latest fiscal year and as of the publication date of the annual report, the loss incurred by a labor dispute (including an event where the result of labor examination proves in

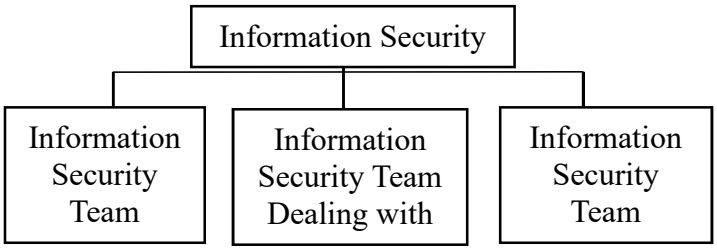
contravention of Labor Standards Act which should be expressly enumerated with the date, file number of penalties, contents of violated laws, contents of offense and contents of penalty) with disclosure of the estimated amounts at the moment and in the future as well as countermeasures thereof: no such fact ever existed.

VI. Information and communication security management:

(I) Framework information and communication security management, information and communication security policies, specific management plans, and resourced inputted into information and communication security management:

The Company has formulated Regulations Governing Management Operation toward Computerized Information System and Operating Procedures of Cyber Safety Operation Procedures to faithfully implement thoroughly the sound internal control system and policy in cyber security. Ensure its appropriateness and effectiveness through annual internal inspections and external assessments of its safety regulations and procedures. The company will explain the details in the following sub-items:

(1) Framework of information and communication security risk management



Here at the Company, we have established the Cyber Security Task Force under the Information Division the organization chart of which is shown above. The head of the Information Department serves as the full responsibility supervisor of the Cyber Security Task Force which is, as well, staffed with one full-responsibility specialist. The Cyber Security Task Force assume the responsibility to formulate information security policies, monitor and update the information security related messages, map out, monitor and implement information security related maintenance services. The internal audit and external audit are carried out regularly by the auditing office and the accounting firm every year. In April 2023, the auditing office performed the internal audit of the safety inspection and control operations, and issued an internal audit report, which was reported to the audit committee and the board of directors. In December 2023, the external audit of the “Information System Environmental Auditing” was carried out by PWC Certified Public Accountant Firm. The server host used by the system is located in the internal virtual network. The internal host is protected by a firewall. The external network is isolated and cannot be directly accessed. It has adopted multiple network security defense systems. The firewall and intrusion detection at the front end of the network. Test system and anti-virus are used as the basis for enterprise security protection. It can also strengthen the detection of malicious programs for traffic, web pages and emails. Through the correlation analysis of different security mechanisms, it can play the role of defense in depth and immediately block the latest malware, harmful website links, defense against external network attacks, mail content security control system is responsible for filtering the contents of incoming and outgoing links, and can further block files with zero-day malware, APT attack tools, and vulnerabilities. Attack files... threats such as threatening emails, spam emails, etc. The internal host and endpoints of the company are deployed by the central control unit to provide anti-virus

software, which can update the virus code and instantly identify malicious behaviors. It can instantly intercept virus Trojan worms, ransomware, malicious files in folders, etc. The risk of damage from the hacker attack could be effectively reduced.

(2) Information and Communication Security Policy:

To assure the Company's satisfactory business operation without a hitch to prevent our information or information (cyber) security system from unauthorized access, use, control, leakage, destruction, tampering, damage or infringement in other means to perfectly ensure confidentiality, integrity and availability, we have formulated the information (cyber) security polices as enumerated below:

A. Regularly implement information and communication security education and training, promote information and communication security policies and related implementation regulations, promote employee awareness of information security and strengthen their awareness of related responsibilities.
B. Implement an internal audit system for information and communication security to ensure the implementation of information and communication security management.
C. Protect the company’s business activities, avoid unauthorized modifications, ensure its correct integrity, protect the company’s data, systems, equipment and network communications security, and prevent external invasion and destruction.
D. Protect the company’s business activities, avoid unauthorized access, system information account access rights and system changes, all must be controlled by rights.
E. Protect the integrity of the company’s data and implement the destruction procedures. The computer storage media that have been scrapped should be destroyed to avoid accidental exposure.
F. The company will monitor the security status and activity records of the information system to effectively grasp and deal with information security incidents.
G. The execution of the company’s business activities must comply with the requirements of relevant laws or regulations.

At present, the company’s information and communication security maintenance measures are complete, and the consideration of security insurance is still an emerging insurance, and it involves supporting the grading of security and claims, so it is still evaluating the stage of future applicability.

(3) Specific management plans for information and communication security:

A. System account and permission management
The computerized system of the company should have sufficient authority to prevent unauthorized intrusion or unauthorized changes to the data. The content includes information and communication security rights, information access rights and information access control. The company will determine the degree of security control, according to the importance of the computerized system. The user’s account and authority, data access shall not be used or changed until approved by the competent department head(s). Retired personnel (including those who remain in office) should immediately lock, stop or remove accounts and permissions in accordance with the procedures to prevent unauthorized use.
B. Data access records should be audited and kept properly.
In order to ensure the integrity of the data, the computerized system should be

able to record the transaction history, that is, any data change/deletion, who should perform it, record the track record of the system file access, and historical data such as incoming and outgoing mail, archive and save. Computers of the company that have completed the retirement process perform hard disk disassembly and destruction to comply with the regulatory system and the security policy.

C. Information system continues to operate

To assure perfect safety & security of the Company's information and data, systems, equipment and network communications, we have duly set up data/backup methods and backup operation standards. All systems and documents are backed up locally daily, weekly and quarterly. The backed up information and data are further transmitted to a different equipment or stored at a different venue daily, weekly and quarterly to assure that information and data are backed up in varied venues and varied machines coupled with the strengthened efforts through various simulation tests and emergency countermeasure drills. Through such efforts in combination, our information systems are assured under very sound operation amidst safe and secured environments. On a regular basis every year, we carry out recovery drills for our system information to assure the information system to be operated safe and sound under perfect safety & security/ Thanks to such efforts, we virtually minimize a potential disaster by nature without a prior warning. In turn, we virtually evade potential risks that might lead to significant data loss. In May 2023, we carried out IT disaster recovery (ITDR) drill test. The Company's information system proves to have been operated continually without an interruption, free of a potential risk that might lead to loss of information.

(4) Resources input into information and communication security management:

Here at the Company, the head of our Department of Information serves as the dedicated supervisor in charge of information safety & security and is staffed with one dedicated specialist to assume the responsibility to map out system, monitor and implement information security related business affairs. From time to time on a nonscheduled basis, the Company takes the current events to launch publicity focusing on information (cyber) security toward the entire staff. Through such events, we convey significant regulations and precautions linked up with information security. In an effort to intensify the Company's information security technology and security protection, we invested a total of NTD 358 thousand onto information (cyber) security related affairs in 2023. On a regular basis every year, we report to the Board of Directors about the management and implementation of information (cyber) security affairs.

Related expenses for cyber security measures in 2023:

<table>
<tr><th>Training/Purchase</th><th>Number of participants</th><th>Training hours per person</th><th>Total expenses (NTD thousand)</th></tr>
<tr><td rowspan="2">Social engineering drill and plant-wide IT security education and training</td><td>101</td><td>1</td><td rowspan="4">358</td></tr>
<tr><td>58</td><td>2</td></tr>
<tr><td>Information Security Engineer Elementary Training Course</td><td>2</td><td>12</td></tr>
<tr><td colspan="3">Purchase cyber security protection software</td></tr>
</table>

(II) Losses caused by major information and communication security events in the most recent year and on the day of annual report printing may affect the coping measures. In the event a

reasonable estimation fails to be made, explain the facts for failure to make a reasonable estimation: Not applicable.

VII. Major contracts:

The following shows the Company's effective renewed and expiring vendors and order contracts, technical collaboration contracts, engineering contracts, long-term loans and other important contracts that can affect shareholders' equity as of the publication date of the annual report:

Contract nature	Participants	Contract start and end dates	Main contents	Restrictive clauses
Sales cooperation	Company A	2017.11.27–2027.11.26	Contracts on cooperation into sales of our products	Privacy Policy
Commission contract	Company B	2021.01.01–2024.12.31	Sales commission contract	Privacy Policy
Sales contracts	Company C	2022.02.24–2025.02.23	Contracts on cooperation into sales of our products	Privacy Policy
Commission contract	Company D	2022.03.14–2025.03.13	Sales commission contract	Privacy Policy
Sales contracts	Company E	2022.07.01–2027.06.30	Contracts on cooperation into sales of our products	Privacy Policy
Sales contracts	Company F	2023.09.01–2026.08.31	Contracts on cooperation into sales of our products	Privacy Policy
Sales contracts	Company G	2023.10.10–2025.10.09	Contracts on cooperation into sales of our products	Privacy Policy

Six. Financial summary

I. Condensed balance sheet, comprehensive income statement and accountants' signatures and their auditing recommendations for the past five years:

(I) Condensed balance sheet for the past five years

1. Condensed and consolidated balance sheet - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year		Financial information for the latest 5 years (Note 1)					Financial results for the year ended March 31, 2024 (Note 3)
		2019	2020	2021	2022	2023	
Current assets		687,581	1,001,602	1,357,078	1,448,991	1,787,783	—
Available-for-sale financial assets - non-current		—	—	—	—	—	—
Financial assets carried at cost – non-current			—	—	—	—	—
Financial assets that are measured at fair value through profit or loss - non-current		28,160	32,456	26,726	33,317	32,856	—
Investments accounted for by the equity method		478,894	511,434	1,032,860	964,937	961,625	—
Property, plant, and equipment		2,180,308	1,539,251	1,866,152	1,960,581	2,284,333	—
Right-of-use assets		5,418	3,110	2,313	3,234	7,781	—
Real property for investment- net		10,700	10,700	10,700	10,700	10,700	—
Intangible assets		1,250	1,293	1,803	7,533	5,559	—
Deferred income tax assets		19,075	16,758	24,480	20,135	20,440	—
Other current non-assets		27,461	30,536	58,649	114,716	60,574	—
Total assets		3,438,847	3,147,140	4,380,761	4,564,144	5,171,651	—
Current liabilities	Before dividend distribution	576,422	400,159	635,170	614,183	831,412	—
	After dividend distribution	638,470	516,499	735,998	715,011	893,460 (Note 2)	—
Non-current liabilities		847,293	248,318	851,317	756,942	990,004	—
Total liabilities	Before dividend distribution	1,423,715	648,477	1,486,487	1,371,125	1,821,416	—
	After dividend distribution	1,485,763	764,817	1,587,315	1,471,953	1,883,464 (Note 2)	—
Attributable to owners of the parent company		2,014,900	2,498,402	2,894,084	3,192,833	3,350,235	—
Share capital		775,600	775,600	775,600	775,600	775,600	—
Capital reserve		334,323	334,323	334,323	334,323	334,526	—
Retained earnings	Before dividend distribution	898,946	1,384,760	1,744,399	2,128,959	2,295,585	—
	After dividend distribution	836,898	1,268,420	1,643,571	2,028,131	2,233,537 (Note 2)	—
Other equity		6,031	3,719	39,762	(46,049)	(55,476)	—
Treasury stock		—	—	—	—	—	—
non-controlling interests		232	261	190	186	—	—
Total equity	Before dividend distribution	2,015,132	2,498,663	2,894,274	3,193,019	3,350,235	—
	After dividend distribution	1,953,084	2,382,323	2,793,446	3,092,191	3,288,187 (Note 2)	—

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: The Company's 2023 profit distribution case was resolved by the board of directors on March 11, 2024. The case is pending resolution at the shareholders meeting in 2024.

Note 3: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

2. Condensed individual balance sheet - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year		Financial information for the latest 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		649,517	986,712	1,342,252	1,436,155	1,773,760
Available-for-sale financial assets - non-current		—	—	—	—	—
Financial assets carried at cost – non-current		—	—	—	—	—
Financial assets that are measured at fair value through profit or loss - non-current		28,160	32,456	26,726	33,317	32,856
Investments accounted for by the equity method		506,939	524,205	1,042,149	974,068	972,725
Property, plant, and equipment		2,180,291	1,539,133	1,866,067	1,960,513	2,284,250
Right-of-use assets		2,672	1,620	1,951	1,632	7,280
Real property for investment- net		10,700	10,700	10,700	10,700	10,700
Intangible assets		1,250	1,293	1,803	7,533	5,559
Deferred income tax assets		18,796	16,758	24,480	20,135	20,440
Other current non-assets		27,370	30,450	58,564	114,621	60,327
Total assets		3,425,695	3,143,327	4,374,692	4,558,674	5,167,897
Current liabilities	Before dividend distribution	565,114	396,995	629,291	608,980	827,658
	After dividend distribution	627,162	513,335	730,119	709,808	889,706 (Note 2)
Non-current liabilities		845,681	247,930	851,317	756,861	990,004
Total liabilities	Before dividend distribution	1,410,795	644,925	1,480,608	1,365,841	1,817,662
	After dividend distribution	1,472,843	761,265	1,581,436	1,466,669	1,879,710 (Note 2)
Attributable to owners of the parent company		2,014,900	2,498,402	2,894,084	3,192,833	3,350,235
Share capital		775,600	775,600	775,600	775,600	775,600
Capital reserve		334,323	334,323	334,323	334,323	334,526
Retained earnings	Before dividend distribution	898,946	1,384,760	1,744,399	2,128,959	2,295,585
	After dividend distribution	836,898	1,268,420	1,643,571	2,028,131	2,233,537 (Note 2)
Other equity		6,031	3,719	39,762	(46,049)	(55,476)
Treasury stock		—	—	—	—	—
non-controlling interests		—	—	—	—	—
Total equity	Before dividend distribution	2,014,900	2,498,402	2,894,084	3,192,833	3,350,235
	After dividend distribution	1,952,852	2,382,062	2,793,256	3,092,005 (Note 2)	3,288,187 (Note 2)

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: The Company's 2023 profit distribution case was resolved by the board of directors on March 11, 2024. The case is pending resolution at the shareholders meeting in 2024.

(II) Condensed and comprehensive income statement for the past five years

1. Condensed and comprehensive income statement - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					Financial results for the year ended March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenues	1,156,642	1,543,589	1,934,702	2,117,144	2,086,441	—
Operating gross profit	468,629	686,753	949,388	961,757	757,308	—
Operating gains and losses	121,108	268,920	438,475	463,532	280,809	—
Non-operating revenues and expenses	22,635	381,377	59,138	119,773	52,678	—
Earnings before tax	143,743	650,297	497,613	583,305	333,487	—
Continuing operations Current period net profit	117,124	532,063	401,050	466,140	264,909	—
Gain(loss) from discontinued operations	—	—	—	—	—	—
Current period net profit (loss)	117,124	532,063	401,050	466,140	264,909	—
Other comprehensive income for the period (post-tax profit or loss)	7,303	13,656	111,234	(66,288)	(6,865)	—
Total comprehensive income for the period	124,427	545,719	512,284	399,852	258,044	—
Net income attributable to owners of the parent company	117,003	531,873	400,778	465,865	264,909	—
Net income attributable to non-controlling interests	121	190	272	275	—	—
Total comprehensive income attributable to owners of the parent company	124,315	545,550	512,022	399,577	258,044	—
Total comprehensive income attributable to non-controlling interests	112	169	262	275	—	—
Earnings per share ($)	1.51	6.86	5.17	6.01	3.42	—

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.

2. Condensed individual income statement - International Financial Reporting Standards

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenues	1,135,207	1,515,144	1,896,625	2,065,195	2,038,630
Operating gross profit	448,557	661,948	916,081	926,272	721,107
Operating gains and losses	113,861	254,278	416,824	441,089	259,358
Non-operating revenues and expenses	27,142	391,989	74,404	136,546	69,408
Earnings before tax	141,003	646,267	491,228	577,635	328,766
Current net profits from continuing operations	117,003	531,873	400,778	465,865	264,909
Gain(loss) from discontinued operations	—	—	—	—	—
Current period net profit (loss)	117,003	531,873	400,778	465,865	264,909
Other comprehensive income for the period (post-tax profit or loss)	7,312	13,677	111,244	(66,288)	(6,865)
Total comprehensive income for the period	124,315	545,550	512,022	399,577	258,044
Net income attributable to owners of the parent company	117,003	531,873	400,778	465,865	264,909
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	124,315	545,550	512,022	399,577	258,044
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share ($)	1.51	6.86	5.17	6.01	3.42

Note 1: The above financial information for each year was audited by the CPAs.

(III) Names of financial statement auditors in the last 5 years, and their audit opinions:

Year	Name of auditor	Audit opinion
2019	Chang, Shu-Chiung, Yu, Shu-Fen	Unqualified opinion
2020	Chang, Shu-Chiung, Yu, Shu-Fen	Unqualified opinion
2021	Lin, Po-Chuan, Lin, Jun-Yao	Unqualified opinion
2022	Lin, Po-Chuan, Lin, Jun-Yao	Unqualified opinion
2023	Lin, Po-Chuan, Lin, Jun-Yao	Unqualified opinion

II. Financial analysis for the past five years:

(I) Consolidated financial analysis- IFRS

Items of analysis \ Year		Financial analysis for the latest 5 years (Note 1)					The current year as of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	41.40	20.60	33.93	30.04	35.21	—
	Ratio of long-term capital to property, plant and equipment	131.28	178.46	200.71	201.46	190.00	—
Solvency (%)	Current ratio	119.28	250.30	213.65	235.92	215.02	—
	Liquid ratio	47.27	128.99	93.08	99.66	63.34	—
	Interest coverage ratio	14.53	137.7	150.83	61.06	18.15	—
Management capacity	Receivable turnover ratio (times)	8.17	6.07	5.11	6.04	7.58	—
	Average collection days	44.67	60.13	71.42	60.43	48.15	—
	Average inventory turnover (times)	1.47	1.65	1.42	1.33	1.21	—
	Average payables turnover (times)	9.81	9.72	11.16	10.35	10.68	—
	Average inventory turnover days	248.29	221.21	257.04	274.43	301.65	—
	Fixed asset turnover (times)	0.52	0.82	1.13	1.10	0.98	—
	Total asset turnover (times)	0.34	0.46	0.51	0.47	0.42	—
Profitability	Return on assets (%)	3.77	16.27	10.72	10.59	5.76	—
	Return on equity (%)	5.85	23.57	14.87	15.31	8.09	—
	Ratio of pre-tax net income to paid-in capital (%)	18.53	83.84	64.15	75.20	42.99	—
	Net profit margin (%)	10.12	34.46	20.72	22.01	12.69	—
	Earnings per share ($)	1.51	6.86	5.17	6.01	3.42	—
Cash flow	Cash flow ratio (%)	46.51	34.54	34.50	119.47	(7.97)	—
	Cash flow adequacy ratio (%)	61.72	57.78	42.74	76.40	45.16	—
	Cash flow reinvestment ratio (%)	4.64	0.49	2.13	10.76	(2.59)	—
Leverage	Operating leverage	4.54	2.86	2.20	2.31	3.09	—
	Financial leverage	1.09	1.01	1.00	1.02	1.07	—

Please describe the reasons for the changes in the financial ratios over the last two years. (Changes less than 20% can be exempted from analysis)

1. Decreased quick ratio: Due to the raw materials in the upstream market that led the Company to carry out strategic purchases and prepare materials in advance, resulting in an increase in inventories for the current period compared with the same period last year.
2. Decline in times interest earned (TIE) ratio: Mainly due to the decrease in pre-tax net profit for the current period and the increase in interest expenses, resulting in the increase in borrowings compared with the same period last year.
3. Increase in receivables turnover rate and the decrease in average collection days: Mainly due to the decrease in operating revenue in the second half of the period, resulting in a decrease in the balance of accounts receivable at the end of the year.
4. Return on assets, return on equity, pre-tax income to paid-in capital ratio, net profit margin, earnings per share decreased: Mainly due to the decrease in net profit after tax for the period compared with the same period last year.
5. Decrease in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Mainly due to the decrease in net profit before tax and increase in inventory, resulting in a decrease in net cash generated from operating activities.
6. Increase in operating leverage: Mainly due to the decrease in operating income in the current period compared with the same period last year.

(II) Individual financial analysis- IFRS

Items of analysis \ Year		Financial analysis for the latest 5 years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio	41.18	20.51	33.84	29.96	35.17
	Ratio of long-term capital to property, plant and equipment	131.2	178.43	200.71	201.46	190.00
Solvency (%)	Current ratio	114.93	248.54	213.29	235.82	214.31
	Liquid ratio	41.72	126.28	91.65	98.54	61.97
	Interest coverage ratio	14.33	137.63	149.36	60.56	19.25
Management capacity	Receivable turnover ratio (times)	8.15	6.07	5.04	5.93	7.55
	Average collection days	44.78	60.13	72.42	61.55	48.34
	Average inventory turnover (times)	1.49	1.66	1.41	1.31	1.20
	Average payables turnover (times)	9.79	9.68	11.11	10.21	10.59
	Average inventory turnover days	244.96	219.87	258.86	278.62	304.16
	Fixed asset turnover (times)	0.51	0.81	1.11	1.07	0.96
	Total asset turnover (times)	0.34	0.46	0.50	0.46	0.41
Profitability	Return on assets (%)	3.78	16.30	10.73	10.60	5.74
	Return on equity (%)	5.85	23.56	14.86	15.30	8.09
	Ratio of pre-tax net income to paid-in capital (%)	18.17	83.32	63.33	74.47	42.38
	Net profit margin (%)	10.30	35.10	21.13	22.55	12.99
	Earnings per share ($)	1.51	6.86	5.17	6.01	3.42
Cash flow	Cash flow ratio (%)	48.23	32.87	32.98	122.29	(8.30)
	Cash flow adequacy ratio (%)	64.20	59.77	44.26	77.43	44.95
	Cash flow reinvestment ratio (%)	4.74	0.32	1.92	10.94	(2.63)
Leverage	Operating leverage	4.69	2.94	2.25	2.37	3.24
	Financial leverage	1.10	1.01	1.00	1.02	1.07

Please describe the reasons for the changes in the financial ratios over the last two years. (Changes less than 20% can be exempted from analysis)

1. Decreased quick ratio: Due to the raw materials in the upstream market that led the Company to carry out strategic purchases and prepare materials in advance, resulting in an increase in inventories for the current period compared with the same period last year.
2. Decline in times interest earned (TIE) ratio: Mainly due to the decrease in pre-tax net profit for the current period and the increase in interest expenses, resulting in the increase in borrowings compared with the same period last year.
3. Increase in receivables turnover rate and the decrease in average collection days: Mainly due to the decrease in operating revenue in the second half of the period, resulting in a decrease in the balance of accounts receivable at the end of the year.
4. Return on assets, return on equity, pre-tax income to paid-in capital ratio, net profit margin, earnings per share decreased: Mainly due to the decrease in net profit after tax for the period compared with the same period last year.
5. Decrease in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Mainly due to the decrease in net profit before tax and increase in inventory, resulting in a decrease in net cash generated from operating activities.
6. Increase in operating leverage: Mainly due to the decrease in operating income in the current period compared with the same period last year.

Note 1: The above annual financial reports have been verified by certified public accountants.
Note 2: As of the publication date of the annual report, there is no recent financial information to be audited or reviewed by accountants.
Note 3: Formulas are shown as follows:

1. Financial structure
   (1) The ratio of total liabilities to total assets = total liabilities / total assets
   (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Management capacity
   (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / Balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
   (2) Average collection days = 365 / Receivable turnover ratio
   (3) Average inventory turnover = Cost of goods sold / Average inventory
   (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / Balance of average payables of different periods (including accounts payables and notes payable due to business operation)
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Fixed asset turnover = Net sales / Average net value of fixed asset
   (7) Total asset turnover = Net sales / Average total asset
4. Profitability
   Return on assets = (after tax net profit + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on shareholders' equity = after tax net profit / total average equity.
   (3) Profit ratio = net income / net sales
   (4) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
   (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating income - Variable operating costs and expenses) / Operating profit (Note 6)
   (2) Financial leverage = Operating profit / (Operating profit - Interest expense)

III. Audit committee review of the most recent annual financial report:

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committees' Review Report

The board of directors submitted the company's 2023 business report, financial statements (consolidated and individual financial statements) and Earnings Distribution. The audit committee has also reviewed all of the reports and statements mentioned above and found no inconsistencies. Therefore, the audit committee has acted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and clarified as above.

Best regards

The 2024 Annual General Meeting of Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Audit Committee Convener, Wang, Kuo-Chiang

March 11, 2024

Auditor's Report

(2024) Cai-Shen-Bao-Zi No. 23003410

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

We have audited the accompanying proprietary consolidated balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries (hereinafter referred to as Chunghwa Group) as of December 31, 2023 and 2022 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Group as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and International Financial Reporting Standards (IFRS) that was approved and announced effective by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of "independent auditor's responsibility for consolidated financial statements." The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Group in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2023 consolidated financial statements of Chunghwa Group. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items from the 2023 consolidated financial statement of Chunghwa Chemical Synthesis and Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (12) in the consolidated financial report regarding the accounting policy on inventory valuation, Note 5 (2) for the accounting assessment and hypothetical uncertainty on inventory valuation, and Note 6 (4) for the description of the inventory account.

Chunghwa Group is engaged mainly in the production and sale of active pharmaceutical ingredients. Since active pharmaceutical ingredients are in a severely competitive market and sensitive to shelf life, the risk of losses from inventory devaluation or obsolescence is higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

1. Assessing the policy on allowance to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the business.
2. Performing sampling tests to examine if the market price of net realized value is consistent with the Company's policy, and randomly examining the accuracy of the selling price of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

For the accounting policy on the recognition of income, please refer to Note 4 (26) of the consolidated financial statement. For information on income accounts, please refer to Note 6 (15) of the consolidated financial statement. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

Our key audit procedures performed in respect of the above area included the following:

1. The group's operating procedure for and internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

Other matters - individual financial report

Chunghwa Group has compiled its 2023 and 2022 individual financial statements, for which we issued unqualified opinion.

The responsibility of the management and management units to the consolidated financial statements

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and International Financial Reporting Standards (IFRS) that was approved and announced effective by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

While preparing the consolidated financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Group, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operation, unless the management intends to liquidate Chunghwa Group or cease the business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Group are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the consolidated financial statements

The purpose of the independent auditor’s auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with auditing standards of the R.O.C. does not guarantee having any material misstatement in the consolidated financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered significant.

We used professional judgment and suspicion during the audit in accordance with the auditing standards of the Republic of China. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the consolidated financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Group.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Group are with significant uncertainties. If the independent auditor believes that such events or circumstances are with significant uncertainties, it is necessary to remind the users of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Group to continue operating.
5. Assess the overall expression, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the Group.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2023 consolidated financial statements of Chunghwa Group. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 21, 2024

Notice to Readers

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

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousand

	Assets	Additional notes	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 269,569	5	$ 300,614	7
1140	Contract assets - Current	6 (15)	275	-	88	-
1150	Notes receivable-net	6(3)	-	-	132	-
1170	Net accounts receivable	6(3)	234,933	5	292,676	7
1180	Account receivables-Related Parties-net	7	13,161	-	8,593	-
1200	Other receivable		8,697	-	10,037	-
1220	Current income tax assets		307	-	818	-
130X	Inventory	6 (4)	1,211,026	24	819,953	18
1410	Prepayments		49,815	1	16,080	-
11XX	**Total of Current Assets**		1,787,783	35	1,448,991	32
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	32,856	1	33,317	1
1550	Investments accounted for by the equity method	6 (5)	961,625	19	964,937	21
1600	property , plant, and equipment	6 (6) and 7	2,284,333	44	1,960,581	43
1755	Right-of-use assets		7,781	-	3,234	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		5,559	-	7,533	-
1840	Deferred income tax assets	6 (21)	20,440	-	20,135	-
1900	Other current non-assets	6 (11), 7 and 8	60,574	1	114,716	3
15XX	**Total of Non-Current Assets**		3,383,868	65	3,115,153	68
1XXX	**Total assets**		$ 5,171,651	100	$ 4,564,144	100

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (8)	$ 500,000	10	$ 100,000	2
2130	Contract liabilities - Current	6 (15)	15,908	-	53,948	1
2150	Payable notes		1,283	-	1,283	-
2170	Accounts payable		103,081	2	143,046	3
2200	Other payable	6 (9) and 7	194,567	4	260,338	6
2230	Current Income Tax Liability		10,593	-	49,980	1
2280	Lease liabilities – Current		3,362	-	2,541	-
2399	Other current liabilities- other		2,618	-	3,047	-
21XX	**Total of current liabilities**		831,412	16	614,183	13
	Non-current liabilities					
2527	Contract liabilities – Non-current	6 (15)	26,995	-	-	-
2540	Long-term borrowings	6 (10)	700,000	14	500,000	11
2570	Deferred income tax liabilities	6 (21)	258,541	5	256,221	6
2580	Lease liabilities – Non-current		4,468	-	721	-
25XX	**Total of non-current liabilities**		990,004	19	756,942	17
2XXX	**Total liabilities**		1,821,416	35	1,371,125	30
	Attributable to owners of the parent company					
	Share capital	6 (12)				
3110	Ordinary shares capital		775,600	15	775,600	17
	Capital reserve	6 (13)				
3200	Capital reserve		334,526	7	334,323	7
	Retained earnings	6 (14)				
3310	Legal earnings reserve		322,152	6	273,613	6
3320	Special earnings reserve		229,344	4	183,296	4
3350	Undistributed earnings		1,744,089	34	1,672,050	37
	Other equity					
3400	Other equity		(55,476)	(1)	(46,049)	(1)
31XX	**Equity attributable to owners of the parent Company**		3,350,235	65	3,192,833	70
36XX	**non-controlling interests**		-	-	186	-
3XXX	**Total equity**		3,350,235	65	3,193,019	70
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	11				
3X2X	**Total liabilities and equity**		$ 5,171,651	100	$ 4,564,144	100

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2023 and 2022

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenues	6 (15) and 7	$ 2,086,441	100	$ 2,117,144	100
5000	Operating cost	6(4)(20) and 7	(1,329,133)	(64)	(1,155,387)	(55)
5900	Operating gross profit		757,308	36	961,757	45
	Operating expenses	6 (20) and 7				
6100	Marketing expenses		(129,176)	(6)	(162,468)	(8)
6200	Administrative expenses		(104,627)	(5)	(109,313)	(5)
6300	Research and development expenses		(242,696)	(12)	(244,789)	(11)
6450	Expected gain on credit impairment	12 (2)	-	-	18,345	1
6000	Total operating expenses		(476,499)	(23)	(498,225)	(23)
6900	Operating profit		280,809	13	463,532	22
	Non-operating revenues and expenses					
7100	Interest revenue	6 (16)	7,271	-	4,507	-
7010	Other revenue	6 (17)	10,694	1	9,324	1
7020	Other profits and losses	6 (18)	17,646	1	64,554	3
7050	Financial costs	6 (19)	(19,439)	(1)	(9,712)	-
7060	Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	36,506	2	51,100	2
7000	Total non-operating revenues and expenses		52,678	3	119,773	6
7900	**Earnings before tax**		333,487	16	583,305	28
7950	Income tax expense	6 (21)	(68,578)	(3)	(117,165)	(6)
8200	**Current period net profit**		$ 264,909	13	$ 466,140	22

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated comprehensive income statements
January 1 to December 31, 2023 and 2022

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (11)	($ 840)	-	$ 16,849	1
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(1,774)	-	(82,306)	(4)
8349	Income tax related to accounts not being reclassified	6 (21)	168	-	(3,370)	-
8310	Total amount of items not reclassified to profit or income		(2,446)	-	(68,827)	(3)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(19)	-	1,408	-
8370	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss.		(4,400)	(1)	1,131	-
8360	Total amount of items probably reclassified to profit or loss subsequently		(4,419)	(1)	2,539	-
8300	**Other comprehensive income (net)**		($ 6,865)	(1)	($ 66,288)	(3)
8500	**Total comprehensive income for the period**		$ 258,044	12	$ 399,852	19
	Profit attributable to:					
8610	Owners of parent		$ 264,909	13	$ 465,865	22
8620	non-controlling interests		$ -	-	$ 275	-
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 258,044	12	$ 399,577	19
8720	non-controlling interests		$ -	-	$ 275	-
	Earnings per share	6 (22)				
9750	Base earnings per share		$ 3.42		$ 6.01	
9850	Diluted earnings per share		$ 3.39		$ 5.93	

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated statement of changes in equity
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Additional notes	Attributable to owners of the parent company										
			Capital reserve		Retained earnings			Other equity				
		Ordinary shares capital	Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Total	non-controlling interests	Total equity
2022												
Balance at January 1, 2022		$ 775,600	$ 333,746	$ 577	$ 226,015	$ 183,296	$ 1,335,088	($ 4,032)	$ 43,794	$ 2,894,084	$ 190	$ 2,894,274
Current period net profit		-	-	-	-	-	465,865	-	-	465,865	275	466,140
Current other comprehensive income		-	-	-	-	-	15,082	2,539	(83,909)	(66,288)	-	(66,288)
Total comprehensive income for the period		-	-	-	-	-	480,947	2,539	(83,909)	399,577	275	399,852
The 2021 appropriation and distribution of earnings:	6 (14)											
Legal earnings reserve		-	-	-	47,598	-	(47,598)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(100,828)	-	-	(100,828)	-	(100,828)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	4,441	-	(4,441)	-	-	-
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	(279)	(279)
Balance at December 31, 2022		$ 775,600	$ 333,746	$ 577	$ 273,613	$ 183,296	$ 1,672,050	($ 1,493)	($ 44,556)	$ 3,192,833	$ 186	$ 3,193,019
2023												
Balance at January 1, 2023		$ 775,600	$ 333,746	$ 577	$ 273,613	$ 183,296	$ 1,672,050	($ 1,493)	($ 44,556)	$ 3,192,833	$ 186	$ 3,193,019
Current period net profit		-	-	-	-	-	264,909	-	-	264,909	-	264,909
Current other comprehensive income		-	-	-	-	-	(552)	(4,419)	(1,894)	(6,865)	-	(6,865)
Total comprehensive income for the period		-	-	-	-	-	264,357	(4,419)	(1,894)	258,044	-	258,044
The 2022 appropriation and distribution of earnings:	6 (14)											
Legal earnings reserve		-	-	-	48,539	-	(48,539)	-	-	-	-	-
Special earnings reserve		-	-	-	-	46,048	(46,048)	-	-	-	-	-
Cash dividend		-	-	-	-	-	(100,828)	-	-	(100,828)	-	(100,828)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	3,097	-	(3,097)	-	-	-
Gifts and donation		-	-	203	-	-	-	(17)	-	186	(186)	-
Balance at December 31, 2023		$ 775,600	$ 333,746	$ 780	$ 322,152	$ 229,344	$ 1,744,089	($ 5,929)	($ 49,547)	$ 3,350,235	$ -	$ 3,350,235

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2023	January 1 to December 31, 2022
Cash flow from operating activities			
Pre-tax profit for the current period		$ 333,487	$ 583,305
Adjustments			
Income, expense, and loss			
Depreciation	6 (20)	189,478	167,257
Amortization	6 (20)	3,527	1,792
Expected gain (loss) on credit impairment	12 (2)	-	(18,345)
Net profit from financial assets and liabilities at fair value through profit and loss	6 (2) (18)	(10,768)	(9,591)
Dividend income	6 (17)	(978)	-
Interest revenue	6 (16)	(7,271)	(4,507)
Shareholding in the affiliated companies and joint ventures under the equity method	6 (5)	(36,506)	(51,100)
Loss on disposal of property, plant and equipment	6 (18)	-	695
Interest expenses	6 (19)	19,439	9,712
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
De-capitalization refunded monies of financial assets at fair value through profit or loss	6 (2)	11,229	3,000
Contract assets-Current		(187)	(88)
Notes receivable-net		132	348
Net accounts receivable		57,743	81,592
Accounts receivable-related parties (net)		(4,568)	14,884
Other receivable		1,340	6,090
Inventory		(391,073)	(66,103)
Prepayments		(33,735)	(4,109)
Net defined benefit assets		278	704
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		(11,045)	(20,040)
Payable notes		-	68
Accounts payable		(39,965)	65,496
Other payable		(53,410)	31,884
Other current liabilities-others		(429)	538
Net cash provided by operating activities		26,718	793,482
Interest received		7,269	4,507
Dividends received		34,621	37,848
Interest paid		(29,617)	(10,210)
Income tax paid		(105,265)	(91,848)
Net cash inflow (outflow) from operating activities		(66,274)	733,779

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Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Consolidated cash flow statement
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2023	January 1 to December 31, 2022
Cash flow from investing activities			
Costs of property, plant and equipment acquired	6 (23)	($ 449,997)	($ 374,664)
Acquisition of Intangible assets		(1,554)	(1,520)
Increase in guarantee deposits paid		(9,773)	-
Net cash outflow from investing activities		(461,324)	(376,184)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (24)	400,000	(50,000)
Proceeds from long-term loan	6 (24)	400,000	1,600,000
Re-payments of long-term borrowings	6 (24)	(200,000)	(1,700,000)
Lease principal repayment	6 (24)	(2,598)	(2,211)
Cash dividend distribution	6 (14)	(100,828)	(100,828)
Cash dividends paid by subsidiaries - Changes in non-controlling interests		-	(279)
Net cash inflow (outflow) from financing activities		496,574	(253,318)
Effects of exchange rate fluctuation on cash		(21)	1,087
Increase (decrease) in cash and cash equivalents for the current period		(31,045)	105,364
Opening balance of cash and cash equivalents		300,614	195,250
Closing balance of cash and cash equivalents		$ 269,569	$ 300,614

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries
Notes to consolidated financial statement
2023 and 2022

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company and the subsidiaries (collectively referred to as the Group) include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

2. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 11, 2024.

3. Application of new and revised standards and interpretation

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards approved and announced effective by the Financial Supervisory Commission in 2023.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to International Financial Reporting Standards (IAS) #1 "Disclosure of accounting policies."	January 1, 2023
Amendment to International Financial Reporting Standards (IAS) #8 "Definition of accounting estimate."	January 1, 2023
Amendment to International Accounting Standard 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023
Amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules"	May 23, 2023

The Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group's financial position and financial performance.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by

the Financial Supervisory Commission in 2024.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
Current or non-current classification of liabilities (Amendments to IAS 1)	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

The Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group’s financial position and financial performance.

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

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 10 and IAS 28 “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”	To be determined by the International Accounting Standards Board (IASB).
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to International Financial Reporting Standard 17: "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS No. 21 "Lack of Exchangeability"	January 1, 2025

The Group has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Group’s financial position and financial performance.

4. Summary of significant accounting policies

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

(1) Compliance Statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs).

(2) Basis of preparation

1. Except for the following items, these consolidated statements have been prepared under the historical cost convention:
   (1) Financial assets at fair value through other comprehensive Income
   (2) The ascertained welfare assets recognized as the net amount of the pension fund assets minus the current value of the ascertained welfare obligations.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. The basis of preparation for consolidated financial statements
   (1) The Group incorporates all subsidiaries for the preparation of the consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are incorporated into the consolidated financial statements from the date they are controlled by the Group and cease to be consolidated on the date it is no longer controlled by the Group.
   (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated from the consolidated financial statements. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.
   (3) The components of profit and loss and other comprehensive income are attributable to the owner of the parent company and non-controlling interests. The total comprehensive income is also attributable to the owner of the parent company and non-controlling interests, even if it results in a loss of non-controlling interests.
   (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
   (5) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as

would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the financial statements:

			Percentage of shareholdings		
Investor	Subsidiary name	Nature of the operation	December 31, 2023	December 31, 2022	Description
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Trading of API drugs	100.00%	98.00%	Note

Note: The shareholder of the minor interests donated the Company a 2% stake of PHARMAPORTS, LLC on January 1, 2023.

3. Subsidiary company not included in the consolidated financial statements are as follows: None
4. Adjustments on subsidiary companies with different accounting periods: None.
5. Significant limitations: None
6. Subsidiaries of the Group with significant non-controlling interests: None.

(4) Foreign-currency translations

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

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.

(4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

2. Translation of the financial statements of foreign operations

(1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Group retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

(5) Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Group classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Expected to be repaid within 12 months of the balance sheet date

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. 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.

The Group classifies liabilities that do not meet any of the above criteria as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. A regular way purchase or sale of financial assets is recognized and derecognized using either trade date or settlement date accounting.
3. The Group measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Group recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(8) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of Financial Assets

Financial assets measured at amortized cost, the Group, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(10) The de-recognition of financial assets

A financial asset is derecognized when the Group's rights to receive cash flows from the financial assets have expired.

(11) The lessor's lease transaction/business lease

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

(12) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(13) Investments in equity method-associate companies

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.

2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

3. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Group will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.

4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Group.

5. When the Group disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Group loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in

relation to the total cost of the item must be depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(15) The lessee's lease transaction-right-of-use assets/lease liabilities.

1. Lease assets are recognized on the day of the available for use by the Group as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.

2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Group's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the right-of-use asset.

3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:

   (1) The original measured amount of lease liability;

   (2) Any original direct costs incurred;

   The cost model is adopted for subsequent measurements. Either the end of the durability of right-of-use assets or the end of the period of lease incurring earlier will be provisioned as depreciation fees. When re-evaluating lease liability, the right-of-use asset will readjust any remeasurements of lease liability.

(16) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(17) Intangible assets

Based on the acquisition cost as the accounting basis; computer software, patent rights and specialized technology are amortized based on their economic life or contractual term,

whichever is shorter.

(18) Losses in non-financial asset

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(19) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.

2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) De-recognition of financial liabilities

The Group derecognizes a liability when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized to the extent

of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

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

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

C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Remunerations for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. A deferred tax liability is not recognized for liabilities arising from initial recognition of goodwill or arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit (taxable loss) and at the time of the

transaction, does not give rise to equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(26) Recognition of revenue

1. Product sales

(1) The Group manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Group has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.

(2) Account receivables are recognized when goods are delivered to customers. Since the Group has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

2. Labor revenue

(1) The Group provides commissioned bio drug testing and other related services. Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based of the proportion of services provided in all services provided as of the balance

sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.

(2) The Group's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

(27) Operating segments

The operating segment information and the internal management reports submitted to the mainly operational decision makers are consistent in the way of reporting. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Group measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Group must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Group assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2023, the book balance of the Group's inventories is $1,211,026.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	$ 630	$ 624
Checking accounts and demand deposits	268,939	299,990
	$ 269,569	$ 300,614

1. The financial institutions that the Group deals with are with good credit quality; also, the Group deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.

2. None of the Group's cash and cash equivalents pledged to others as collateral.

(2) Financial assets at fair value through profit and loss

Item	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	$ 6,771	$ 18,000
Evaluation adjustment	26,085	15,317
	$ 32,856	$ 33,317

1. Financial assets at fair value through profit and loss is detailed as follows:

	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 10,768	$ 9,591

2. In January 2023, June 2023 and April 2022, the Group's investment in financial assets at fair value through profit or loss was reduced and the share capital of $3,060, $8,169 and $3,000 was returned, respectively.

(3) Note receivable and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ -	$ 132
Accounts receivable	$ 235,199	$ 292,942
Less: Allowance for losses	(266)	(266)
	$ 234,933	$ 292,676

1. Aging of notes receivable and accounts receivable is as follows:

(1) Notes receivable

	December 31, 2023	December 31, 2022
Not overdue	$ -	$ 132

(2) Accounts receivable

	December 31, 2023	December 31, 2022
Not overdue	$ 197,349	$ 256,722
Up to 30 days	37,850	1,182
31 to 60 days	-	35,038
	$ 235,199	$ 292,942

The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in December 31, 2023 and 2022 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2022 amount to $375,014 and $18,611 respectively.

3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Group had the maximum exposure of credit risk at $234,933 and $292,808, respectively, as of December 31, 2023 and 2022.

4. The Group does not hold any collaterals.

5. Please see Note 12 (2) for the credit quality of the notes receivable and accounts receivable.

(4) Inventory

	December 31, 2023		
	Cost	Price loss allowance	Book value
Raw materials	$ 498,721	($ 18,557)	$ 480,164
Work in process	136,496	-	136,496
Finished products	658,053	(63,687)	594,366
	$ 1,293,270	($ 82,244)	$ 1,211,026

	December 31, 2022		
	Cost	Price loss allowance	Book value
Raw materials	$ 289,037	($ 27,365)	$ 261,672
Work in process	168,141	(427)	167,714
Finished products	439,639	(49,072)	390,567
	$ 896,817	($ 76,864)	$ 819,953

The Group's current inventory cost recognized as expenses:

	2023	2022
Cost of inventory sold	$ 1,319,316	$ 1,125,660
Loss of price decline of inventory and obsolescence loss	12,232	29,630
Proceeds from sale of scraps.	(2,687)	(3,868)
	$ 1,328,861	$ 1,151,422

(5) Investments accounted for by the equity method

	December 31, 2023	December 31, 2022
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 961,625	$ 964,937

1. Affiliate business

(1) The basic information of the Group's main affiliates is shown as follows:

Company name	Main places of business operations	Ratio of Shareholding December 31, 2023	Ratio of Shareholding December 31, 2022	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	14.11%	14.11%	Strategic investment	Equity method

(2) The aggregated information of the Group's main affiliates is shown as follows:

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd. December 31, 2023	China Chemical & Pharmaceutical Co., Ltd. December 31, 2022
Current assets	$ 5,583,096	$ 5,938,797
Non-Current assets	7,281,735	6,883,766
Current liabilities	(3,392,902)	(3,299,537)
Non-current liabilities	(2,001,513)	(2,093,449)
Total net assets	$ 7,470,416	$ 7,429,577
Book value of affiliates	$ 961,625	$ 964,937

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd.	
	2023	2022
Income	$ 8,574,720	$ 8,456,512
Current net profits from continuing operations	$ 323,573	$ 479,298
Other comprehensive income (net after tax)	(44,747)	(571,301)
Total comprehensive income for the period	$ 278,826	($ 92,003)
Stock dividends collected from affiliates	$ 33,643	$ 37,848

2. Profit and loss of associates recognized by using equity method:

	2023	2022
China Chemical & Pharmaceutical Co., Ltd.	$ 36,506	$ 51,100

3. The Company's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were $1,023,994 and $1,398,267 as of December 31, 2023 and 2022, respectively.

4. The Company holds a 14.11% stake of China Chemical & Pharmaceutical Co., Ltd. and sits on one seat of its Board of Directors, so it has significant influence. In addition, the Company is the shareholder holding the largest stake of the said company. Given the fact that the Group has no substantial power to direct the said company's relevant activities evidenced by the history of other shareholders' degree of participation and number of votes on major agendas in the shareholders meetings of the said company, it is determined that the Group does not have control over the said company, but significant influence.

(6) Property , plant, and equipment

	2023						
	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 741,400	$ 900,616	$1,648,682	$ 8,121	$ 639,064	$ 27,851	$ 3,965,734
Accumulated depreciation and impairment	-	(508,739)	(1,028,690)	(6,791)	(460,933)	-	(2,005,153)
	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,131	$ 27,851	$ 1,960,581
2023							
January 1	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,131	$ 27,851	$ 1,960,581
Additions	350,183	10,431	9,041	-	19,043	121,911	510,609
Reclassification	-	25,046	54,690	-	21,633	(101,369)	-
Depreciation	-	(47,190)	(100,727)	(570)	(38,371)	-	(186,858)
Net exchange differences	-	-	-	-	1	-	1
December 31	$1,091,583	$ 380,164	$ 582,996	$ 760	$ 180,437	$ 48,393	$ 2,284,333
December 31							
Cost	$1,091,583	$ 936,092	$1,708,513	$ 7,731	$ 673,096	$ 48,393	$ 4,465,408
Accumulated depreciation and impairment	-	(555,928)	(1,125,517)	(6,971)	(492,659)	-	(2,181,075)
	$1,091,583	$ 380,164	$ 582,996	$ 760	$ 180,437	$ 48,393	$ 2,284,333

	2022						
	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1							
Cost	$ 741,400	$ 826,107	$1,414,963	$ 8,121	$ 608,850	$ 126,443	$3,725,884
Accumulated depreciation and impairment	-	(470,694)	(941,651)	(6,220)	(441,167)	-	(1,859,732)
	$ 741,400	$ 355,413	$ 473,312	$ 1,901	$ 167,683	$ 126,443	$1,866,152
2022							
January 1	$ 741,400	$ 355,413	$ 473,312	$ 1,901	$ 167,683	$ 126,443	$1,866,152
Additions	-	11,990	23,779	-	29,005	205,299	270,073
Reclassification (Note)	-	63,419	213,113	-	17,446	(303,891)	(9,913)
Disposition	-	-	-	-	(695)	-	(695)
Depreciation	-	(38,945)	(90,212)	(571)	(35,319)	-	(165,047)
Net exchange differences	-	-	-	-	11	-	11
December 31	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,131	$ 27,851	$1,960,581
December 31							
Cost	$ 741,400	$ 900,616	$1,648,682	$ 8,121	$ 639,064	$ 27,851	$3,965,734
Accumulated depreciation and impairment	-	(508,739)	(1,028,690)	(6,791)	(460,933)	-	(2,005,153)
	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,131	$ 27,851	$1,960,581

Note: The term reclassification is an act to transfer out onto “intangible assets” and “operating cost”.

(7) Investment property

	December 31, 2023	December 31, 2022
Land cost	$ 10,700	$ 10,700

1. Rental income and direct operating expenses of investment properties:

	2023	2022
Rental income of investment properties	$ 743	$ 767
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 56	$ 53

2. The fair value of investment properties held by the Group for the years ended December 31, 2023 and 2022 was NTD 70,305 and NTD 70,305, respectively, based on the transaction prices of the adjacent lands.

(8) Shot-term borrowings

The short-term borrowings of the Group as of December 31, 2023 and 2022 are as follows:

Loans nature	December 31, 2023	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 500,000	1.62%~1.85%	None
Loans nature	**December 31, 2022**	**Interest rate collars**	**Collateral**
Bank loan			
Credit loan	$ 100,000	1.50%	None

(9) Other payable

	December 31, 2023	December 31, 2022
Salary and bonus payables	$ 79,513	$ 90,542
Equipment payables	27,683	29,867
Remuneration to employees and directors payable	27,670	60,627
R&D expenses payable	19,625	15,310
Commission payable	10,620	20,769
Repair fees payable	4,414	6,307
Others	25,042	36,916
	$ 194,567	$ 260,338

(10) Long-term borrowings

	December 31, 2023	December 31, 2022
Bank loan		
Credit loan	$ 700,000	$ 500,000
Interest rate collars	1.88%~1.91%	1.76%~1.79%

The one-time repayment of credit loan is due in 2025.

(11) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	($ 104,900)	($ 105,279)
The fair value of plan assets	143,904	145,401
Net defined benefit assets	$ 39,004	$ 40,122
(Recognized as Other non-current assets)		

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

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2023			
Balance at January 1	($ 105,279)	$ 145,401	$ 40,122
Current service cost	(775)	-	(775)

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
Interest (expense) income	(1,222)	1,719	497
	(107,276)	147,120	39,844
2023			
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,377	1,377
The effect of changes in financial assumptions	(335)	-	(335)
Experience adjustments	(1,882)	-	(1,882)
	(2,217)	1,377	(840)
Pension payment	4,593	(4,593)	-
Balance at December 31	($ 104,900)	$ 143,904	$ 39,004

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2022			
Balance at January 1	($ 117,792)	$ 141,770	$ 23,978
Current service cost	(882)	-	(882)
Interest (expense) income	(789)	966	177
	(119,463)	142,736	23,273
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,986	10,986
The effect of changes in financial assumptions	3,767	-	3,767
Experience adjustments	2,096	-	2,096
	5,863	10,986	16,849
Pension payment	8,321	(8,321)	-
Balance at December 31	($ 105,279)	$ 145,401	$ 40,122

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined

benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) Assumptions for the actuation of pension funds are summarized as follows:

	2023	2022
Discounted rate	1.15%	1.20%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 6th Taiwan Standard Ordinary Experience Mortality Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
The impact on the present value of the defined benefit obligations	($ 1,660)	$ 1,706	$ 1,688	($ 1,650)

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2022				
The impact on the present value of the defined benefit obligations	($ 1,804)	$ 1,856	$ 1,837	($ 1,795)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The Company applied for a suspension of the allocation of labor pension reserve on December 15, 2022 and December 9, 2021, which was approved to suspend the allocation of labor pension reserve in 2023 and 2022.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) Pharmaports, LLC follows the retirement insurance system in the US and has an internal policy determining the allocation of pensions. Every month, a certain percentage of the local employees' salary is allocated to the pension fund.

(3) The pension costs under the defined contribution pension plans of the Group for the 2023 and 2022 were $11,328 and $10,726, respectively.

(12) Share capital

1. As of December 31, 2023, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was $775,600 with a par value of $10 (in dollars) per share. All issued capital of the Company were paid up.

2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2023 and 2022.

3. The affiliation of the Company held 21,575 thousand shares and 21,575 thousand shares, respectively of the Company as of December 31, 2023 and 2022.

4. On May 30, 2023, the Company's shareholders' meeting adopted a resolution to issue ordinary shares or domestic convertible corporate bonds (including secured or unsecured convertible corporate bonds) through private placement. The board of directors is authorized to decide on the number of shares to be actually issued or converted within the limit of 20% of the total number of ordinary shares issued (i.e., not exceeding 15,512,000 shares), depending on the capital market conditions.

(13) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(14) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than $0.1 per share, it can be given in the form of stock dividend.

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When adopting IFRSs for the first time on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.

4. (1) The appropriations of 2022 and 2021 earnings had been resolved at the shareholders' meeting on May 30, 2023 and May 25, 2022, respectively. Details are summarized below:

	2022		2021	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 48,539		$ 47,598	
Special earnings reserve	46,048		-	
Cash dividend	100,828	$ 1.3	100,828	$ 1.3
	$ 195,415		$ 148,426	

(2) The appropriations of 2023 earnings had been proposed by the Board of Directors on March 11, 2024. Details are summarized below:

	2023	
	Amount	Dividends per share ($)
Legal earnings reserve	$ 26,745	
Special earnings reserve	9,427	
Cash dividend	62,048	$ 0.8
	$ 98,220	

The aforementioned distribution of earnings of 2023 has not been passed in the shareholders' meeting.

(15) Operating revenues

	2023	2022
Revenue from Contracts with Customers	$ 2,086,441	$ 2,117,144

1. Segmentation of revenue from contracts with customers

The Group's revenues are generated from goods and labor services gradually transferred with time and transferred at a specific time. Revenues can be subdivided into the following geographic areas:

2023	Taiwan	United States	Total
Revenue from contracts with external customers	$ 588,045	$ 1,498,396	$ 2,086,441
Time point of sales income recognition			
Revenues recognized at a specific time	$ 586,851	$ 1,498,396	$ 2,085,247
Revenues gradually recognized with time	1,194	-	1,194
	$ 588,045	$ 1,498,396	$ 2,086,441

2022	Taiwan	United States	Total
Revenue from contracts with external customers	$ 675,779	$ 1,441,365	$ 2,117,144
Time point of sales income recognition			
Revenues recognized at a specific time	$ 669,364	$ 1,441,365	$ 2,110,729
Revenues gradually recognized with time	6,415	-	6,415
	$ 675,779	$ 1,441,365	$ 2,117,144

2. Contract assets and contract liabilities

(1) The contract assets and contract liabilities of customer contract revenue recognized by the Group are shown as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets			
-Labor services	$ 275	$ 88	$ -
Contract liabilities:			
-Drug sale contracts	$ 40,370	$ 51,411	$ 70,299
-Labor services	2,533	2,537	3,689
Total	$ 42,903	$ 53,948	$ 73,988

(2) The initial contract liabilities arising from sales and labor contracts recognized as revenues in 2023 and 2022 total $11,350 and $72,619 respectively.

(16) Interest revenue

	2023	2022
Interest from bank deposits	$ 7,269	$ 4,507
Other interest incomes	2	-
	$ 7,271	$ 4,507

(17) Other revenue

	2023	2022
Insurance claim income	$ 4,275	$ -
Dividend income	978	-
Rent revenue	743	5,767
Other Revenue- other	4,698	3,557
	$ 10,694	$ 9,324

(18) Other profits and losses

	2023	2022
Net profit from financial assets at fair value through profit and loss	$ 10,768	$ 9,591
Net gain on foreign currency exchange	6,878	56,819
Loss on disposal of property, plant and equipment	-	(695)
Miscellaneous income	-	(1,161)
	$ 17,646	$ 64,554

(19) Financial costs

	2023	2022
Bank loan	$ 17,971	$ 9,675
Other financial expenses	1,468	37
	$ 19,439	$ 9,712

(20) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality / Characteristics	2023		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 145,971	$ 186,019	$ 331,990
Labor insurance and national health insurance	15,273	15,086	30,359
Pension expenses	4,689	6,917	11,606
Other employee expenses	10,602	10,932	21,534
Depreciation	152,333	37,145	189,478
Amortization	1,756	1,771	3,527

Functionality / Characteristics	2022		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 161,293	$ 219,647	$ 380,940
Labor insurance and national health insurance	13,944	14,034	27,978
Pension expenses	4,596	6,835	11,431
Other employee expenses	8,834	12,577	21,411
Depreciation	133,406	33,851	167,257
Amortization	146	1,646	1,792

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A. For the 2023, employees' compensation was accrued at $23,449 while directors' remuneration was accrued at $4,221. The aforementioned amounts were recognized in salary expenses.

B. For the 2022, employees' compensation was accrued at $51,292 while directors' remuneration was accrued at $$9,335. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 6.58% and 1.18% of profit of current year distributable for the 2023, respectively.

D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2022 were $51,292 and $9,335, respectively, consistent with the amount recognized in the 2022 financial report.

E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(21) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2023	2022
Current income tax:		
Current income tax	$ 59,866	$ 104,205
Additional levy on undistributed earnings	9,879	4,700
Underestimate (overestimated) income tax of prior years	(3,350)	1,363
Total Current income tax	66,395	110,268
Deferred income tax:		
Origin and reversal of temporary differences	2,183	6,897
Income tax expense	$ 68,578	$ 117,165

(2) Income tax amounts relating to other comprehensive profit and loss:

	2023	2022
Defined benefit obligation revaluation amount and volume	$ 168	($ 3,370)

2. Reconciliation between income tax expense and accounting profit:

	2023	2022
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 70,984	$ 121,849
Tax-free income by Income Tax Law	(10,172)	(12,138)
Impact on income tax from items excluded according to the tax law	173	-
Realizable changes from deferred income tax assets	(27)	(112)
Additional levy on undistributed earnings	9,879	4,700
Underestimate (overestimated) income tax of prior years	(3,350)	1,363
Foreign dividend withholding tax rate difference	1,091	1,503
Income tax expense	$ 68,578	$ 117,165

3. Deferred income tax assets or liabilities arising from temporary differences:

	2023			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Temporary differences:				
- Deferred income tax assets:				
Falling price of inventory	$15,372	$ 1,076	$ -	$16,448
Unrealized exchange loss	811	1,273	-	2,084
Impairment loss of fixed assets	89	(63)	-	26
Bonus payable for paid leave not taken	1,577	133	-	1,710
Unrealized profit from sales of inventories in transit	2,286	(2,114)	-	172
Subtotal	20,135	305	-	20,440
- Deferred income tax liabilities				
Profit and loss recognized by using equity method	(8,032)	(2,543)	-	(10,575)
Determined benefit obligation	(8,025)	55	168	(7,802)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(256,221)	(2,488)	168	(258,541)
Total	($236,086)	($ 2,183)	$ 168	($238,101)

	2022			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Temporary differences:				
- Deferred income tax assets:				
Falling price of inventory	$16,214	($ 842)	$ -	$15,372
Excess losses from bad debts	2,868	(2,868)	-	-
Unrealized exchange loss	245	566	-	811
Impairment loss of fixed assets	243	(154)	-	89
Bonus payable for paid leave not taken	1,530	47	-	1,577
Unrealized profit from sales of inventories in transit	3,380	(1,094)	-	2,286
Subtotal	24,480	(4,345)	-	20,135
- Deferred income tax liabilities				
Profit and loss recognized by using equity method	(5,339)	(2,693)	-	(8,032)
Determined benefit obligation	(4,796)	141	(3,370)	(8,025)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(250,299)	(2,552)	(3,370)	(256,221)
Total	($225,819)	($ 6,897)	($ 3,370)	($236,086)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2021.

(22) Earnings per share

	2023		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NTD)
Base earnings per share			
Net income attributable to the parent company	$ 264,909	77,560	$ 3.42
Diluted earnings per share			
Net income attributable to the parent company	$ 264,909	77,560	
Effect of dilutive potential ordinary shares: Employees’ compensation	-	532	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 264,909	78,092	$ 3.39

	2022		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NTD)
Base earnings per share			
Net income attributable to the parent company	$ 465,865	77,560	$ 6.01
Diluted earnings per share			
Net income attributable to the parent company	$ 465,865	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	940	
Net income attributable to the parent company			
Potential effect on ordinary shares	$ 465,865	78,500	$ 5.93

(23) Supplemental cash flow information

Investing activities partially funded with cash:

	2023	2022
Purchase of property, plant, and equipment	$ 510,609	$ 270,073
Add: Opening balance of payable on equipment	29,867	94,544
Prepayments for land and equipment at the end of the period	7,204	70,000
Less: Ending balance of payable on equipment	(27,683)	(29,867)
Prepayments for land and equipment at the beginning of the period	(70,000)	(30,086)
Cash Paid for the Period	$ 449,997	$ 374,664

(24) Changes in liabilities arising from financing activities

	2023			
	Shot-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 100,000	$ 500,000	$ 3,262	$ 603,262
Addition	1,550,000	400,000	-	2,399,341
Repayment	(1,150,000)	(200,000)	(2,598)	(1,801,939)
Other non-cash changes	-	-	7,150	7,150
Impact from change in exchange rate	-	-	16	16
December 31	$ 500,000	$ 700,000	$ 7,830	$ 1,207,830

	2022			
	Shot-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 150,000	$ 600,000	$ 2,338	$ 752,338
Addition	2,300,000	1,600,000	-	4,269,577
Repayment	(2,350,000)	(1,700,000)	(2,211)	(4,421,788)
Other non-cash changes	-	-	2,965	2,965
Impact from change in exchange rate	-	-	170	170
December 31	$ 100,000	$ 500,000	$ 3,262	$ 603,262

7. Related party transactions

(1) Name and relationship of related parties

Name of related parties	Relationship with the Group
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Group's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Group's main affiliates
Chunghwa Senior Care Co., Ltd.	The Group's main affiliates
Tairung Development Co., Ltd.	The Group's main affiliates
Sino-Japan Chemical Co., Ltd.	Other related parties
The Mr. Wang Min-ning Memorial Foundation	Other related parties

(2) Major transactions with related parties

1. Operating revenues

	2023	2022
Product sales:		
Affiliate business	$ 32,173	$ 39,225

(1) The transaction price of the Group for related parties is based on the price agreed upon by both parties, which is similar to the sales price for general customers.

(2) The Group's payment period is 30–120 days (monthly) for non-stakeholders and 120 days (monthly) for stakeholders after shipment.

(3) The Group signed a raw material production and sales contract with China Chemical &

Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Group sold raw materials to the said party at the net cost +30% profit for processing into goods; the Group is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Group's sales gross profit).

2. Purchase

	2023	2022
Purchase of goods:		
Affiliate business	$ 111	$ -

3. Account receivable from related parties

	December 31, 2023	December 31, 2022
Accounts receivable:		
CCPC	$ 13,207	$ 8,639
Less: Allowance for losses	(46)	(46)
	$ 13,161	$ 8,593

4. Other accounts payable to related parties

	December 31, 2023	December 31, 2022
Other payable:		
Affiliate business	$ 595	$ 2

5. The Group's business supplies purchased in 2023 and 2022 totaled $2,564 and $3,653, respectively, and are listed as operating cost and miscellaneous fees.

6. The Group donated $1,500 and $1,500 respectively to Mr. Min-Ning Wang Foundation, a related party, in 2023 and 2022, respectively, in order to award professionals for engagement in academic research and development.

7. The Group signed a land purchase contract with its related party, Sino-Japan Chemical Co., Ltd. on December 23, 2022. The transaction price was $350,000, which was determined with reference to the appraisal reports of Dawaland and Yeshome Real Estate Appraisers. According to the contract, as of December 31, 2022, the deposit paid was $70,000. The Group paid off the remaining amount of purchase price in 2023, and the ownership was transferred on February 18, 2023.

8. The dividends received from the Group's affiliates for the years 2023 and 2022 were $33,643 and $37,848, respectively.

(3) Remuneration to key management

	2023	2022
Salaries and other short-term employee benefits	$ 30,767	$ 39,807
Retirement benefits	566	553
	$ 31,333	$ 40,360

8. Pledged assets

The assets of the Group are offered as collateral as follows:

	Book Value		
Asset Item	December 31, 2023	December 31, 2022	Purpose of guarantee
Deposits paid (Recognized as Other non-current assets)	$ 14,367	$ 4,594	Customs guarantees, lease deposits, etc.

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditures that have been signed but not yet incurred

	December 31, 2023	December 31, 2022
Property , plant, and equipment	$ 47,290	$ 302,592

10. Significant disaster loss

None.

11. Major post-balance sheet events

Please refer to Note 6 (14) for a description on distribution of surplus for 2023.

12. Others

(1) Capital management

The Group's capital risk management objectives are to ensure that the Group is capable of continuing operations, to maintain the most appropriate capital structure in order to reduce cost of capital and to maximize returns for shareholders. The Group may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets

to reduce the level of debts in order to maintain or adjust the Group's capital structure. The Group uses the debt-to-equity ratio to monitor its capital. The ratio is calculated by dividing net debts by total capital. Net debts are calculated as total debts (including "current and non-current borrowings" presented in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" presented in the consolidated balance sheet plus net debts.

The strategy of the Group in 2023 remained the same as in 2022 to be committed to maintaining a debt to capital ratio below 40%.

(2) Financial instruments

1. Types of financial instrument

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 32,856	$ 33,317
Cash and cash equivalents	269,569	300,614
Notes receivable	-	132
Accounts receivable (including related parties)	248,094	301,269
Other receivable	8,697	10,037
Deposits paid (Recognized as Other non-current assets)	14,367	4,594
	$ 573,583	$ 649,963

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 500,000	$ 100,000
Payable notes	1,283	1,283
Accounts payable	103,081	143,046
Other payable	194,567	260,338
Long-term borrowings	700,000	500,000
Deposits received (Recognized as other current liabilities-others)	266	266
	$ 1,499,197	$ 1,004,933
Lease liabilities (including current and non-current)	$ 7,830	$ 3,262

2. Risk management policies

(1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial market, and the Group seeks to mitigate potential adverse effect on the financial position and performance.

(2) The Group's Finance Department identifies and assesses financial risks in close collaboration with the Group's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Group is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies of the Company and its subsidiaries, mainly in US dollars. The related exchange risk from future operating activities have been recognized in assets and liabilities.

B. The Finance Department of the Group conducts hedging for the overall exchange rate risk. In order to manage the exchange rate risk from future commercial transactions and recognized assets and liabilities, companies within the Group take on the natural hedging approach for general imports and exports to reduce the foreign exchange risk.

C. The Group's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD), and subsidiary's functional currency is the USD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2023		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 12,969	30.71	$398,213
Financial liabilities			
Monetary items			
USD: NTD	$ 1,793	30.71	$ 55,054
EUR: NTD	70	33.98	2,379

	December 31, 2022		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 14,616	30.71	$ 448,857
Financial liabilities			
Monetary items			
USD: NTD	$ 3,082	30.71	$ 94,648

D. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to a gain of $6,878 and $56,819 for the 2023 and 2022, respectively.

E. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

	2023		
	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 3,982	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 551	$ -
EUR: NTD	1%	24	-

	2022		
	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 4,489	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 946	$ -

Price risk

A. The equity instruments of the Group that are exposed to price risks are those financial assets held at fair value through profit and loss. To manage the price risk of equity instruments, the Group diversifies its investment portfolio in a manner that is based on the limits set by the Group.

B. The Group invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2023 and 2022 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by $3,286 and $3,332 respectively.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk mainly comes from short-term borrowings issued at floating rates and long-term borrowing, which exposes the Group to cash flow interest rate risk. For 2023 and 2022, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

B. B. If the interest rates of borrowing NTD and USD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2023 and 2022 is an increase of $9,600 and $4,800, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Group perspective. According to the Company's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Group uses IFRS 9 to provide an assumption that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the

agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Group categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2023 and 2022, the Group has no creditor's rights that have been written off but are involved in recourse.

G. The Group has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2023 and 2022 are show as follows:

December 31, 2023	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.01%~0.13%	$ 45,507	$ 294
Overdue within 30 days	0.16%~1.62%	-	-
Overdue 31 to 60 days	0.17%~1.65%	-	-
Overdue 61 to 90 days	0.99%~9.91%	-	-
Overdue 91	10.00%~100.00%	-	-
		$ 45,507	$ 294

December 31, 2022	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.01%~0.15%	$ 76,460	$ 294
Overdue within 30 days	0.18%~1.83%	-	-
Overdue 31 to 60 days	0.19%~1.86%	-	-
Overdue 61 to 90 days	1.11%~11.14%	-	-
Overdue 91	10.00%~100.00%	-	-
		$ 76,460	$ 294

The customers of Pharmaports, LLC, one of the Company's subsidiaries, prove very sound in credit standing. The previous experiences show no default record at all. The anticipated loss rate is, therefore, at 0.2%. As of December 31, 2023 and 2022, the total receivable book value and the allowance for loss amounted to $202,899 and $18 and $225,253 and $18.

H. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2023 Note receivable and accounts receivable (including related parties)
January 1 (December 31)	$ 312

	2022 Note receivable and accounts receivable (including related parties)
January 1	$ 18,657
Impairment loss reversal	(18,345)
December 31	$ 312

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2023 and 2022 are $365 and $470. Among the reversed loss in 2023 and 2022, $0 and $18,345 were originally the impairments on accounts receivable from contracts with customers.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Group's unutilized borrowings are shown as follows:

	December 31, 2023	December 31, 2022
Maturing in one year or less	$ 570,000	$ 920,000
Mature beyond one year	450,000	500,000
	$ 1,020,000	$ 1,420,000

C. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities: December 31, 2023	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 500,000	$ -	$ -
Payable notes	1,283	-	-
Accounts payable	103,081	-	-

Other payable	194,567	-	-
Lease liabilities	3,469	2,601	1,938
Long-term borrowings	13,240	709,026	-
Deposits received (Recognized as other current liabilities-others)	266	-	-

Non-derivative financial liabilities:

December 31, 2022	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 100,000	$ -	$ -
Payable notes	1,283	-	-
Accounts payable	143,046	-	-
Other payable	260,338	-	-
Lease liabilities	2,137	1,012	144
Long-term borrowings	8,820	506,170	-
Deposits received (Recognized as other current liabilities-others)	266	-	-

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in publicly traded or OTC stocks is included.

   Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

   Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (7) for the fair value of investment property carried at cost.

3. Financial instrument not measured at fair value:

   Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, long-term borrowings, notes payable, accounts payable, other accounts payable and lease liabilities as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The Group classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 32,856	$ 32,856

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 33,317	$ 33,317

(2) The methods and assumptions adopted by the Group to measure fair value are as follows:

A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.

B. When assessing non-standardized and less complex financial instruments, the Group adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.

C. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Group. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Group's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the consolidated balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2023 and 2022.

6. The following table shows the changes in Level 3 in 2023 and 2022:

	2023	2022
	Equity instruments	Equity instruments
January 1	$ 33,317	$ 26,726
Income recognized in profit or loss (Note)	10,768	9,591
Payment on shares refunded by capital decrease	(11,229)	(3,000)
December 31	$ 32,856	$ 33,317

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2023 and 2022.

8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.

   In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.

9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	December 31, 2023			
	Fair value	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 32,856	Net asset value method	Not applicable	Not applicable

	December 31, 2023			
	Fair value	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 33,317	Net asset value method	Not applicable	Not applicable

10. The Group conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

13. Notes of disclosure

(1) Information about important transactions

In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. the major transactions related to the Group in 2023 are as follows:

1. Loans to others: None
2. Provision of endorsements and guarantees to others: None
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Attached table 1.
4. The cumulative purchase or sale of the same security for an amount exceeding NTD 300 million or 20% of paid-in capital: None.
5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Pease refer to Attached table 2.
6. Disposition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Attached table 3.
8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Attached table 4.
9. Engaged in derivatives trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Attached table 5.

(2) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Attached table 6.

(3) Information regarding investment in the territory of mainland china

1. Basic information: None.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(4) Information of major shareholders

Information of major shareholders: Please refer to Attached table 7.

14. Segment information

(1) General information

Management has determined the reportable operating segments based on reports reviewed by the general manager and used to make strategic decisions. The general manager operates the business from a geographical perspective, with the production and sales of active pharmaceutical ingredients being the main sources of income. Taiwan is mainly responsible for sales and research and development, and the US mainly is involved in sales. The Group provides the operating results of entities in the consolidated statements to the chief operating decision-maker for review and uses the information to evaluate performance of the departments.

(2) Evaluation of department information

The Group presents the chief operating decision-maker with the pre-tax net profit or loss of each region which uses consistent measurement for revenue and expense in the income statements, and the performance of each operating department is evaluated based on the pre-tax net profit or loss.

The Group did not provide the chief operating decision-maker with total assets and liabilities for operational decisions.

(3) Segment profit/loss

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2023	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 588,045	$1,498,396	$ -	$ 2,086,441
Revenue from internal transactions	1,450,585	-	(1,450,585)	-
Department income	$ 2,038,630	$1,498,396	($1,450,585)	$ 2,086,441
Segment profit/loss	$ 316,052	$ 17,435	$ -	$ 333,487
Segment profit and loss include:				
Depreciation and amortization	$ 191,856	$ 1,149	$ -	$ 193,005

2022	Taiwan	United States	Adjustment and write-off	Total
Revenue from external clients	$ 675,779	$1,441,365	$ -	$2,117,144
Revenue from internal transactions	1,389,416	-	(1,389,416)	-
Department income	$ 2,065,195	$1,441,365	($1,389,416)	$2,117,144
Segment profit/loss	$ 564,171	$ 19,134	$ -	$ 583,305
Segment profit and loss include:				
Depreciation and amortization	$ 167,855	$ 1,194	$ -	$ 169,049

(4) Reconciliation of segment profit and loss

The reports provided to the chief operating decision-maker for the segments' operating decision are not different from the segments' profit and loss statement, so no adjustment is required.

(5) Information on types of product and labor service

The income from external customers is mainly in the forms of manufacturing and sales of APIs, and the breakdown of income balance is shown as follows:

	2023	2022
Sales revenue of biotechnology products	$ 764,923	$ 1,041,449
Sales revenue of non-biotech products	1,320,324	1,069,280
Labor revenue	1,194	6,415
	$ 2,086,441	$ 2,117,144

(6) Information by areas

Information by region for the Group in 2023 and 2022:

	2023		2022	
	Income (Note)	Non-Current assets	Income (Note)	Non-Current assets
Taiwan	$ 43,615	$ 2,307,789	$ 76,776	$ 1,980,378
U.S.	1,418,331	584	1,441,365	1,670
India	197,237	-	228,525	-
Ireland	171,820	-	49,686	-
Japan	114,974	-	173,160	-
Others	140,464	-	147,632	-
Total	$ 2,086,441	$ 2,308,373	$ 2,117,144	$ 1,982,048

Note: Revenue is categorized by country customers were located in.

(7) Information about important customers

Major clients who accounted for more than 10% of the sales in 2023 and 2022:

	2023		2022	
	Income	Department	Income	Department
Client A	$ 874,189	United States	$ 1,101,947	United States
Client B	486,462	"	201,151	"

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1 to December 31, 2023

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending				
				Quantity	Book value (Note 2)	Shareholding percentage	Fair value	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Common shares China Development Biomedical Venture Capital (limited company)	None	Financial assets at fair value through profit and loss	677,143	$ 32,856	1.71%	$ 32,856	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, “Financial Instruments”.

Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Acquisition of real estate reaching $300 million or 20% of paid-in capital or more

January 1 to December 31, 2023

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

Companies that acquire real estate	Asset title	Date of occurrence (Note 2)	Trade value	Payment situation	Counterparties	Relation	If the trading partner is a related party, their previous transfer information				Reference basis for price	Purpose of acquisition and usage	Other stipulations of the transaction
							Owner	Relationship with the issuer	Transfer date	Amount			
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Land	November 8, 2022 (board resolution date)	$ 350,000	Paid off in February 2023	Sino-Japan Chemical Co., Ltd.	Other related parties	Chunghwa Chemical Synthetic Industry Co., Ltd. (note 3)	The Company	April 6, 1971	$ 313	Note 1	For the purpose of building additional production lines.	None

Note 1: The price is determined with reference to the appraisal reports issued by Dawaland and Yeshome Real Estate Appraisers.

Note 2: The event date refers to the transaction date, payment date, commission date, account transfer date, board resolution date, or other dates when the trade counterparty and trade amount is confirmed, whichever is sooner.

Note 3: Formerly known as Chunghwa Chemical Synthetic Industry Co., Ltd., and later renamed as Chunghwa Chemical Synthesis & Biotech Co. Ltd. with the consent of the shareholders' meeting in 2003.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Purchase from or sale to related parties for an amount exceeding NTD 100 million or 20% of paid-in capital

January 1 to December 31, 2023

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes, accounts receivable (payable)	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 1,450,585	71%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 198,029	81%	None

Note: The disclosure is made by the income and corresponding transactions will not be disclosed additionally.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

January 1 to December 31, 2023

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Provision for loss allowance
					Amount	Disposal Method		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	$ 198,029	6.95	$ -	-	$ 114,910	$ -
"	"	"	1,165 (Note)	-	-	-	1,165	-

Note: As other receivables.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2023

Attached table 5

Unit: NTD thousand

(Except where otherwise stated)

Number (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions				Percentage of consolidated total operating revenues or total assets (Note 3)
				Item		Amount	Terms and conditions	
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$	1,450,585	Note 4	70%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable		198,029	Note 4	4%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other revenue		3,329	Note 4	0%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other receivable		1,165	Note 4	0%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:
(1) Fill in "0" for parent company.
(2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).
(1) Parent company vs. subsidiaries.
(2) Subsidiaries vs. parent company.
(3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: Payment collection terms for sales and service provided to related parties are 60 to 90 days after shipment and provision of service, respectively.

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2023

Attached table 6

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Ratio	Book value			
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	100.00%	$ 11,100	$ 12,713	$ 12,713	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	863,602	863,602	42,053,137	14.11%	961,625	323,573	36,506	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd. and its subsidiaries

Information of major shareholders

January 1 to December 31, 2023

Attached table 7

	Shares of Stock	
Name of main shareholder	Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	21,575,064	27.81

Auditor's Report
(2024) Cai-Shen-Bao-Zi No. 23003409

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

Audit opinion

We have audited the accompanying proprietary individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2023 and 2022 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of an audit opinion

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2023 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items of the 2023 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (11) in the individual financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetic uncertainty, and Note 6 (4) for an inventory account description.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sale of active pharmaceutical ingredients. Since active pharmaceutical ingredients are in a severely competitive market and sensitive to shelf life, the risk of losses from inventory devaluation or obsolescence is higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assess the policy for allowing the Company to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the industry.
2. Conduct sampling tests to see if the basis for market prices of net realized value is consistent with the Company's policy. Randomly check the correctness of the selling prices of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

For the accounting policy on the recognition of income, please refer to Note 4 (25) of the individual financial statement. For information on income accounts, please refer to Note 6 (15) of the individual financial statement. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to

inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. The Company's internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

The responsibility of the management and management units to the individual financial statements

The management team is responsible for preparing individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to present the Company's financial status in an objective way and for necessary internal controls, ensuring that the statements do not contain any false content due to fraudulence or mistakes.

While preparing the individual financial statements, the management's responsibility also includes assessing the continuing operation of Chunghwa Chemical Synthesis & Biotech Co., Ltd., the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Chunghwa Chemical Synthesis & Biotech Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the individual financial statements

The purpose of the independent auditor's auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

We used professional judgment and suspicion during the audit in accordance with the auditing standards of the Republic of China. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Chemical Synthesis & Biotech Co., Ltd..
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are with significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.

6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2023 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 21, 2024

Notice to Readers

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

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

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousand

	Assets	Additional notes	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 259,580	5	$ 291,758	6
1140	Contract assets - Current	6 (15)	275	-	88	-
1150	Notes receivable-net	6(3)	-	-	132	-
1170	Net accounts receivable	6(3)	32,053	1	67,442	2
1180	Account receivables-Related Parties-net	7	211,190	4	228,050	5
1200	Other receivable	7	9,844	-	12,674	-
130X	Inventory	6 (4)	1,211,026	23	819,953	18
1410	Prepayments		49,792	1	16,058	-
11XX	**Total of Current Assets**		1,773,760	34	1,436,155	31
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	32,856	1	33,317	1
1550	Investments accounted for by the equity method	6 (5)	972,725	19	974,068	21
1600	property , plant, and equipment	6 (6) and 7	2,284,250	44	1,960,513	43
1755	Right-of-use assets		7,280	-	1,632	-
1760	Real property for investment- net	6 (7)	10,700	-	10,700	-
1780	Intangible assets		5,559	-	7,533	-
1840	Deferred income tax assets	6 (21)	20,440	1	20,135	1
1990	Other current non-assets- other	6 (11), 7 and 8	60,327	1	114,621	3
15XX	**Total of Non-Current Assets**		3,394,137	66	3,122,519	69
1XXX	**Total assets**		$ 5,167,897	100	$ 4,558,674	100

(Continued next page)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2023 and 2022

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (8)	$ 500,000	10	$ 100,000	2
2130	Contract liabilities - Current	6 (15)	13,369	-	51,217	1
2150	Payable notes		1,283	-	1,283	-
2170	Accounts payable		103,081	2	143,046	3
2219	Other payable- other	6 (9) and 7	193,863	4	259,402	6
2230	Current Income Tax Liability		10,593	-	49,980	1
2280	Lease liabilities – Current		2,851	-	1,005	-
2399	Other current liabilities- other		2,618	-	3,047	-
21XX	**Total of current liabilities**		827,658	16	608,980	13
	Non-current liabilities					
2527	Contract liabilities – Non-current	6 (15)	26,995	-	-	-
2540	Long-term borrowings	6 (10)	700,000	14	500,000	11
2570	Deferred income tax liabilities	6 (21)	258,541	5	256,221	6
2580	Lease liabilities – Non-current		4,468	-	640	-
25XX	**Total of non-current liabilities**		990,004	19	756,861	17
2XXX	**Total liabilities**		1,817,662	35	1,365,841	30
	Equity					
	Share capital	6 (12)				
3110	Ordinary shares capital		775,600	15	775,600	17
	Capital reserve	6 (13)				
3200	Capital reserve		334,526	7	334,323	7
	Retained earnings	6 (14)				
3310	Legal earnings reserve		322,152	6	273,613	6
3320	Special earnings reserve		229,344	4	183,296	4
3350	Undistributed earnings		1,744,089	34	1,672,050	37
	Other equity					
3400	Other equity		(55,476)	(1)	(46,049)	(1)
3XXX	**Total equity**		3,350,235	65	3,192,833	70
	Significant contingent liabilities and unrecognized contractual commitments	9				
	Major post-balance sheet events	11				
3X2X	**Total liabilities and equity**		$ 5,167,897	100	$ 4,558,674	100

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual comprehensive income statements
January 1 to December 31, 2023 and 2022

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenues	6 (15) and 7	$ 2,038,630	100	$ 2,065,195	100
5000	Operating cost	6(4)(20) and 7	(1,317,523)	(64)	(1,138,923)	(55)
5900	Operating gross profit		721,107	36	926,272	45
	Operating expenses	6 (20) and 7				
6100	Marketing expenses		(114,434)	(6)	(148,728)	(7)
6200	Administrative expenses		(104,627)	(5)	(109,313)	(6)
6300	Research and development expenses		(242,688)	(12)	(245,487)	(12)
6450	Expected gain on credit impairment	12 (2)	-	-	18,345	1
6000	Total operating expenses		(461,749)	(23)	(485,183)	(24)
6900	Operating profit		259,358	13	441,089	21
	Non-operating revenues and expenses					
7100	Interest revenue	6 (16)	7,271	-	4,507	-
7010	Other revenue	6(17) and 7	13,284	1	12,492	1
7020	Other profits and losses	6 (18)	17,646	1	64,679	3
7050	Financial costs	6 (19)	(18,012)	(1)	(9,697)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6 (5)	49,219	2	64,565	3
7000	Total non-operating revenues and expenses		69,408	3	136,546	7
7900	**Earnings before tax**		328,766	16	577,635	28
7950	Income tax expense	6 (21)	(63,857)	(3)	(111,770)	(6)
8200	**Current period net profit**		$ 264,909	13	$ 465,865	22
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (11)	($ 840)	-	$ 16,849	1
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(1,774)	-	(82,306)	(4)
8349	Income tax related to accounts not being reclassified	6 (21)	168	-	(3,370)	-
8310	Total amount of items not reclassified to profit or income		(2,446)	-	(68,827)	(3)
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		(19)	-	1,408	-
8380	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss		(4,400)	-	1,131	-
8360	Total amount of items probably reclassified to profit or loss subsequently		(4,419)	-	2,539	-
8300	**Other comprehensive income (net)**		($ 6,865)	-	($ 66,288)	(3)
8500	**Total comprehensive income for the period**		$ 258,044	13	$ 399,577	19
	Earnings per share	6 (22)				
9750	Base earnings per share		$	3.42	$	6.01
9850	Diluted earnings per share		$	3.39	$	5.93

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual statement of changes in equity
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Additional notes	Capital reserve			Retained earnings			Other equity		Total equity
		Ordinary shares capital	Issuance premium	Others	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized valuation gains or losses on financial assets measured at fair value through other comprehensive income	
2022										
Balance at January 1, 2022		$ 775,600	$ 333,746	$ 577	$ 226,015	$ 183,296	$ 1,335,088	($ 4,032)	$ 43,794	$ 2,894,084
Current period net profit		-	-	-	-	-	465,865	-	-	465,865
Current other comprehensive income		-	-	-	-	-	15,082	2,539	(83,909)	(66,288)
Total comprehensive income for the period		-	-	-	-	-	480,947	2,539	(83,909)	399,577
The 2021 appropriation and distribution of earnings:	6 (14)									
Legal earnings reserve		-	-	-	47,598	-	(47,598)	-	-	-
Cash dividend		-	-	-	-	-	(100,828)	-	-	(100,828)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	4,441	-	(4,441)	-
Balance at December 31, 2022		$ 775,600	$ 333,746	$ 577	$ 273,613	$ 183,296	$ 1,672,050	($ 1,493)	($ 44,556)	$ 3,192,833
2023										
Balance at January 1, 2023		$ 775,600	$ 333,746	$ 577	$ 273,613	$ 183,296	$ 1,672,050	($ 1,493)	($ 44,556)	$ 3,192,833
Current period net profit		-	-	-	-	-	264,909	-	-	264,909
Current other comprehensive income		-	-	-	-	-	(552)	(4,419)	(1,894)	(6,865)
Total comprehensive income for the period		-	-	-	-	-	264,357	(4,419)	(1,894)	258,044
The 2022 appropriation and distribution of earnings:	6 (14)									
Legal earnings reserve		-	-	-	48,539	-	(48,539)	-	-	-
Special earnings reserve		-	-	-	-	46,048	(46,048)	-	-	-
Cash dividend		-	-	-	-	-	(100,828)	-	-	(100,828)
The reinvested company(ies) disposed of equity instruments measured at the fair value through other comprehensive profits and losses		-	-	-	-	-	3,097	-	(3,097)	-
Gifts and donation		-	-	203	-	-	-	(17)	-	186
Balance at December 31, 2023		$ 775,600	$ 333,746	$ 780	$ 322,152	$ 229,344	$ 1,744,089	($ 5,929)	($ 49,547)	$ 3,350,235

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2023	January 1 to December 31, 2022
Cash flow from operating activities			
Pre-tax profit for the current period		$ 328,766	$ 577,635
Adjustments			
Income, expense, and loss			
Depreciation	6 (20)	188,329	166,063
Amortization	6 (20)	3,527	1,792
Expected gain on credit impairment	12 (2)	-	(18,345)
Interest expenses	6 (19)	18,012	9,697
Net profit from financial assets and liabilities at fair value through profit and loss	6 (2) (18)	(10,768)	(9,591)
Dividend income	6 (17)	(978)	-
Interest revenue	6 (16)	(7,271)	(4,507)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (5)	(49,219)	(64,565)
Loss on disposal of property, plant and equipment	6 (18)	-	695
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
De-capitalization refunded monies of financial assets at fair value through profit or loss	6 (2)	11,229	3,000
Contract assets		(186)	(88)
Notes receivable-net		132	348
Net accounts receivable		35,389	43,116
Account receivables-Related Parties- net		16,860	61,154
Other receivable		2,831	7,132
Inventory		(391,073)	(66,103)
Prepayments		(33,734)	(4,432)
Net defined benefit assets		278	704
Net changes in liabilities relating to operating activities			
Payable notes		-	68
Accounts payable		(39,965)	65,496
Other payable		(63,760)	32,854
Other current liabilities-others		(429)	538
Contract liabilities - Current		(10,853)	(20,733)
Net cash inflow (outflow) from operating activities		(2,883)	781,928
Interest received		7,269	4,507
Dividends received		45,534	52,879
Interest paid		(17,606)	(9,701)
Income tax paid		(101,062)	(84,874)
Net cash inflow (outflow) from operating activities		(68,748)	744,739
Cash flow from investing activities			
Costs of property, plant and equipment acquired	6 (23)	(449,952)	(374,664)
Acquisition of Intangible assets		(1,554)	(1,520)
Increase in guarantee deposits paid		(9,620)	-
Net cash outflow from investing activities		(461,126)	(376,184)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (24)	400,000	(50,000)
Proceeds from long-term loan	6 (24)	400,000	1,600,000
Re-payments of long-term borrowings	6 (24)	(200,000)	(1,700,000)
Lease principal repayment	6 (24)	(1,476)	(1,042)
Cash dividend distribution	6 (14)	(100,828)	(100,828)
Net cash inflow (outflow) from financing activities		497,696	(251,870)
Increase (decrease) in cash and cash equivalents for the current period		(32,178)	116,685
Opening balance of cash and cash equivalents		291,758	175,073
Closing balance of cash and cash equivalents		$ 259,580	$ 291,758

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Unit: NTD thousand
(Except where otherwise stated)

1. Organization and operations

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

2. Financial reporting date and procedures

The Board of Directors approved the individual financial statements for publication on March 11, 2024.

3. Application of new and revised standards and interpretation

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards approved and announced effective by the Financial Supervisory Commission in 2023.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to International Financial Reporting Standards (IAS) #1 "Disclosure of accounting policies."	January 1, 2023
Amendment to International Financial Reporting Standards (IAS) #8 "Definition of accounting estimate."	January 1, 2023
Amendment to International Accounting Standard 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023
Amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules"	May 23, 2023

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2024.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
Current or non-current classification of liabilities (Amendments to IAS 1)	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.

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

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendment to IFRS 10 and IAS 28 “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”	To be determined by the International Accounting Standards Board (IASB).
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to International Financial Reporting Standard 17: "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS No. 21 "Lack of Exchangeability"	January 1, 2025

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s

financial position and financial performance.

4. Summary of significant accounting policies

The principal accounting polices applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

(1) Compliance Statement

These individual financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the IFRSs).

(2) Basis of preparation

1. Except for the following items, these individual statements have been prepared under the historical cost convention:
   (1) Financial assets at fair value through other comprehensive Income
   (2) The ascertained welfare assets recognized as the net amount of the pension fund assets minus the current value of the ascertained welfare obligations.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the individual financial statements are disclosed in Note 5.

(3) Foreign-currency translations

Items included in the individual financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The individual financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in

foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.

(4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

2. Translation of the financial statements of foreign operations

(1) The operating results and financial position of all the invested entity that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.

B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

(2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Company retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

(4) Criteria for distinguishing Current or Non-Current on the Balance Sheet

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

The Company classifies assets that do not meet any of the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.

(3) Expected to be repaid within 12 months of the balance sheet date

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. 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.

The Company classifies liabilities that do not meet any of the above criteria as non-current assets.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to

known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Company recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(7) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of Financial Assets

Financial assets measured at amortized cost, the Company, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(9) The de-recognition of financial assets

A financial asset is derecognized when the Company's rights to receive cash flows from the financial assets have expired.

(10) The lessor's lease transaction/business lease

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

(11) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course

of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(12) Investments using the equity method - Subsidiaries and affiliates

1. Subsidiaries refer to all entities (including structural entities) with the right to direct financial and operational policies. When the company is exposed to changes in rewards with the involvement of the entity or has rights to the said changes in rewards and that the rights of the entity can exert an influence on the rewards, the company is said to have control over the entity.
2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses pro rata to the shareholder percentages.
4. The term "associates" as set forth herein refers to the entities upon which the Company holds significant effect but holds no controlling power, normally as the shares of more than 20% of the voting power held by the Company either directly or indirectly. Over the investment in associates, the Company adopts equity method, recognizing them at cost at the moment of acquisition.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
6. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Company will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the polices adopted by the Company.
8. When the Company disposes of its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are accounted for on the same basis as direct disposal of related assets or liabilities, that is, profit or loss previously recognized in other comprehensive income are reclassified to profit or loss when related assets or liabilities are disposed of. When the Company loses significant influence over the associate, the aforesaid profit or loss is reclassified from retained earnings to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognized in

other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

9. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(13) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(14) The lessee's lease transaction-right-of-use assets/lease liabilities.

1. Lease assets are recognized on the day of the available for use by the Company as right-of-use assets and lease liabilities. If the lease contract is a short-term lease or a lease of an underlying asset with low-value, lease payment is recognized using the straight-line method as an expense during the period of lease based.
2. The lease liability on the first day of lease is recognized at the present value after unpaid lease payments are converted into cash according to the Company's incremental borrowing interest rate. Lease payments include fixed payments deducted by any lease incentives received. According to the follow-up interest method and measurements by the amortized cost method, interest incurring during the period of lease is provisioned. In case of changes in the period of lease or lease payments not attributed to contract modifications, the lease liability will be re-evaluated, and the remeasurement will be used to readjust the

right-of-use asset.

3. The right-of-use asset is recognized by cost on the starting day of lease. The costs include:

   (1) The original measured amount of lease liability;
   (2) Any original direct costs incurred;
   The cost model is adopted for subsequent measurements. Either the end of the durability of right-of-use assets or the end of the period of lease incurring earlier will be provisioned as depreciation fees. When re-evaluating lease liability, the right-of-use asset will readjust any remeasurements of lease liability.

(15) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(16) Intangible assets

Based on the acquisition cost as the accounting basis; computer software, patent rights and specialized technology are amortized based on their economic life or contractual term, whichever is shorter.

(17) Losses in non-financial asset

The company estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(18) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) De-recognition of financial liabilities

The Company derecognizes a liability when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability

simultaneously.

(22) Employee benefits

1. Short-term employee benefits

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

2. Pension

   (1) Defined contribution plan

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

   (2) Defined benefit plan

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

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

   C The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Remunerations for employees and directors

   Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated using the tax rate enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income

tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(25) Recognition of revenue

1. Product sales
   (1) The Company manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Company has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.
   (2) Account receivables are recognized when goods are delivered to customers. Since the Company has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.
2. Labor revenue
   (1) The Company provides commissioned bio drug testing and other related services.

Labor service income is recognized as income during the period of financial reporting on services provided to customers. Revenues from fixed price contracts are recognized based of the proportion of services provided in all services provided as of the balance sheet date. The percentage of service completion is based on the proportion of actual costs incurred in the total costs. The customer shall pay contract prices according to the payment time agreed. When services provided by the company exceed the customer's accounts payable, they are recognized as contract assets; if the customer's accounts payable exceeds the services provided by the company, they are recognized as contract liability.

(2) The Company's estimates of revenues, costs, and degree of work completion are subject to amendments as circumstances change. Any increase or decrease in estimated income or cost due to changes in estimates shall be reflected in profit or loss during the period in which the circumstances leading to the amendments are known to management.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

The preparation of these standalone financial statements requires the management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(1) Critical judgments concerning the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventory

The Company measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Company must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Company assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2023, the book balance of the Company's inventories is $1,211,026.

6. Summary of significant accounting titles

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	$ 628	$ 622
Checking accounts and demand deposits	258,952	291,136
	$ 259,580	$ 291,758

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Company's cash and cash equivalents pledged to others as collateral.

(2) Financial assets at fair value through profit and loss

Item	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
China Development Biomedical Venture Capital (limited company)	$ 6,771	$ 18,000
Evaluation adjustment	26,085	15,317
	$ 32,856	$ 33,317

1. Financial assets at fair value through profit and loss is detailed as follows:

	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 10,768	$ 9,591

2. In January 2023, June 2023 and April 2022, the Company's investment in financial assets at fair value through profit or loss was reduced and the share capital of $3,060, $8,169 and $3,000 was returned, respectively.

(3) Note receivable and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ -	$ 132
Accounts receivable	$ 32,301	$ 67,690
Less: Allowance for losses	(248)	(248)
	$ 32,053	$ 67,442

1. Aging of notes receivable and accounts receivable is as follows:

(1)Notes receivable

	December 31, 2023	December 31, 2022
Not overdue	$ -	$ 132

(2) Accounts receivable

	December 31, 2023	December 31, 2022
Not overdue	$ 32,301	$ 67,690

The aforementioned aging analysis is based on the overdue days.

2. The accounts receivables and bills receivable balance in December 31, 2023 and 2022 were generated from the client contract. The accounts receivables balance and allowance loss in the client contract as of January 1, 2022 amount to $111,286 and $18,593 respectively.
3. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Company had the maximum exposure of credit risk at $32,053 and $67,574, respectively, as of December 31, 2023 and 2022.
4. The Company does not hold any collaterals.
5. Please see Note 12 (2) for the credit risk of the notes receivable and accounts receivable.

(4) Inventory

	December 31, 2023		
	Cost	Price loss allowance	Book value
Raw materials	$ 498,721	($ 18,557)	$ 480,164
Work in process	136,496	-	136,496
Finished products	658,053	(63,687)	594,366
	$ 1,293,270	($ 82,244)	$ 1,211,026

	December 31, 2022		
	Cost	Price loss allowance	Book value
Raw materials	$ 289,037	($ 27,365)	$ 261,672
Work in process	168,141	(427)	167,714
Finished products	439,639	(49,072)	390,567
	$ 896,817	($ 76,864)	$ 819,953

The Company's current inventory cost recognized as expenses:

	2023	2022
Cost of inventory sold	$ 1,307,706	$ 1,109,196
Loss of price decline of inventory and obsolescence loss	12,232	29,630
Proceeds from sale of scraps.	(2,687)	(3,868)
	$ 1,317,251	$ 1,134,958

(5) Investments accounted for by the equity method

	December 31, 2023	December 31, 2022
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 961,625	$ 964,937
Subsidiaries:		
PHARMAPORTS, LLC	11,100	9,131
	$ 972,725	$ 974,068

1. Affiliate business

(1) The basic information of the Company's main affiliates is shown as follows:

Company name	Main places of business operations	Ratio of Shareholding December 31, 2023	Ratio of Shareholding December 31, 2022	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	14.11%	14.11%	Affiliate business	Equity method

(2) Financial information of the Company's major associates is summarized as follows:

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd.	
	December 31, 2023	December 31, 2022
Current assets	$ 5,583,096	$ 5,938,797
Non-Current assets	7,281,735	6,883,766
Current liabilities	(3,392,902)	(3,299,537)
Non-current liabilities	(2,001,513)	(2,093,449)
Total net assets	$ 7,470,416	$ 7,429,577
Book value of affiliates	$ 961,625	$ 964,937

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd.	
	2023	2022
Income	$ 8,574,720	$ 8,456,512
Current net profits from continuing operations	$ 323,573	$ 479,298
Other comprehensive income (net after tax)	(44,747)	(571,301)
Total comprehensive income for the period	$ 278,826	($ 92,003)
Stock dividends collected from affiliates	$ 33,643	$ 37,848

2. Profit and loss of subsidiaries and associates recognized by using equity method:

	2023	2022
China Chemical & Pharmaceutical Co., Ltd.	$ 36,506	$ 51,100
PHARMAPORTS, LLC	12,713	13,465
	$ 49,219	$ 64,565

3. The Company's investment in China Chemical & Pharmaceutical has a public offer of which the fair value were $1,023,994 and $1,398,267 as of December 31, 2023 and 2022, respectively.
4. The Company holds up to 14.11% of the total shares of China Chemical & Pharmaceutical Co., Ltd. as the largest single shareholder. Given the facts that the Company lacks substantial capability to dominate the relevant events as indicated through the participation by other shareholders in that company and the voting powers in major motions, it is judged that the Company does not possess control power but only has influence toward that company.
5. For information on the Company's subsidiaries, please refer to Note 4 (3) of 2023 consolidated financial statements.

(6) Property , plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1, 2023							
Cost	$ 741,400	$ 900,616	$1,648,682	$ 8,121	$ 638,579	$ 27,851	$3,965,249
Accumulated depreciation and impairment	-	(508,739)	(1,028,690)	(6,791)	(460,516)	-	(2,004,736)
	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,063	$ 27,851	$1,960,513
2023							
January 1	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,063	$ 27,851	$1,960,513
Additions	350,183	10,431	9,041	-	18,998	121,911	510,564
Reclassification	-	25,046	54,690	-	21,633	(101,369)	-
Depreciation	-	(47,190)	(100,727)	(570)	(38,340)	-	(186,827)
December 31	$1,091,583	$ 380,164	$ 582,996	$ 760	$ 180,354	$ 48,393	$2,284,250
December 31, 2023							
Cost	$1,091,583	$ 936,092	$1,708,513	$ 7,731	$ 672,875	$ 48,393	$4,465,187
Accumulated depreciation and impairment	-	(555,928)	(1,125,517)	(6,971)	(492,521)	-	(2,180,937)
	$1,091,583	$ 380,164	$ 582,996	$ 760	$ 180,354	$ 48,393	$2,284,250

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1, 2022							
Cost	$ 741,400	$ 826,107	$1,414,963	$ 8,121	$ 608,414	$ 126,443	$3,725,448
Accumulated depreciation and impairment	-	(470,694)	(941,651)	(6,220)	(440,816)	-	(1,859,381)
	$ 741,400	$ 355,413	$ 473,312	$ 1,901	$ 167,598	$ 126,443	$1,866,067
2022							
January 1	$ 741,400	$ 355,413	$ 473,312	$ 1,901	$ 167,598	$ 126,443	$1,866,067
Additions	-	11,990	23,779	-	29,005	205,299	270,073
Reclassification (Note)	-	63,419	213,113	-	17,446	(303,891)	(9,913)
Depreciation	-	(38,945)	(90,212)	(571)	(35,291)	-	(165,019)
Disposition	-	-	-	-	(695)	-	(695)
December 31	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,063	$ 27,851	$1,960,513
December 31, 2022							
Cost	$ 741,400	$ 900,616	$1,648,682	$ 8,121	$ 638,579	$ 27,851	$3,965,249
Accumulated depreciation and impairment	-	(508,739)	(1,028,690)	(6,791)	(460,516)	-	(2,004,736)
	$ 741,400	$ 391,877	$ 619,992	$ 1,330	$ 178,063	$ 27,851	$1,960,513

Note: The term reclassification is an act to transfer out onto “intangible assets” and “operating cost”.

(7) Investment property

	December 31, 2023	December 31, 2022
Land cost	$ 10,700	$ 10,700

1. Rental income and direct operating expenses of investment properties:

	2023	2022
Rental income of investment properties	$ 743	$ 767
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 56	$ 53

2. The fair value of investment properties held by the Company for the years ended December 31, 2023 and 2022 was $70,305 and $70,305, respectively, based on the transaction prices of the adjacent lands.

(8) Shot-term borrowings

The short-term borrowings of the Company as of December 31, 2023 and 2022 are as follows:

Loans nature	December 31, 2023	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 500,000	1.62%~1.85%	None

Loans nature	December 31, 2022	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 100,000	1.50%	None

(9) Other payable

	December 31, 2023	December 31, 2022
Salary and bonus payables	$ 79,513	$ 90,542
Equipment payables	27,683	29,867
Remuneration to employees and directors and supervisors payable	27,670	60,627
R&D expenses payable	19,625	15,310
Commission payable	10,620	20,769
Repair fees payable	4,414	6,307
Others	24,338	35,980
	$ 193,863	$ 259,402

(10) Long-term borrowings

	December 31, 2023	December 31, 2022
Bank loan		
Credit loan	$ 700,000	$ 500,000
Interest rate collars	1.88~1.91%	1.76~1.79%

The one-time repayment of credit loan is due in 2025.

(11) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

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

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	($ 104,900)	($ 105,279)
The fair value of plan assets	143,904	145,401
Net defined benefit assets (Recognized as Other non-current assets)	$ 39,004	$ 40,122

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

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2023			
Balance at January 1	($ 105,279)	$ 145,401	$ 40,122
Current service cost	(775)	-	(775)
Interest (expense) income	(1,222)	1,719	497
	(107,276)	147,120	39,844

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,377	1,377
The effect of changes in financial assumptions	(335)	-	(335)
Experience adjustments	(1,882)	-	(1,882)
	(2,217)	1,377	(840)
Pension payment	4,593	(4,593)	-
Balance at December 31	($ 104,900)	$ 143,904	$ 39,004

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2022			
Balance at January 1	($ 117,792)	$ 141,770	$ 23,978
Current service cost	(882)	-	(882)
Interest (expense) income	(789)	966	177
	(119,463)	142,736	23,273
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,986	10,986
The effect of changes in financial assumptions	3,767	-	3,767
Experience adjustments	2,096	-	2,096
	5,863	10,986	16,849
Pension payment	8,321	(8,321)	-
Balance at December 31	($ 105,279)	$ 145,401	$ 40,122

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization

plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) Assumptions for the actuation of pension funds are summarized as follows:

	2023	2022
Discounted rate	1.15%	1.20%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 6th Taiwan Standard Ordinary Experience Mortality Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
The impact on the present value of the defined benefit obligations	($ 1,660)	$ 1,706	$ 1,688	($ 1,650)

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2022				
The impact on the present value of the defined benefit obligations	($ 1,804)	$ 1,856	$ 1,837	($ 1,795)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions

may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The Company applied on December 9, 2021 for suspension from appropriation of labor pension reserve. The Company has been approved for suspension from appropriation starting from fiscal year 2022.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the "Labor Pension Act" for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the "New Plan") under the "Labor Pension Act" covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to an employee's individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee's individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were $11,042 and $10,515, respectively.

(12) Share capital

1. As of December 31, 2023, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was $775,600 with a par value of $10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company's outstanding ordinary shares was 77,560 thousand as of 2023 and 2022.
3. The affiliation of the Company held 21,575 thousand shares and 21,575 thousand shares, respectively of the Company as of December 31, 2023 and 2022.
4. On May 30, 2023, the Company's shareholders' meeting adopted a resolution to issue ordinary shares or domestic convertible corporate bonds (including secured or unsecured convertible corporate bonds) through private placement. The board of directors is authorized to decide on the number of shares to be actually issued or converted within the limit of 20% of the total number of ordinary shares issued (i.e., not exceeding 15,512,000 shares), depending on the capital market conditions.

(13) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(14) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be

used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than $0.1 per share, it can be given in the form of stock dividend.

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document #1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.

4. (1) The appropriations of 2022 and 2021 earnings had been resolved at the stockholders' meeting on May 30, 2023 and May 25, 2022, respectively. Details are summarized below:

	2022		2021	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 48,539		$ 47,598	
Special earnings reserve	46,048		-	
Cash dividend	100,828	$ 1.3	100,828	$ 1.3
	$ 195,415		$ 148,426	

(2) The appropriations of 2023 earnings had been proposed by the Board of Directors on March 11, 2024. Details are summarized below:

	Amount	2023 Dividends per share ($)
Legal earnings reserve	$ 26,745	
Special earnings reserve	9,427	
Cash dividend	62,048	$ 0.8
	$ 98,220	

The aforementioned distribution of earnings of 2023 has not been passed in the shareholders' meeting.

(15) Operating revenues

	2023	2022
Revenue from Contracts with Customers	$ 2,038,630	$ 2,065,195

1. Segmentation of revenue from contracts with customers

The Company's revenues are generated from goods and labor services gradually transferred with time and transferred at a specific time. Revenues can be subdivided into the following geographic areas:

2023	Taiwan	United States	Total
Revenue from contracts with external customers	$ 588,045	$ 1,450,585	$ 2,038,630
Time point of sales income recognition			
Revenues recognized at a specific time	$ 586,851	$ 1,450,585	$ 2,037,436
Revenues gradually recognized with time	1,194	-	1,194
	$ 588,045	$ 1,450,585	$ 2,038,630

2022	Taiwan	United States	Total
Revenue from contracts with external customers	$ 675,779	$ 1,389,416	$ 2,065,195
Time point of sales income recognition			
Revenues recognized at a specific time	$ 669,364	$ 1,389,416	$ 2,058,780
Revenues gradually recognized with time	6,415	-	6,415
	$ 675,779	$ 1,389,416	$ 2,065,195

2. Contract assets and contract liabilities

(1) The contract assets and contract liabilities of customer contract revenue recognized by the Company are shown as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets			
Contract assets -Labor services	$ 275	$ 88	$ -
Contract liabilities:			
Contract liabilities -Drug sale contracts	$ 37,831	$ 48,680	$ 68,261
-Labor services	2,533	2,537	3,689
	$ 40,364	$ 51,217	$ 71,950

(2) The initial contract liabilities arising from sales contracts recognized as revenues in 2023 and 2022 total $11,158 and $69,301 respectively.

(16) Interest revenue

	2023	2022
Interest from bank deposits	$ 7,269	$ 4,507
Other interest incomes	2	-
	$ 7,271	$ 4,507

(17) Other revenue

	2023	2022
Insurance claim income	$ 4,275	$ -
Service income	2,684	2,586
Dividend income	978	-
Rent revenue	743	5,767
Other Revenue- other	4,604	4,139
	$ 13,284	$ 12,492

(18) Other profits and losses

	2023	2022
Net profit from financial assets at fair value through profit and loss	$ 10,768	$ 9,591
Net gain on foreign currency exchange	6,878	56,819
Loss on disposal of property, plant and equipment	-	(695)
Miscellaneous income	-	(1,036)
	$ 17,646	$ 64,679

(19) Financial costs

	2023	2022
Interest expenses:		
Bank loan	$ 17,971	$ 9,675
Lease liabilities	41	22
	$ 18,012	$ 9,697

(20) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality / Characteristics	2023		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 145,971	$ 171,114	$ 317,085
Labor insurance and national health insurance	15,273	14,793	30,066
Pension expenses	4,689	6,631	11,320
Directors' remuneration	-	10,145	10,145
Other employee expenses	10,602	10,932	21,534
Depreciation	152,333	35,996	188,329
Amortization	1,756	1,771	3,527

Functionality / Characteristics	2022		
	Allocated as operating cost	Employee expenses	Total
Employee benefits expenses			
Salaries and wages	$ 161,293	$ 200,249	$ 361,542
Labor insurance and national health insurance	13,944	13,909	27,853
Pension expenses	4,596	6,624	11,220
Directors' remuneration	-	15,885	15,885
Other employee expenses	8,834	12,577	21,411
Depreciation	133,406	32,657	166,063
Amortization	146	1,646	1,792

Note 1: The number of employees in 2023 and 2022 were 362 and 354 people respectively. Among them, the number of directors not concurrently employees were seven people and seven people, respectively.

Note 2. The company is TAIEX listed. Therefore, the following information should be added:

(1) The average expenditure of employee benefits for 2023 and 2022 were $1,070 and $1,216 respectively.

(2) The average expenditure of employee salary for 2023 and 2022 were $893 and $1,042 respectively.

(3) Changes in the average employee salary expense adjustment are (14.3%).

(4) Salary remuneration related policies

A. Policy on remuneration toward directors

According to the Articles of Association for the company, if the company has earned annual profits, it shall allocate 1% to 15% as employee remuneration and no more than 3% for director remuneration. However, in case of the accumulated losses, certain profits shall first be reserved to cover them. The amount appropriated this time is subject to passing by the Remuneration Committee with a resolution before being submitted to the board of directors for discussion, resolution and enforcement.

B. Policy on remuneration toward employees and managerial officers

(A)Upon final accounting settlement by the Company in each fiscal year, the earnings, if any, shall be first used to pay tax, make up loss, if any, and to appropriate dividend and reserve. To employees who have committed no fault at all in the entire year, in accordance with “Regulations Governing Year-End Bonus Review,” the Company shall grant a year-end bonus which means a gracious grant for encouragement instead of a consideration for services rendered.

(B)In each and every year, the Company will, as well, evaluate whether the salary calls for an adjustment for employees based on the scalar indicators such as the Company's operating performance, commodity price index, salary level prevalent in the market and whether the salaries paid by the Company to employees are competitive enough in the market.

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A. For the 2023, employees' compensation was accrued at $23,449 while directors' remuneration was accrued at $4,221. The aforementioned amounts were recognized in salary expenses.

B. For the 2022, employees' compensation was accrued at $51,292 while directors' remuneration was accrued at $$9,335. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 6.58% and 1.18% of profit of current year distributable for the 2023, respectively, with the estimated amount in line with the resolution of the board of directors. The abovementioned employee compensation will be paid in cash.

D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2022 were $51,292 and $9,335, respectively, consistent with the amount recognized in the 2022 financial report.

E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(21) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2023	2022
Current income tax:		
Current income tax	$ 54,636	$ 97,884
Additional levy on undistributed earnings	9,879	4,700
Underestimate (overestimated) income tax of prior years	(2,841)	2,289
Total Current income tax	61,674	104,873
Deferred income tax:		
Origin and reversal of temporary differences	2,183	6,897
Income tax expense	$ 63,857	$ 111,770

(2) Income tax amounts relating to other comprehensive profit and loss:

	2023	2022
Defined benefit obligation revaluation amount and volume	$ 168	($ 3,370)

2. Reconciliation between income tax expense and accounting profit:

	2023	2022
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 65,754	$ 115,528
Tax-free income by Income Tax Law	(10,172)	(12,138)
Impact on income tax from items excluded according to the tax law	173	-
Realizable changes from deferred income tax assets	(27)	(112)
Additional levy on undistributed earnings	9,879	4,700
Underestimate (overestimated) income tax of prior years	(2,841)	2,289
Foreign dividend withholding tax rate difference	1,091	1,503
Income tax expense	$ 63,857	$ 111,770

3. Deferred income tax assets or liabilities arising from temporary differences:

	2023			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Temporary differences:				
Deferred income tax assets:				
Falling price of inventory	$15,372	$ 1,076	$ -	$16,448
Unrealized exchange loss	811	1,273	-	2,084
Impairment loss of fixed assets	89	(63)	-	26
Bonus payable for paid leave not taken	1,577	133	-	1,710
Unrealized profit from sales of inventories in transit	2,286	(2,114)	-	172
Subtotal	20,135	305	-	20,440
-Deferred income tax liabilities				
Profit and loss recognized by using equity method	(8,032)	(2,543)	-	(10,575)
Determined benefit obligation	(8,025)	55	168	(7,802)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(256,221)	(2,488)	168	(258,541)
Total	($236,086)	($ 2,183)	$ 168	($238,101)

	2022			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Temporary differences:				
Deferred income tax assets:				
Falling price of inventory	$16,214	($ 842)	$ -	$15,372
Excess losses from bad debts	2,868	(2,868)	-	-
Unrealized exchange loss	245	566	-	811
Impairment loss of fixed assets	243	(154)	-	89
Bonus payable for paid leave not taken	1,530	47	-	1,577
Unrealized profit from sales of inventories in transit	3,380	(1,094)	-	2,286
Subtotal	24,480	(4,345)	-	20,135
-Deferred income tax liabilities				
Profit and loss recognized by using equity method	(5,339)	(2,693)	-	(8,032)
Determined benefit obligation	(4,796)	141	(3,370)	(8,025)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(250,299)	(2,552)	(3,370)	(256,221)
Total	($225,819)	($ 6,897)	($ 3,370)	($236,086)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2021.

(22) Earnings per share

	2023		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share ($)
Base earnings per share			
Current period net profit	$ 264,909	77,560	$ 3.42
Diluted earnings per share			
Current period net profit	$ 264,909	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	532	
The effect of net profit in the current period to the potential ordinary shares	$ 264,909	78,092	$ 3.39

	2022		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share ($)
Base earnings per share			
Current period net profit	$ 465,865	77,560	$ 6.01
Diluted earnings per share			
Current period net profit	$ 465,865	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	940	
The effect of net profit in the current period to the potential ordinary shares	$ 465,865	78,500	$ 5.93

(23) Supplemental cash flow information

Investing activities partially funded with cash:

	2023	2022
Purchase of property, plant, and equipment	$ 510,564	$ 270,073
Add: Opening balance of payable on equipment	29,867	94,544
Prepayments for land and equipment at the end of the period	7,204	70,000
Less: Ending balance of payable on equipment	(27,683)	(29,867)
Prepayments for land and equipment at the beginning of the period	(70,000)	(30,086)
Cash Paid for the Period	$ 449,952	$ 374,664

(24) Changes in liabilities arising from financing activities

	2023			
	Shot-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 100,000	$ 500,000	$ 1,645	$ 601,645
Addition	1,550,000	400,000	7,150	1,957,150
Repayment	(1,150,000)	(200,000)	(1,476)	(1,351,476)
December 31	$ 500,000	$ 700,000	$ 7,319	$ 1,207,319

	2022			
	Shot-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities arising from financing activities
January 1	$ 150,000	$ 600,000	$ 1,961	$ 751,961
Addition	2,300,000	1,600,000	726	3,900,726
Repayment	(2,350,000)	(1,700,000)	(1,042)	(4,051,042)
December 31	$ 100,000	$ 500,000	$ 1,645	$ 601,645

7. Related party transactions

(1) Name and relationship of related parties

Name of related parties	Relationship with The Company
PHARMAPORTS, LLC (PPL)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Company's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	The Company's main affiliates
Chunghwa Senior Care Co., Ltd.	The Company's main affiliates
Tairung Development Co., Ltd.	The Company's main affiliates
Sino-Japan Chemical Co., Ltd.	Other related parties
The Mr. Wang Min-ning Memorial Foundation	Other related parties

(2) Major transactions with related parties

1. Operating revenue

	2023	2022
Product sales:		
PPL	$ 1,450,585	$ 1,389,416
CCPC	32,173	39,225
	$ 1,482,758	$ 1,428,641

(1) The transaction price of the Company for related parties is based on the price agreed upon by both parties, which is similar to the sales price for general customers.

(2) The Company's payment period is 30–120 days (monthly) for non-stakeholders and 60–120 days (monthly) for stakeholders after shipment.

(3) The Company signed a raw material production and sales contract with China Chemical & Pharmaceutical Co., Ltd. in 2016 and renewed the contract in 2019. The Company sold raw materials to the said party at the net cost +30% profit for processing into goods; the Company is entitled to a differential profit ratio of 50% profit from actual sales (China Chemical & Pharmaceutical Co., Ltd. gross profit and the Group's sales gross profit).

2. Purchase

	2023	2022
Purchase of goods:		
CCPC	$ 111	$ -

3. Account receivable from related parties

	December 31, 2023	December 31, 2022
Account receivable from related parties:		
PPL	$ 198,029	$ 219,457
CCPC	13,207	8,639
Less: Allowance for losses	(46)	(46)
	$ 211,190	$ 228,050

4. Other receivable

	Nature of main transactions	December 31, 2023	December 31, 2022
PPL	Agency collection and payment	$ 502	$ 1,790
	Management services	663	841
		$ 1,165	$ 2,631

5. Other accounts payable to related parties

	December 31, 2023	December 31, 2022
Other payable:		
CCPC	$ 595	$ -

6. The Company's business supplies purchased in 2023 and 2022 totaled $2,601 and $3,919, respectively, and are listed as operating cost and miscellaneous fees.

7. The Company provided its subsidiaries with product sub-packaging and shipment and consulting services in 2023 and 2022 worth $3,329 and $3,549, respectively; they are book-kept as other income.

8. The Company donated $1,500 and $1,500 respectively to Mr. Min-Ning Wang Foundation, a related party, in 2023 and 2022, respectively, in order to award professionals for engagement in academic research and development.

9. The Company signed a land purchase contract with its related party, Sino-Japan Chemical Co., Ltd. on December 23, 2022. The transaction price was $350,000, which was determined with reference to the appraisal reports of Dawaland and Yeshome Real Estate Appraisers. According to the contract, as of December 31, 2022, the deposit paid was $70,000. The Company paid off the remaining amount of purchase price in 2023, and the ownership was transferred on February 18, 2023.

10. The dividends received from the Company's affiliates for the years 2023 and 2022 amounted $33,643 and $37,848, respectively.

(3) Remuneration to key management

	2023	2022
Salaries and other short-term employee benefits	$ 28,564	$ 37,786
Retirement benefits	443	441
	$ 29,007	$ 38,227

8. Pledged assets

The Company's assets are used as collateral as follows:

Asset Item	Book Value December 31, 2023	December 31, 2022	Purpose of guarantee
Deposits paid (Recognized as Other non-current assets)	$ 14,120	$ 4,500	Customs guarantees, lease deposits, etc.

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditures that have been signed but not yet incurred

	December 31, 2023	December 31, 2022
property , plant, and equipment	$ 47,290	$ 302,592

10. Significant disaster loss

None.

11. Major post-balance sheet events

Please refer to Note 6 (14) 4 for a description on distribution of surplus for 2023.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company's capital structure. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The strategy of the Company in 2023 remained the same as in 2022 to be committed to maintaining a debt to capital ratio below 40%.

(2) Financial instruments

1. Types of financial instrument

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 32,856	$ 33,317
Cash and cash equivalents	259,580	291,758
Notes receivable and accounts (including interested parties)	243,243	295,624
Other receivable	9,844	12,674
Deposits paid (Recognized as Other non-current assets)	14,120	4,500
	$ 559,643	$ 638,005

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liability measured at the amortized cost		
Shot-term borrowings	$ 500,000	$ 100,000
Payable notes	1,283	1,283
Accounts payable	103,081	143,046
Other payable	193,863	259,402
Long-term borrowings	700,000	500,000
Deposits received (Recognized as other current liabilities)	266	266
	$ 1,498,493	$ 1,003,997
Lease liabilities	$ 7,319	$ 1,645

2. Risk management policies

(1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial market, and the Company seeks to mitigate potential adverse effect on the financial position and performance.

(2) The Company's Finance Department identifies and assesses financial risks in close collaboration with the Company's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies, especially in US dollars. The relevant exchange rate risks might come from assets and liabilities that are generated from future operating activities and have been recognized.

B. The Finance Department of the Company conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.

C. The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2023		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 12,969	30.71	$398,213
Investments accounted for by the equity method			
USD: NTD	$ 362	30.71	$ 11,100
Financial liabilities			
Monetary items			
USD: NTD	$ 1,793	30.71	$ 55,054
EUR: NTD	70	33.98	2,379

	December 31, 2022		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 14,616	30.71	$448,857
Investments accounted for by the equity method			
USD: NTD	$ 297	30.71	$ 9,131
Financial liabilities			
Monetary items			
USD: NTD	$ 3,082	30.71	$ 94,648

D. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a gain of $6,878 and a loss of $56,819 for the 2023 and 2022, respectively.

E. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

	2023		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 3,982	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 551	$ -
EUR: NTD	1%	24	-

	2022		
		Sensitivity analysis	
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 4,489	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 946	$ -

Price risk

A. The Company's equity instruments exposed to the price risk are such financial assets held at fair value through profit & loss. To manage the price risk of investment in equity instruments, the Company conducts investment exactly within the limit set by the Company.

B. The Company invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. In case the price of the said equity instrument rises or drops by 10% while the other factors remain unchanged, the after-tax net profit for 2023 and 2022 due to the profit or loss of the equity instrument measured from fair value through profit and loss will increase or decrease by $3,286 and $3,332 respectively.

Cash flow and fair value interest rate risk

A. The Company's interest rate risk mainly comes from short-term borrowings issued at floating rates and long-term borrowing, which exposes the Company to cash flow

interest rate risk. For 2023 and 2022, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan dollars.

B. If the interest rates of borrowing NTD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2023 and 2022 is an increase of $9,600 and $4,800, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Company adopts the above assumption provided by the IFRS 9 that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Company adopts the following assumption provided by the IFRS 9 as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Company categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Company will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2023 and 2022, the Company has no creditor's rights that have been written off but are involved in recourse.

G. The Company has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2023 and 2022 are show as follows:

December 31, 2023	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.01%~0.13%	$ 206,595	$ 294
Overdue within 30 days	0.16%~1.62%	36,942	-
Overdue 31 to 60 days	0.17%~1.65%	-	-
Overdue 61 to 90 days	0.99%~9.91%	-	-
Overdue 91	10.00%~100.00%	-	-
		$ 243,537	$ 294

December 31, 2022	Expected rate of loss	Total book value	Allowance for losses
Not overdue	0.01%~0.15%	$ 295,918	$ 294
Overdue within 30 days	0.18%~1.83%	-	-
Overdue 31 to 60 days	0.19%~1.86%	-	-
Overdue 61 to 90 days	1.11%~11.14%	-	-
Overdue 91	10.00%~100.00%	-	-
		$ 295,918	$ 294

H. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2023 Notes receivable and accounts (including interested parties)
January 1 (December 31)	$ 294

	2022 Notes receivable and accounts (including interested parties)
January 1	$ 18,639
Impairment loss reversal	(18,345)
December 31	$ 294

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2023 and 2022 are $365 and $470. Among the reversed loss in 2023 and 2022, $0 and $18,345 were originally the impairments on accounts receivable from contracts with customers.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's Finance Department. It monitors rolling forecasts of

liquidity requirements to ensure the Company has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Company's unutilized borrowings are shown as follows:

	December 31, 2023	December 31, 2022
Maturing in one year or less	$ 570,000	$ 920,000
Mature beyond one year	450,000	500,000
	$ 1,020,000	$ 1,420,000

C. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2023	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 500,000	$ -	$ -
Payable notes	1,283	-	-
Accounts payable	103,081	-	-
Other payable	193,863	-	-
Lease liabilities	2,957	2,601	1,938
Long-term borrowings	13,240	709,026	-
Deposits received (Recognized as other current liabilities-others)	266	-	-

Non-derivative financial liabilities:

December 31, 2022	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 100,000	$ -	$ -
Payable notes	1,283	-	-
Accounts payable	143,046	-	-
Other payable	259,402	-	-
Lease liabilities	1,019	500	144
Long-term borrowings	8,820	506,170	-
Deposits received (Recognized as other current liabilities-others)	266	-	-

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in publicly traded or OTC stocks is included.

   Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

   Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (7) for the fair value of investment property carried at cost.

3. Financial instrument not measured at fair value:

   Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, short-term notes payable, Notes payable, accounts payable and other accounts payable as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

   (1) The Company classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$32,856	$32,856

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$33,317	$33,317

   (2) The methods and assumptions adopted by the Company to measure fair value are as

follows:

A. The fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.

B. When assessing non-standardized and less complex financial instruments, the Company adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.

C. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Company. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Company's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the individual balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2023 and 2022.

6. The following table shows the changes in Level 3 in 2023 and 2022:

	2023	2022
	Equity instruments	Equity instruments
January 1	$ 33,317	$ 26,726
Income recognized in profit or loss (Note)	10,768	9,591
Payment on shares refunded by capital decrease	(11,229)	(3,000)
December 31	$ 32,856	$ 33,317

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2023 and 2022.

8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable. In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.

9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	Fair value as of December 31, 2023	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 32,856	Net asset value method	Not applicable	Not applicable

	Fair value as of December 31, 2022	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 33,317	Net asset value method	Not applicable	Not applicable

10. The Company conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

13. Notes of disclosure

(1) Information about important transactions

1. Loans to others: None

2. Provision of endorsements and guarantees to others: None

3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Attached table 1.

4. The cumulative purchase or sale of the same security for an amount exceeding NTD 300 million or 20% of paid-in capital: None.

5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Pease refer to Attached table 2.

6. Disposition of real estate properties amounting to more than NTD 300 million or 20% of paid up capital: None.

7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Attached table 3.

8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Attached table 4.

9. Engaged in derivatives trading: None.

10. Significant inter-company transactions during the reporting periods: Please refer to Attached table 5.

(2) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Attached table 6.

(3) Information regarding investment in the territory of mainland china

1. Basic information: None.

2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(4) Information of major shareholders

Information of major shareholders: Please refer to Attached table 7.

14. Segment information

Based on IAS 8 and is also disclosed in the consolidated financial report.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1 to December 31, 2023

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending				Remarks
				Quantity	Book value (Note 2)	Shareholding percentage	Fair value	
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Common shares China Development Biomedical Venture Capital (limited company)	None	Financial assets at fair value through profit and loss	677,143	$ 32,856	1.71%	$ 32,856	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, “Financial Instruments”.

Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Acquisition of real estate reaching $300 million or 20% of paid-in capital or more

January 1 to December 31, 2023

Attached table 2

Unit: NTD thousand

(Except where otherwise stated)

Companies that acquire real estate	Asset title	Date of occurrence (Note 2)	Trade value	Payment situation	Counterparties	Relation	If the trading partner is a related party, their previous transfer information				Reference basis for price	Purpose of acquisition and usage	Other stipulations of the transaction
							Owner	Relationship with the issuer	Transfer date	Amount			
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Land	November 8, 2022 (board resolution date)	$ 350,000	Paid off in February 2023	Sino-Japan Chemical Co., Ltd.	Other related parties	Chunghwa Chemical Synthetic Industry Co., Ltd. (note 3)	The Company	April 6, 1971	$ 313	Note 1	For the purpose of building additional production lines.	None

Note 1 The price is determined with reference to the appraisal reports issued by Dawaland and Yeshome Real Estate Appraisers.

Note 2: The event date refers to the transaction date, payment date, commission date, account transfer date, board resolution date, or other dates when the trade counterparty and trade amount is confirmed, whichever is sooner.

Note 3 Formerly known as Chunghwa Chemical Synthetic Industry Co., Ltd., and later renamed as Chunghwa Chemical Synthesis & Biotech Co. Ltd. with the consent of the shareholders' meeting in 2003.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Purchase from or sale to related parties for an amount exceeding NTD 100 million or 20% of paid-in capital

January 1 to December 31, 2023

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes, accounts receivable (payable)	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 1,450,585	71%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 198,029	81%	None

Note: The disclosure is made by the income and corresponding transactions will not be disclosed additionally.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

January 1 to December 31, 2023

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party		Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Provision for loss allowance
						Amount	Disposal Method		
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	$ 198,029		6.95	$ -	-	$ 114,910	$ -
"	"	"	1,165	(Note)	-	-	-	1,165	-

Note: As other receivables.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2023

Attached table 5

Unit: NTD thousand

(Except where otherwise stated)

Code (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions				Percentage of consolidated total operating revenues or total assets (Note 3)
				Item		Amount	Terms and conditions	
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$	1,450,585	Note 4	70%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable		198,029	Note 4	4%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other revenue		3,329	Note 4	0%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Other receivable		1,165	Note 4	0%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:
(1) Fill in "0" for parent company.
(2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).
(1) Parent company vs. subsidiaries.
(2) Subsidiaries vs. parent company.
(3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: Payment collection terms for sales and service provided to related parties are 60 to 90 days after shipment and provision of service, respectively.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2023

Attached table 6

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit / loss of the investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Ratio	Book value			
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	100.00%	$ 11,100	$ 12,713	$ 12,713	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	863,602	863,602	42,053,137	14.11%	961,625	323,573	36,506	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Information of major shareholders

January 1 to December 31, 2023

Attached table 7

Name of main shareholder	Shares of Stock Number of shares held	Shareholding percentage
China Chemical & Pharmaceutical Co., Ltd.	21,575,064	27.81

VI. Financial difficulties and their impact on the financial status of the Company and its affiliates for the most recent year and the latest annual report: None.

Seven. Review of financial status, business performance, and risk management issues

I. Financial status:

Comparison of financial status

Unit: NTD thousand

Item \ Year	2023/12/31	2022/12/31	Difference		Remarks
			Increase (decrease)	Change in percentage (%)	
Current assets	1,787,783	1,448,991	338,792	23.38	Note 1
Financial assets that are measured at fair value through profit or loss - non-current	32,856	33,317	(461)	(1.38)	
Investments accounted for by the equity method	961,625	964,937	(3,312)	(0.34)	
Property, plant, and equipment	2,284,333	1,960,581	323,752	16.51	
Right-of-use assets	7,781	3,234	4,547	140.60	Note 2
Real property for investment- net	10,700	10,700	—	—	
Intangible assets	5,559	7,533	(1,974)	(26.20)	Note 3
Deferred income tax assets	20,440	20,135	305	1.51	
Other current non-assets	60,574	114,716	(54,142)	(47.20)	Note 4
Total assets	5,171,651	4,564,144	607,507	13.31	
Current liabilities	831,412	614,183	217,229	35.37	Note 5
Non-current liabilities	990,004	756,942	233,062	30.79	Note 5
Total liabilities	1,821,416	1,371,125	450,291	32.84	Note 5
Attributable to owners of the parent company	3,350,235	3,192,833	157,402	4.93	
Share capital	775,600	775,600	—	—	
Capital reserve	334,526	334,323	203	0.06	
Retained earnings	2,295,585	2,128,959	166,626	7.83	
Other equity	(55,476)	(46,049)	(9,427)	(20.47)	Note 6
Treasury stock	—	—	—	—	
non-controlling interests	—	186	(186)	(100.00)	Note 7
Total equity	3,350,235	3,193,019	157,216	4.92	

Description on changes exceeding 20%

Note 1: The increase in current assets is mainly due to the raw materials in the upstream market that led the Company to carry out strategic purchases and prepare materials in advance, resulting in an increase in inventories for the current period compared with the same period last year.

Note 2: The increase in right-of-use assets is mainly due to the addition of corporate vehicles leased for senior executives in the current period.

Note 3: The decrease in intangible assets is mainly due to the continued amortization of software, patents and specialized technology assets in the current period.

Note 4: The decrease in other non-current assets is mainly due to the prepayment for land purchase for the same period last year which was reclassified as property in the current period.

Note 5: The increase in current liabilities, non-current liabilities and total liabilities is mainly due to the increase in bank borrowings during the period.

Note 6: The decrease in other equity is mainly due to the decrease in the OCI (other comprehensive income) of investment using the equity method in the current period compared with the same period last year.

Note 7: The decrease in non-controlling interests is mainly because the Company held 100% of the equity of the subsidiary during the period, resulting in a decrease in non-controlling interests compared with the same period last year.

II. Financial Performance:

(I) Comparative analysis of financial performance

Unit: NTD thousand

Item \ Year	2023	2022	Increase (decrease)	Variation (%)	Remarks
Operating revenues	2,086,441	2,117,144	(30,703)	(1.45)	
Operating cost	1,329,133	1,155,387	173,746	15.04	
Operating gross profit	757,308	961,757	(204,449)	(21.26)	Note 1
Operating expenses	476,499	498,225	(21,726)	(4.36)	
Operating profit	280,809	463,532	(182,723)	(39.42)	Note 1
Non-operating revenues and expenses	52,678	119,773	(67,095)	(56.02)	Note 2
Earnings before tax	333,487	583,305	(249,818)	(42.83)	Note 3
Income tax expense	68,578	117,165	(48,587)	(41.47)	Note 3
Current period net profit	264,909	466,140	(201,231)	(43.17)	Note 3
Other comprehensive income for the period (net)	(6,865)	(66,288)	59,423	(89.64)	Note 4
Total comprehensive income for the period	258,044	399,852	(141,808)	(35.47)	Note 5
Net income attributable to owners of the parent company	264,909	465,865	(200,956)	(43.14)	Note 3
Net income attributable to non-controlling interests	—	275	(275)	(100.00)	Note 6
Total comprehensive income attributable to owners of the parent company	258,044	399,577	(141,533)	(35.42)	Note 5
Total comprehensive income attributable to non-controlling interests	—	275	(275)	(100.00)	Note 6

Description on changes exceeding 20%

Note 1: The decrease in gross profit and operating income is mainly due to the decrease in sales volume of some products affected by market factors.

Note 2: The decrease in non-operating income and expenses in the current period is mainly due to the decrease in foreign exchange gains in the current period compared with the same period last year.

Note 3: The decrease in net profit before tax, income tax expense, net profit for the period, and net profit attributable to owners of the parent is mainly due to the decrease in profit for the current period compared with the same period of last year.

Note 4: The increase in other comprehensive income in the current period is mainly due to the increase in the stock price of the financial assets at fair value through other comprehensive income of the investment using the equity method.

Note 5: The decrease in total comprehensive income and total comprehensive income attributable to owners of the parent is mainly due to the decrease in the OCI of investment using the equity method in the current period compared with the same period last year.

Note 6: The decrease in net profit attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests is mainly because the Company held 100% of the equity of the subsidiary during the period, resulting in a decrease in non-controlling interests compared with the same period last year.

(II) Expected sales and its basis: Please refer to “Report to Shareholders.”

III. Cash flow:

(I) Cash flow analysis of the most recent year:

Item / Year	2023	2022	Percentage increase / decrease (%)
Cash flow ratio (%)	(7.97)	119.47	(106.67)
Cash flow adequacy ratio (%)	45.16	76.40	(40.89)
Cash flow reinvestment ratio (%)	(2.59)	10.76	(124.07)
Analysis of percentage increase / decrease: Decrease in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Mainly due to the decrease in net profit before tax and increase in inventory, resulting in a decrease in net cash generated from operating activities.			

(II) Plans to improve liquidity: Not applicable.

(III) Liquidity analysis for the next year:

Unit: NTD thousand

Opening cash balance	Cash flow from operating activities for the year	Cash outflow for the year	Cash surplus (deficit)	Financing of cash deficits	
				Investment plan	Financial plan
269,569	1,620,236	1,661,325	228,480	—	—
1. Cash flow analysis for the coming year: (1) Operating activities: The increase in net cash inflow from operating activities is mainly due to the shipment of the Company's main products. (2) Investing activities: The increase in net cash outflow from investing activities is mainly due to the Company's continued investment in capital expenditures. (3) Financing activities: Mainly due to the Company's distribution of cash dividends					

IV. Material capital expenditures in the latest year and impacts on business performance:

(I) Major capital expenditures: None.

(II) Impact of major capital expenditures on financial operations: Not applicable.

V. The major causes for profits or losses incurred by investments during the latest year; rectifications and investment plans for the next year:

Unit: NTD thousand

Item \ Description	Sum of initial investment	Policies	Investment gains (losses)	Major causes for profits or losses	Corrective plans	Investments planned for the next year
China Chemical & Pharmaceutical Co., Ltd.	863,602	The company will do strategic investment, effective use of company funds, improve the company's capital gains	36,506	CCPC is a downstream medicine preparation plant, and its business operations in recent years is quite stable, being profitable every year.	None	None
PHARMAPORTS,LLC	4,925	Contacting office for the US FDA regulations and the US regional marketing office	12,713	In good operating status.	None	None
China Development Biomedical Venture Capital (limited company) (Note 1)	18,000	Strategic investment	-	-	None	None

Note 1: Recognize financial assets measured at fair value through profit or loss, so there is no need to recognize investment gains and losses. Capital reductions of NT$8,169 thousand, NT$3,060 thousand, NT$3,000 thousand and NT$9,000 thousand were made in June 2023, January 2023, April 2022 and March 2021, respectively.

VI. Risks should be analyzed and assessed for the most recent years and as of the publication date of the annual report:

(I) Impact of changes in interest rates and currency exchange and inflation on the Company's profit and loss and the response measures to be taken in the future:

Item	2022 (NTD thousand; %)	2023 (NTD thousand; %)
Net interest income and expense	(5,205)	(12,168)
Net exchange gains and losses	56,819	6,878
Net interest income and expense as a percentage of net operating income	(0.25)	(0.58)
Net exchange gains and losses as a percentage of net operating income	2.68	0.33
Net interest income and expense as a percentage of pre-tax net income	(0.89)	(3.65)
Net exchange gains and losses as a percentage of pre-tax net income	9.74	2.06

1. Changes in interest rates: Our interest rate risks mainly come from bank borrowings for operations and investment activities. The net interest expenses for 2022 and 2023 were NTD 5,205 thousand and NTD 12,168 thousand, respectively. We always pay attention to the changes in the overall financial environment and assess the impact of interest rate changes on our interest expenses.
2. Changes in exchange rate changes: In the Company. export sales accounted for 90% of its overall revenue. Accordingly, significant changes in the exchange rate would be significantly detrimental to the Company and may adversely affect the Company's financial status. During Years 2022 and 2023, the Company's exchange gains and losses amounted to NTD 56,819 thousand and NTD 6,878 thousand, respectively. In an attempt to reduce the adverse impact upon the exchange rate changes on operations, the Company primarily adopted U.S. dollar assets to pay U.S. dollar liabilities to reduce the impact of exchange rate risks on the Company's profit and loss.
3. Inflation: In recent years, the shortage of raw materials and energy have caused price

increase. The overall economy and industry are still showing steady growth, so the inflation is still within a manageable range. We also maintain good working relationships with suppliers and customers and constantly pay attention to the fluctuation of the market price of raw materials, so inflation has no significant impact on our profit and loss. In the days and years ahead, the Company shall still closely watch the inflation. Whenever the purchase cost increases due to inflation, the Company will also appropriately adjust the sales price and raw material inventory to assure a stable gross profit margin.

(II) Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future:

1. We take a safe and steady approach in our operations and are not engaged in high-risk and highly leveraged investment activities.
2. In the latest fiscal year and as of the publication date of the annual report, the Company had not got funds loaned to others, engaged in endorsement guarantees and transaction in derivative financial instruments. Furthermore, the Company had duly enacted "Handling Procedures for Loaning of Funds to Others" and "Procedures for Making of Endorsements/Guarantees" as well as "Procedures to Engage in Transaction and Disposal of Derivatives" which function as sound basis for business implementation thereafter so as to firmly assure the maximum possible benefits of the Company.

(III) Future research and development plans, and the projected expenses:

We adhere to the principles of having in-house research and development capabilities. Our long-term commitment in developing R&D talent and conducting specialized research projects is the source of our technology. We also maintain close working relationships with upstream suppliers for technical collaboration. In recent years, we also try to recruit outside R&D talent. In the coming year, we will continue devote ourselves to research and development. Having high-quality R&D personnel, mastering key technologies and meeting customer demand are the key factors to successful research and development. We will continue to accumulate our experience and constantly improve product performance to gain competitive advantages in the market.

(IV) The effect of major changes in policies and legal practices, whether domestic or foreign, to the company's financial and business performance, and the responsive actions:

We handle our operations in accordance with the domestic and foreign laws. We also constantly pay attention to changes in policies and laws. We also have quality assurance department and bioscience, synthesis and analysis institutes which provide response measures. We have not yet experienced major impacts on our financial performance from policy or laws changes at home or abroad as of the most recent year and the date of the publication of annual report.

(V) Effects of technological (including information and communication security risk) and industrial changes to the company's financial and business performance, and the responsive actions:

1. Our main products are APIs. We survey and analyze the applications of chemical synthesis and biotechnology and the changes of technologies and at the same time develop value-added and high-margin products to maintain our profit. We have not yet experience major impacts on our financial condition due to technology or industry changes as of the most recent year and the date of the publication of annual report.
2. Information and communication security risks:

The Company production lines operate independently and are not connected to the Internet. Therefore, they are less prone to the risk of viruses affecting and causing crash

events in the factory. Each desktop computer and notebook computer in the office is equipped with anti-virus software. In addition to enabling real-time scanning and periodic scanning of each computer p, the virus code should be updated every day. Mail receiving and sending are filtered via the SPAM SQR Server in order to reduce the risk of social emails and phishing mail. Education training on information security shall be periodically conducted, or information security mail notification shall be occasionally conducted in order to enhance personnel's information security risk awareness. The Company's internal network is connected through self-built VPN, with firewall protection in order to block the risk of cross infections of viruses in the factory. By means of internal inspection and external evaluation over the safety & security related rules and procedures, the Information Department has implemented thoroughly the Company's regulations and procedures to assure the integrity and security of the Company's information. The result of risk evaluation proves quite a satisfactory result. So far the Company has not run into any Internet attack. All such business operations do not adversely affect the Company's business operation and performance at all. Never has the Company got involved in any legal cases or monitoring investigation linked up with such issue. The technological changes cast no significant impact upon the Company's information (cyber) security. The Company proves free of any significant risk in business operation.

(VI) Impacts of changes in corporate image to the company's crisis management, and the responsive measures:

In the latest fiscal year and as of the publication date of the annual report, the Company proved free of any image change that would cause the Company to face crisis management. This part is, therefore, not applicable.

(VII) The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures:

We have not planned any acquisitions as of the most recent year and the date of the publication of annual report, thus the condition does not apply.

(VIII) The expected benefits from plant expansion, the potential risks associated, and the responsive measures:

We have not expected from plant expansion as of the most recent year and the date of the publication of annual report, thus the condition does not apply.

(IX) Risks of concentrated purchases or sales, and responsive measures to such risks:

We are a specialized API drugmakers. API is a main component of drugs that offers curative effect and directly affects the health and life safety of drug users. In an attempt to ensure the effectiveness and safety of drugs, the pharmaceutical industry has imposed very strict requirements on the quality of raw materials and relevant government authorities of various countries throughout the world have also tried hard to regulate the sources of main intermediates of API manufacturers. To ensure product quality and comply with the requirements of FDA and cGMP, we conduct numerous testing and experiments with the newly sourced materials and only use them after the stability of trial passes requirements. Once they are being used in production, they will not be replaced easily to maintain quality, stability, reliability and safety.

Concentration of purchases may result in a risk of material shortage. The shortage of materials may be attributed to the supplier's product distribution problem, insufficient factory capacity, production accidents, or failure to pass the official agency check procedures, resulting in a shortage of materials. The company has established a qualified supplier auditing mechanism to certify more than two alternative qualified suppliers. In the event of an out of stock emergency, the supplier will be increased by the alternative qualified supplier.

The key suppliers of the Company's prime purchase in Years 2022 and 2023 accounted for more than 20% of the total purchases. With stable main raw materials supply sources where such supply manufacturers have been verified through hands-on factory examinations from the US FDA, the Company firmly dominates a price advantage. Furthermore, the Company has established very sound mechanisms to analyze and inspect the qualified suppliers of raw materials. Thanks to such advantages, the Company is in a position, step-by-step, to develop more superior suppliers that are satisfactory to the U.S. FDA drug certification regulations. In addition to keeping track of the cost of raw materials at any time, the Company can further effectively minimize the risk in procurement. In 2022 and 2023, the company’s main clients are foreign pharmaceutical manufacturers that have cooperated with us for a long time. They are all global top-ranking university pharmaceutical companies that meet the requirements of the US FDA and European and Japanese pharmaceutical authorities. In addition to the company’s key technologies, the company continues to carry out manufacturing process optimization, capacity enhancement and cost improvement measures to ensure product competitive advantages, plus the excellent official inspection records accumulated over the years, so deeply trusted by customers, the materials sold by the company to foreign pharmaceutical plants are not easily replaced. The Company has set up a good cooperative relationship with the existent customer base. Besides, it has spared no effort to develop more new customers. To date, the Company is free from any risks in concentration of sales.

(X) The risks and impacts of significant shareholding transfers by directors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks:

In the latest fiscal year and as of the publication date of the annual report, the Company's directors or major shareholders holding more than 10% of the shares had not transferred or replaced a large number of shares. This part is, therefore, not applicable.

(XI) The effects, risks and responsive measures associated with changes in management:

In the latest fiscal year and as of the publication date of the annual report, the Company proved free of any fact in changes in the managerial officers’ powers. Further backed up with such facts that the Company's major operation plans have been elaborately designed and proposed by professional managers after evaluation of the industry and market environment and would be put into enforcement only after being resolved by its board of directors. Moreover, the Company has established a very sound and complete organizational structure which has been bestowed with adequate and distinguished powers and responsibilities for the respective departments. Through the Company's internal management system compliance and inter-departmental coordination and communication, the Company has put into implementation thoroughly its business strategies to dominate business efficiency and ensure satisfactory business results.

(XII) Litigation and non-contentious cases:

1. For any material litigations, non-litigious or administrative disputes (whether concluded or pending for judgment) in the latest years up till the publishing date of this annual report that may produce material impacts to shareholders' equity or securities prices, information regarding the underlying facts, amounts, starting date, parties involved and the current progress must be disclosed: None.

2. As of the most recent financial year and the date of publication of the annual report, the Company's directors, President and actual owners, major shareholders who control more than 10% of shares and subsidiary companies have no determined or pending litigations, non-litigations or administrative disputes which may present significant impacts on the Company's shareholders' equity or stock price: None.

(XIII)Other significant risks and responsive measures: None.

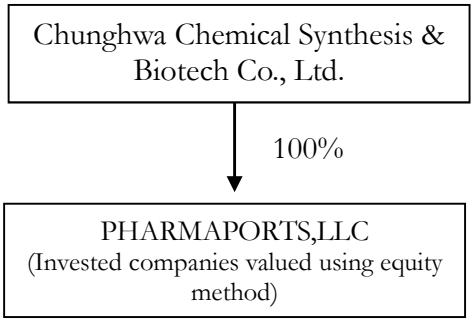
VII. Other important disclosures: None.

Eight. Special remarks

I. Affiliated companies:

(I) Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises:

1. Related Enterprise Chart:



2. Basic information of affiliated enterprises:

Company name	Date of foundation	Address	Paid-up Capital (Unit: thousand dollars)	Main business activities or products
PHARMAPORTS,LLC	1999.06.01	1E. Uwchlan Avenue, Suite 116, Exton, PA19341, USA	USD225	Trading of API drugs

3. Controlling company and affiliate companies sharing the same shareholders: Not found.

4. Business sectors covered by other affiliates:

(1) Main areas of business

Company name	Main business types
PHARMAPORTS,LLC	Trading of API drugs.

(2) Business transactions between various affiliates:

Our company and affiliates are all engaged in the manufacturing and sales of API drugs. We have no particularly favorable targets for purchases or sales. Our affiliates would follow the terms and conditions we have for other regular customers.

5. Information on directors, supervisors, and president of affiliated enterprises:

December 31, 2023; Unit: Shares

Company name	Title	Name or Representative	Shares held	
			Quantity	Shareholding percentage
PHARMAPORTS, LLC	Chairman	Chunghwa Chemical Synthesis & Biotech Co., Ltd. Representative: Chen, Ying-Chi	–	100%

6. Overview of the business operations of each affiliate

Unit: thousand dollars
(NTD for all amounts without specified currency)

Company name	Share capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits (losses)	Current period profit (after tax)	Earnings per share ($) (After tax)
PHARMAPORTS, LLC	6,909 (USD225)	214,049	202,949	11,100	1,498,396	21,461	12,714	–

(II) Consolidated operating report of subsidiaries, consolidated financial statement of subsidiaries and affiliation report:

Declaration

In 2023 (from January 1 to December 31, 2023), the companies that should be included in the consolidated financial reports of affiliated companies based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the consolidated financial reports of subsidiaries based on the "Consolidated and separate financial statements" of Section 10 of International Financial Reporting Standards were the same. The related information that should be disclosed in the consolidated financial statements of affiliated companies are also already disclosed in the consolidated financial reports for subsidiaries, so that the consolidated financial statements of affiliated companies would not be published separately.

Declared by:

Company name: Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: China Chemical & Pharmaceutical Co., Ltd.

Representative: Wang Hsieh, I-Che

March 21, 2024

II. Private placement of securities during the latest year up till the publication date of this annual report:

Item	First private placement in 2024 Date of issue: Not yet issued
Categories of negotiable securities in private placement	Private Placement for Issuance of Common Stock Shares or Domestic Convertible Corporate Bonds (Including Secured or Unsecured Convertible Corporate Bonds)
Date when resolved in the shareholders' meeting, and the amounts (Note 1)	To go ahead not beyond the limit of 15,512,000 common shares either individually or in concert.
Basis for and legitimacy of pricing	1. The price per share of private placement common stock may not be below 80% of the reference price. The reference price is the higher of those calculated according to the two criteria below: (1) The price obtained with the simple arithmetic mean of the closing prices of the one, three, or five business days prior to the pricing date from which the free allotment ex-right and cash dividend subtracted and capital decrease reverse ex-right added back up. (2) The price obtained with the simple arithmetic mean of the closing prices of the thirty business days prior to the pricing date from which the free allotment ex-right and cash dividend subtracted and capital decrease reverse ex-right added back up. 2. Private convertible corporate bonds: (1) Denomination: NTD 100,000 or its multiples. (2) Issuance period: not more than seven years from the issuance date. (3) Coupon interest rate: tentatively set at 0% annual interest rate. (4) The issue price of private placement convertible corporate bonds may not be below 80% of the theoretical price. The theoretical price will be determined with the valuation model selected that covers and takes into consideration at the same time various rights included in the issuance criteria. The conversion price was determined by calculating the simple arithmetic average of the closing price of the common stock for one, three or five business days prior to the price determination date, less the ex-rights and dividends of stock dividends, and adding back the anti-ex-rights of the capital reduction, or the simple arithmetic average of the closing price of the common stock for 30 business days prior to the price determination date, less the ex-rights and dividends of stock dividends, and adding back the anti-ex-rights of the capital reduction. It shall be the higher of the two calculations and the price shall not be less than 80% of the reference price. 3. Within the scope while the price on the substantial pricing date and substantial private placement price (including the conversion price of the private placement convertible corporate bonds) are not below the range as resolved in the shareholders' meeting, it is proposed that the shareholders' meeting should authorize the Board of Directors to solicit specific people as the market update may justify. The private placement price (including the conversion price of private placement convertible corporate bonds) is determined according to the laws and regulations set by the competent authority, with reference to the reference price or theoretical price mentioned above in addition to the "three-year transfer restriction" for private placement securities under the Securities and Exchange Act; as such, the price set shall be reasonable.
Choice of specific persons	Specific persons are limited to strategic investors meeting the eligibility criteria specified under Article 43-6 Paragraph 1 of the Securities and Exchange Act, capable of helping the Company improve its technologies, quality, bring down the cost, boost efficiency, maximize market share, enhance corporate governance, and strengthen risk management, and approving the management philosophy of the Company. Approaching strategic investors meeting the foregoing criteria is meant to meet, required for, and expected to render benefits in terms of the Company's long-term development needs. It is intended to help the Company fulfill the

	foregoing benefits taking advantage of the experience, knowledge, technical background, distribution channels, or deployment of the said strategic investors. No specific persons have been approached by the Company so far. It is intended to authorize the Board of Directors through the shareholders' meeting to take care of approaching specific persons.				
Rationale for organizing private placements	In light of the situation on the capital market, time-efficiency, feasibility, and issue cost of capital raising, and the actual needs for introducing strategic investors, the requirement that private placement securities may not be transferred freely within three years helps ensure the long-term partnership between the Company and its strategic investors; as such, securities are issued not through public offering but through private placement.				
Date when the payment of price was completed	Not applicable				
Information of the placees (subscribers)	Target of private placement	Qualifications	Quantity of subscription	Relationship with the Company	Fact of participation in the business management
	Not applicable				
Price of substantial subscription (or conversion)	Not applicable				
Differential gap between the price of substantial subscription (or conversion) and the referential price	Not applicable				
The impact of the private placement upon the shareholders' equity (e.g., leading to an increase in the accumulated loss...)	As the market status and the specific people may justify, the Company will carry out the private placement either in a lump sum or in batches (not beyond 3 batches in maximum). The funds so raised through all events of private placement shall be used to enrich the working capital, repay the Company's debts or to satisfy the Company's need in working capital amidst future development. Each private placement is expected to reinforce the competitive advantages of the Company, improve the operating efficacy, and strengthen the financial structure and hence helps with the shareholders' equity positively.				
Use of the funds raised through private placement and progress of implementation in the private placement plans	Not applicable				
Benefits shown through the effect of private placement	Not applicable				

Note 1: As resolved in the Company's Board of Directors on March 11, 2024, the Company should carry out private placement within the limit of not beyond 20% of the total outstanding shares (i.e., not beyond 15,512,000 shares in maximum) to issue common shares or domestic convertible corporate bonds (including secured or unsecured convertible corporate bonds). This resolved motion is still pending for final decision by the shareholders' meeting 2024.

III. The disposal of the Company’s shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other necessary supplementary information: None.

Nine. Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Chairman: China Chemical & Pharmaceutical Co., Ltd.

Representative: Wang Hsieh, I-Che