Stock code: 6504

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NAN LIU ENTERPRISE CO., LTD.

2023 Annual Report

Annual Report Website: Market Observation Post System (http://mops.twse.com.tw)

Related Information: Same as above.

<u>Notice to readers</u>

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.

Printed on May 12, 2024

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2. Contact Information of the Head Office, Branch Offices and Plants:
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     Tel: (07) 611-6616, Fax: (07) 616-8938
   - Yanchao Plant: No. 699, Silin Rd., Yanchao Dist., Kaohsiung City Tel: (07) 611-6616
   - Qiaotou Plant : No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City Tel: (07) 611-6618
   - Spunlace Plant: No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City, Tel: (07) 614-1799
   - China Pinghu Plant: No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China, Tel: +86-573-85136616
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     Sanand, Ahmedabad, Gujarat - 382110

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   Name: Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd.
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4. Contact Information of the Certified Public Accountants for the Latest Financial Report
   Name: Tien, Chung-Yu and Lin, Tzu-Yu
   CPA Firm: PricewaterhouseCoopers
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5. Overseas Trade Places for Listed Negotiable Securities:
   None

6. Company Website:
   http://www.nanliugroup.com

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I. Letter to Shareholders

Thank you for your continuous support and care for Nan Liu, and we hope that you can keep giving us more attention and support!

The following is the report on 2023 business results.

A. 2023 Business Report

(1) Achievements of the 2023 Business Plan

The Company's major businesses in 2023 were Spunlace Nonwoven Fabrics, Air Through & Thermal Bond Nonwoven Fabrics, Disposable surgical gowns fabrics, hygiene consumables (most of sales on baby wet wipes), and facial mask/skin care products. In 2023, net sales was NT$6,179 million, up 3.22% compared with 2022. The net income was NT$120 million with an EPS of NT$1.65.

(2) 2023 Consolidated Financial Expenditure and Profitability

Unit: NT$ thousands

Consolidated Statements of Comprehensive Income	2023	2022	Change %
Net Sales	6, 179, 040	5, 986, 346	3. 22%
Cost of goods sold	5, 441, 109	5, 358, 782	1. 54%
Gross profit	737, 931	627, 564	17. 59%
Total Operating expenses	553, 716	568, 739	−2. 64%
Net operating profit	184, 215	58, 825	213. 16%
Other non-operating income and expenses	19, 071	130, 009	−85. 33%
Income before income tax	203, 286	188, 834	7. 65%
Net Income	119, 871	57, 735	107. 62%

(3) Consolidated Profitability Analysis

Unit: %

		2023	2022
Return on assets		1. 66	0. 55
Return on equity		3. 42	1. 65
Capital ratio	Net operating profit	25. 37	8. 10
	Income before income tax	28. 00	26. 01
Net profit margin		1. 93	0. 96
After-tax earnings per share (NT$)		1. 65	0. 80

In 2023, the company was faced with challenges from the external environment. Due to the overproduction of non-woven fabrics for COVID-19. Intense competition within the industry has reduced Taiwan's exports to neighboring countries, resulting in lower production capacity utilization, and it is difficult to adjust selling prices in line with inflation, which directly affects revenue and profits. The Indian factory, which started mass production in the fourth quarter of 2021, not only implemented the founder's business philosophy, but also with India's local economic growth outperforming the world, it became increasingly clear that demand was rising, so that the first phase of production capacity was almost fully loaded and both profit and loss were equal. The second phase of production capacity is also being launched one after another, which is bound to become another dawn of contribution and profit.

However, in the face of such a dangerous environment, all the colleagues of the company continue to work hard at their jobs. The management team not only continues to develop functional new products, but also satisfies customers' affirmation of quality and places orders, striving to achieve good production capacity utilization. Keep performance stable.

B. Summary of the 2024 Business Plan

(I) Business Policy and Implementation

(1) Our new vision is implemented in the Company's daily operations, and our business philosophy is strengthened and fulfilled to achieve the goal of organizational optimization.

(2) Integration of supply chain management: we aim to have in place competitive and strategic raw materials suppliers, meet our customers' flexible and rapid demands, and reduce inventory costs to increase cash flow.

(3) Strengthen education and training systems, create a passionate and excellent work environment, improve staff morale, and boost operational efficiency.

(4) Continue enhancing product development capabilities and production technologies: obtain leading technologies and upgrade production capabilities; become a research and development center for our customers; and cooperate with technology experts at home and abroad, such as technical research and academic institutions.

(5) Implement green-energy policies and reduce carbon emissions to simultaneously lower costs and protect the environment, exercise social responsibility as a global citizen, and enhance overall image of the Company.

(6) Persistently implement prudent accounting practices and strengthen financial risk management to improve profitability.

(II) Major Marketing Strategies

(1) Buildup of capacity: add new production lines and enhance the benefits of economies of scale.

(2) Leadership in quality and technology: with customer-oriented approaches and the development of new products, promote the Company's international branding.

(3) Automation: consistently improve enterprise resource planning (ERP) systems, strengthen operational controls, and integrations to improve core competitive power.

(4) Adopt more aggressive strategies to enhance the position of the production base in Asia.

(III) Future Development Strategy

Uphold the principle of the "cycle of virtues" — that is, to profitably provide customers with outstanding quality, delivery and service, so that they are incentivized to purchase even more products from the Company, and thereby looking after the interests of shareholders and employees. In so doing, all four stakeholders — shareholders, employees, and customers, the community — can achieve win-win outcomes.

(IV) Competition, the Regulatory Environment, and General Business Conditions

While input prices are rising at home and abroad, the Company has strengthened its cost control measures. At the same time, our international platform offers improved conditions for customer orders through competitive advantages, and fluctuations in raw material prices are incorporated into price negotiations.

The Company will continue to strengthen its knowledge of the market environment; integrate regulatory and customer standards; reinforce accounting and legal requirements; promote environmental and labor protection initiatives; and enhance corporate governance and corporate social responsibility.

With increasing demands for the use of green energy and requirements for carbon reduction, we intend to hold ourselves to world-class standards in the pursuit of business growth.

Overall, while adverse external environments and rising production costs pose increasingly rigorous challenges, the Company believes that customers' demands can be satisfied through constant innovation and improving processes to maintain a competitive advantage and maximize profits for its shareholders.

With best wishes, and to good health and success for all,

Chairman:	General Manager:	Accounting Manager:
Mr. Huang, Shih Chung	Mr. Huang, Shih Chung	Mr. Chang Cheng Hsu

II. Company Profile

1. Company Introduction

(I) Founding Date: December 1978

(II) Contact Information of the Head Office, Branch Offices and Plants:

Name	Address	Tel
Head Office:	No. 699, Silin Rd., Yanchao Dist., Kaohsiung City	(07) 611-6616
Qiaotou Plant:	No. 88 Bixiu Road, Qiaotou Dist., Kaohsiung City	(07) 611-6618
Spunlace Plant	No. 108-8, Szu-Li Rd, Yanchao District, Kaohsiung City	(07) 614-1799
Pinghu Plant	No. 2188, Xinkai Road, Pinghu Economic Development Zone, Zhejiang Province, China	(+86-573-85136616)
India Plant	Plot. No E-22,23,24, Sanand II, GIDC Estate, Village-Bol, Sanand, Ahmedabad, Gujarat-382110	+91 2717 696 616

(III) Company History

1978	Established the Company, NANLIU ENTERPRISE CO., LTD, on 166 Dingjing Road in Kaohsiung, producing and selling household cleaning fabrics. The capital was NT$1 million.
1980	NANLIU ENTERPRISE CO., LTD combined with NANLIU ENTERPRISE AGENCY at the present site of No. 88, Bixiu Road, Qiaotou District, Kaohsiung City. Its capital was NT$6.6 million. At the same time, the production of grinding materials was developed successfully. The company owned 1200 square meters of working area.
1985	The capital increased to NT$10 million. The Company added nonwoven production lines and began integral operation from fibers to finished products. The high-quality kitchen cleaning fabrics were to be sold to Japan, whose agency was OHE in Hege county, Hainan Township. At the same time, the quality passed the requirements of the 20th Japanese Food Sanitation Law.
1988	The Company purchased two high-performance nonwoven production lines and specialized in producing the lining of bra to support Wacoal, Triumph of Taiwan and other manufacturers. The capital increased to NT$29 million.
1991	The Company purchased the No.1 thermal-bonded machine with a carding machine from Spinnbau (Germany) and a hot melt machine from Ramisch. The Company used Danish Danaklon fibers to produce hot-melt nonwovens to support diaper manufacturers from Taiwan and overseas.
1993	The capital increased to NT$66 million. In December of this year, the Company purchased a needle-punch machine from Dilo Company.
1994	Purchased the No. 2 thermal-bonded machine with a carding machine from Spinnbau and a hot melt machine from Ramisch.
1995	Purchased the No.1 Thru-Air machine with a carding machine from Hergeth (Germany) and Thru-Air machines from Hirano Company (Japan), which was finished in March. Another hot melt machine was added in April.
1997	The capital increased to NT$96 million, and the Company purchased the third thermal-bonded production line.
1998	The No. 3 thermal-bonded machine, the line with Thibau carding and a Kuster high-speed thermal-bonded roller (Germany) was tested successfully and produced well. The capital increased to NT$126 million.

1999	Another NT$34.02 million was added to the capital, and profits were transferred into the capital to achieve capital of NT$197.82 million. The second facility was built. The Company purchased a spunlace line. The Nanliu facilities achieved ISO9001 certification.
2000	Installation and testing of the Spunlace machine and wet wipe converting machine were completed in September. The Spunlace machine produces high-tech and high-quality spunlace nonwoven fabrics used widely in household wipes, soft wet tissues, paper pants, traveling towels, PU artificial leathers, etc. Capital increased to NT$250 million. Stock was offered publicly on July 7.
2001	Profits were transferred into capital to the level of NT$275 million. The product orders of spunlace fabrics at Yanchao Plant exceeded the production capacity. Revenue grew by 22%.
2002	Profits were transferred into capital to the level of NT$297 million. Annual revenue exceeded NT$1 billion, growing by 25%. Plans were made to purchase the second spunlace production line. Company stock was registered on the Taiwan Secondary Stock Market on December 25.
2003	Profits were transferred into capital to the level of NT$326.7 million. A new 400 square meter clean-room quality workshop was installed. Development and manufacturing of cream and liquid cosmetics were begun. The annual revenue reached NT$1.16 billion.
2004	Profits were transferred into capital to the level of NT$349.569 million. The second spunlace production line was installed to begin production in the third quarter of 2005 and contribute NT$600 million to the annual revenue. Biotech care products occupied 28% of the total revenue. The annual revenue reached NT$1.3 billion.
2005	Profits were transferred into capital to the level of NT$384.57 million. The second spunlace product line went online in the third quarter. Biotech care products occupied 35.28% of the total revenue. The annual revenue reached NT$1.42 billion. Construction began on Mainland China's Pinghu Plant.
2006	Profits were transferred into capital to the level of NT$423 million. Biotech care products occupied 30.6% of the total revenue. The annual revenue reached NT$1.53 billion. Surgical gown fabrics that had been developed successfully began the process to receive certification.
2007	The annual revenue reached NT$1.69 billion. Surgical gown fabrics received their quality certification. The spunlace production line of Mainland China's Pinghu Plant was installed. With an area of 4,500 square meters, the biotech plant had a GMPC-based production environment and management and adopted medical-grade EDI ultrapure water equipment.
2008	A combined annual profit of NT$1.9 billion was achieved. Pinghu Plant obtained GMPC and ISO 2000 quality certification and a production permit for cosmetic and hygiene products. Established Nan Liu Enterprise Co., Ltd. (Singapore) in December.
2009	Profits were transferred into capital to the level of NT$468 million. A combined annual revenue of NT$2.32 billion was achieved. The certificate of "Operational Headquarters in Taiwan" was obtained from the Ministry of Economic Affairs. Pinghu Plant: High-Tech Woodpulp Spunlace Fabrics passed European Standard- EN 13795 and AAMI. (Association of Advanced Medical Standard).
2010	Profits were transferred into capital to the level of NT$528 million. A combined annual revenue of NT$2.86 billion was achieved. The ISO 14001:2004 certificate on the Environmental Management System was obtained. Medical fabrics for surgical gowns and drapes were approved by major clients and received orders.
2011	Profits were transferred into capital to the level of NT$600 million. A combined annual revenue of NT$3.52 billion was achieved. The ISO 9001:2008 certificate on the Quality Management System was obtained.

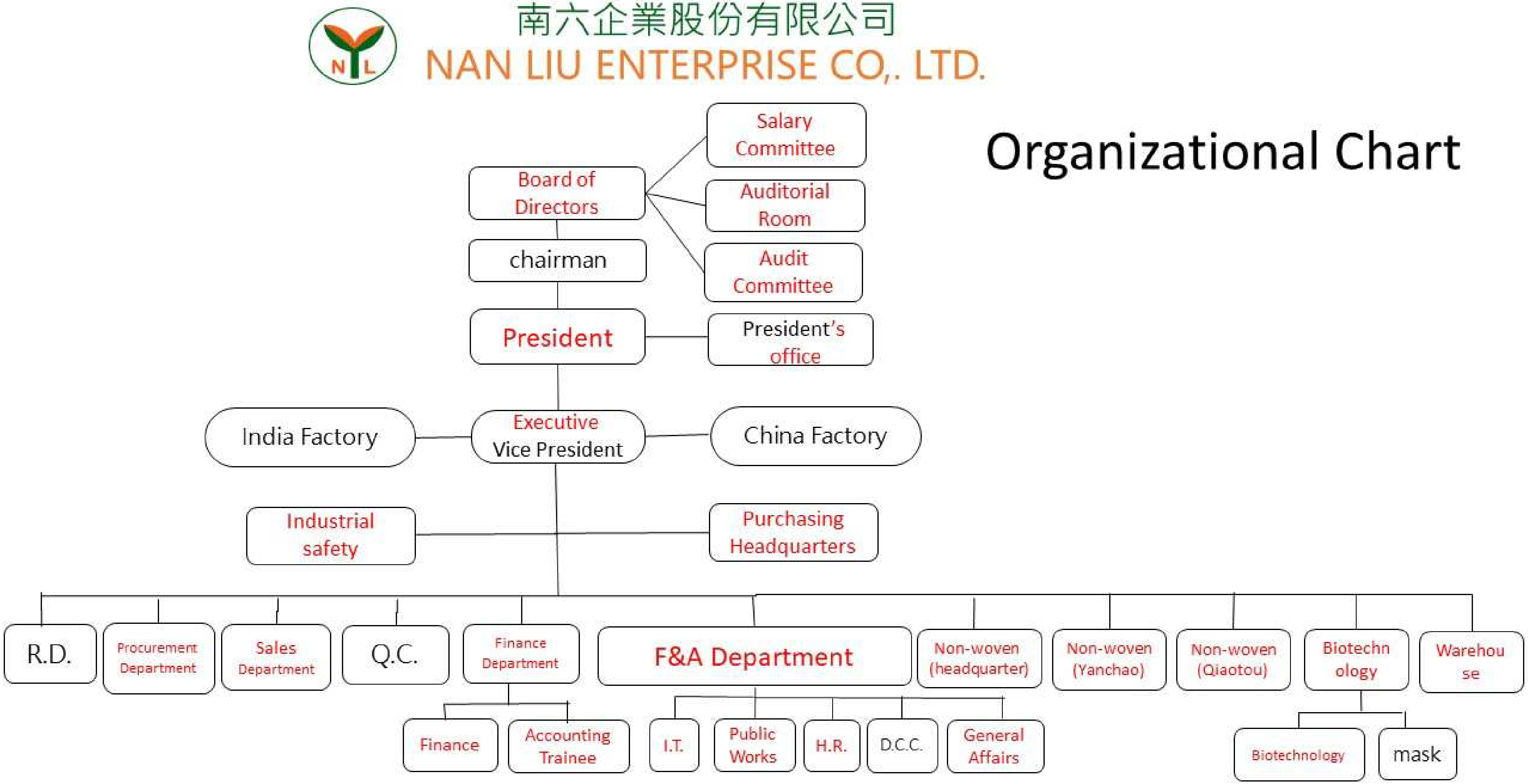
	The CNS certificate was obtained from Bureau of Standards, Metrology & Inspection, Ministry of Economic Affairs. Two automatic converting lines were added for cosmetic facemasks in addition to one 80-pc wet wipe converting line and one travel pack wet wipe converting line.
2012	Capital increased to NT$645 million by cash. A combined annual revenue up to NT$3.7 billion was achieved. FSC™-COC (Chain of Custody) certified. ISO 13485 (Medical Devices Quality Management Systems Standards) certified. ISO 22716 (Cosmetic GMP) certified.
2013	Capital increased by cash to NT$726 million. Combined annual revenue increased to NT$4.568 billion. Approved by Taiwan Stock Exchange for Initial Public Offering on May 7, 2013. The widest spunlace machine (6.2 m width) was installed and began operation in Q4 at the Pinghu plant. Automatic wet wipe converting lines were added to the Taiwan and China plants. Ranked 32 in the Top 40 companies list by Global Nonwovens Industry for 2013.
2014	Combined annual revenue increased to NT$5.34 billion. Installed two additional facial mask processing lines at each of the Taiwan and China plants. Installed another 3.8 m Air through production line at the Pinghu Plant that will begin operation in Spring 2015. Honored with the award of Technical Textiles merit and the 11th Outstanding Enterprise Manager of Southern Taiwan. Qualified as a candidate for the Excellent Performance Award by the Ministry of Economic Affairs. Ranked 25 of Top 40 companies list by Global Nonwovens Industry for 2014.
2015	Combined annual revenue increased to NT$5.92 billion. Established the Nanliu (Taiwan) Charities Foundation in January. Established the Nanliu (Pinghu) Charities Foundation in January as the first foreign company in Pinghu to set up a Charities Foundation. Honored with the 3rd Excellent Performance Award by the Ministry of Economic Affairs in May. Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Engineering of National Kaohsiung University of Applied Sciences in May. Two new automatic facial mask processing lines were added in each of the Taiwan and Pinghu plants in Q2. Chairman Huang, Chin-Shan took over as the president of Asia Nonwoven Fabrics Association in December. Installed extra 3.8 m Thru-Air production lines in the Pinghu Plant that began operation in Q4.
2016	Consolidated net sales increased to NT$6.09 billion. Through OHSAS 18001 certification (Occupational Health and Safety Management Systems). Nanliu (Pinghu) was awarded 9th place for Industrial sales by Pinghu Economic Development Zone and 14th place for Tax payments in March. Attended IDEA 2016 Global Nonwovens Exhibition at Boston MA, USA in May. Ranked 24th in the Top 40 companies list by Global Nonwovens Industry for 2016 and ranked 4th in Asia. An automatic wet wipe line was added to the Pinghu plant in Q4.
2017	Commencing construction of the new Yanchao plant in February. Awarded ISO 9001 certification (Quality management systems) by SGS international in March, ISO 9001-2015 certification and ISO 14001-2015 certifications in March. Attended 2017 INDEX exhibition in Geneva, Switzerland during April. The new Regulations approved by Ministry of Health and Welfare of Executive Yuan from June 1, 2017.

	Cosmetic management include baby wet wipes. Yanchao plant was approved and registered in May. Nan liu was the first approved company in Taiwan. NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED registered in September. Awarded Innovation Quality Management by SGS in December. Awarded ISO13485-2016 certification in December.
2018	Expansion of 1rd and 2nd warehouses which total area around 15,000 square meters completed in March. Pinghu plant ranked top 10 companies revenue and taxes payment list by Pinghu Economic Development Zone in April. Nanliu India Plant start to fill soil at Ahmedabad Gujarat in June. The consolidated net sales was over NTD 6.8 billion.
2019	Construction of the Yanchao new plant was finished. Nanliu was established for 40 years. ISO 45001:2018 Occupational health and safety management systems certification in January. The head office moved to Yanchao new plant in February. The cotton non-woven production line and 6M spunlace non-woven production line test run in March. Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Cheng Shiu University in April. The India plant start construction in April. To establish 100% holding subsidiary CHING-TSUN biomedical technology Co., Ltd. In July. To sign MOU with Kaohsiung Medical University in July. Suppliers Ethical Data Exchange (SEDEX) certification in September. The Global Organic Textile Standard, GOTS certification in November. Awarded Kaohsiung Leading Enterprise in December.
2020	Because of COVID-19, supply nonwoven for material of masks and isolation gown in February. Pinghu plant ranked six of top 30 companies' taxes payment list by Pinghu Economic Development Zone in March. Factory registration certificate of Medical Materials manufacturing, wholesale, retailing was obtained and Pharmacist manufacturing license certificate by Department of Health, Kaohsiung City Government in April. Nanliu medical masks certificate by Food and Drug Administration in April. Except sale medical masks to government, start to export medical mask to Singapore customer. Donating medical masks 10 million pcs to Japan, America, India, Indonesia, Poland, Slovensko, Romania in June. Ranked 56 th in the top 100 Taiwan CEO of HBR 2020 in October. Chairman Huang, Chin-Shan was awarded the Honorary Doctor of Ling Tung University in December. The consolidated net sales was over NTD 9.37 billion.
2021	India plant completion, then machine installation in January. The second phase of Yanchao main plant project start work in February. President of Societies Kang-Tu entrepreneur Association for 13th and chairman of The Hatta Yoichi Memorial Foundation for the Culture and Arts in December. Top ten of Kaohsiung outstanding citizen, social responsibility Lifetime Contribution Award—Chairman Huang, Chin-san India plant test run. The consolidated net sales was over NTD 6.78 billion.
2022	Nanliu India began production to supply international manufacturers, and obtained ISO 9001:2015 certification in March. The main plant obtained PEFC ST 2002: 2020 certification in May. The main factory obtained the revision of FSC-STD-40-004 V3-1 in June. The biotechnology building of the main factory obtained factory registration, ISO14001:2015,

	ISO45001:2018, ISO9001:2015, ISO22716:2007 (mask, wet wipes) certification in August. Nanliu India obtained the certification of industrial textiles in December, and the consolidated turnover in 2022 is NT$5.98 billion.
2023	The Indian factory obtained license to manufacture cosmetics in March. The wet wipes production line of the biotechnology department of the Indian factory officially started production in August. Indian factory obtains ISO 45001:2018, ISO 14001:2015 system certification in November.
2024	Indian factory obtains ISO 13485:2016, ISO 22716:2007 system certification in March. The facial mask production line of the biotechnology department of the Indian factory officially started production in March.

III. Corporate Governance Report

1. Organization:



Nan Liu Enterprise Co., Ltd.

Department Functions

<table>
<tr><th colspan="2">Department</th><th>Primary Duties</th></tr>
<tr><td colspan="2">Present's Office</td><td>1. Execute the resolutions of the Board of Directors.
2. Take charge of the formulation, implementation, communication, and negotiation of the business objectives.
3. Study, formulate, execute, and follow up on the projects.
4. Formulate the guidelines and strategies for the Company's future development.</td></tr>
<tr><td colspan="2">Auditing Office</td><td>1. Formulate and improve the Company's internal control system.
2. Plan and execute the audit on the Company's systems, prepare the audit report on a regular basis, and follow up on the progress.</td></tr>
<tr><td colspan="2">Overseas Business Department</td><td>Take charge of the planning and operations for overseas subsidiaries.</td></tr>
<tr><td colspan="2">R&D center</td><td>1. Take charge of research and development of non-woven products.
2. Take charge of research and development of cosmetic products.
3. Take charge of research and development of medical products.</td></tr>
<tr><td rowspan="2">Business Department</td><td>International Trade Division</td><td>Take charge of the development and sales of overseas markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.</td></tr>
<tr><td>Domestic Trade Division</td><td>1. Take charge of development and sales of domestic markets, client credit and purchase orders, shipments and payment collection, feedback of market information and customer service.
2. Take charge of development and sales of new domestic markets, development of sales channels, product advertising, feedback of market information, and customer service.</td></tr>
<tr><td colspan="2">IT center</td><td>1. Take charge of formulation and implementation of the Company's computerized operation plan, maintenance of software and hardware, preparation of internal documents, and solutions for the use of computers.
2. Planning and processing of company information security.</td></tr>
<tr><td colspan="2">Work safety center</td><td>Management and maintain of Safety and Health.</td></tr>
<tr><td rowspan="3">Administration Department</td><td>HR</td><td>Take charge of payroll, bonuses, performance evaluation, and training programs, planning of the Company's human resources and organizational development.</td></tr>
<tr><td>Document management</td><td>Process of internal document, following and filing of ISO.</td></tr>
<tr><td>General affairs</td><td>Take charge of general affairs, transceiver, staff meals, and security.</td></tr>
<tr><td rowspan="2">Finance Department</td><td>Finance Division</td><td>Take charge of financial analysis, financing, operations and management of foreign exchange, and management of treasury.</td></tr>
<tr><td>Accounting Division</td><td>Plan and execute accounting, budgets, and tax affairs.
Disclose the information on businesses.</td></tr>
<tr><td colspan="2">Quality Assurance Department</td><td>Ensure the quality of raw materials provided by suppliers.
Ensure the quality of the Company's products.
Take charge of customer complaints, formulate preventive measures, and follow up on the progress.
Formulate the Company's quality policy.</td></tr>
<tr><td colspan="2">Purchasing Department</td><td>Take charge of procurement, outsourcing, and inventory management.</td></tr>
<tr><td colspan="2">Technical Department</td><td>Responsible for process development and improvement of non-woven products.
Responsible for process development and improvement of facial mask, cosmetic product, wet wipes, and household cleaning.</td></tr>
</table>

Manufacturing Dept.	Spunlace Plant	Plant Affairs Section	1. Take charge of production planning and scheduling, preparations for production reports, and follow-up. 2. Manage the schedule of raw materials. 3. Take charge of equipment maintenance and improvement in efficiency.
		Electromechanical Section	Plan the maintenance of production machines.
		Production Section	Production of spunlace and cotton nonwovens.
	PP Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
		Production Section	1. The production of PP thermal bond nonwoven. 2. The production of AT air-through nonwoven. 3. The resin bond padding of needle punch nonwoven
	Biotech Plant	Plant Affairs Section	1. Take charge of equipment maintenance and improvement in efficiency. 2. Manage raw materials and finished products in warehouses. 3. Take charge of production planning and scheduling, preparations for production reports, and follow-up.
		Production Section	Production and processing of facial masks, cosmetic products, wet wipes, household cleaning supplies, and medical mask.
	Warehouse Section		1. Plan the warehoused stock and shipments. 2. Control the inventory.

2. Board of Directors, Supervisors, General Manager, Deputy General Managers, Assistant Managers, and Directors of Departments and Subsidiary Agencies Directors and Supervisors

April 1, 2024

Unit: Share; %

Job Title (1)	Nationality or place of registration	Name	Gender (2)	Date elected	Term	First Date Elected (3)	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (4)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (5)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Chairman	Republic of China	Bixiu Investments Co., Ltd.	–	2022.05.31	3	2002.09.23	5,090,929	7.01	5,090,929	7.01	–	–	–	–	–	None	–	–	–	
		Representative: Huang, Shih Chung	Male 48	2023.05.09	3	2023.05.09	1,695,228	2.34	1,661,228	2.29	513,009	0.71	–	–	General Manager, Nan Liu Enterprise Co., Ltd. Master in Industrial R&D, National Kaohsiung University Science and Technology	Chairman, NeiZhuang Investment Co., Ltd.	Director	Chiang, Su Lian	Sister-in-law	
Director	Republic of China	Chun Yi Investment Co., Ltd	-	2022.05.31	3	2022.05.31	3,644,000	5.02	4,973,000	6.85	–	–	–	–	–	None	–	–	–	
		Representative: Chiang, Su Lian	Female 47	2022.05.31	3	2022.05.31	313,596	0.43	313,596	0.43	1,914,768	2.63	–	–	Department of International Business, Ta Hwa University	Director, Chun Yi Investment Co., Ltd.	Director	Huang, Shih Chung	Sister-in-law	

Job Title (1)	Nationality or place of registration	Name	Gender (2)	Date elected	Term	First Date Elected (3)	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (4)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (5)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Independent Director	Republic of China	Huang Tung-Rong	Male 73	2022.05.31	3	2016.06.13	—	—	—	—	—	—	—	—	Master’s degree, Accounting Department, National Chi Nan University. Supervisor, Taiwan Industrial Bank	Managing Partner, Universal United CPA (CPA). Independent Director, Channel Well Technology (stock code: 3078).	—	—	—	
Independent Director	Republic of China	Chen, Chao-Lung	Male 74	2022.05.31	3	2022.05.31	—	—	—	—	5,000	0.01	—	—	Honorary Doctorate of Cheng Shiu University. Honorary Doctorate of Asunción University. Honorary Doctorate of San Carlos University. Director of Kaohsiung Chang Gung Memorial Hospital. Professor at Chang Gung University. CAE academician.	Chairman of Microbio (Shanghai) Co., Ltd. Independent director of King's Town Bank. Director of Fulin Plastic Industry (Cayman) Holding Co., Ltd. Director of Hi Lai Foods Co., Ltd. Representative of Cho Pharma Inc. Independent director, SciVision Biotech Co., Ltd.	—	—	—	
Independent Director	Republic of China	Huang Chun-Ping	Male 51	2022.05.31	3	2012.06.29	—	—	—	—	—	—	—	—	Ph.D. of the Institute of China and Asia-Pacific Studies. Senior Vice President of Global Fortune Management Corp. General Manager of Lead Ocean Co., Ltd.	Instructor (Adjunct) in Cheng Shiu University	—	—	—	
Director	Republic of China	Yang Rui-Hua	Male 74	2022.05.31	3	2013.04.30	181,033	0.25	181,033	0.25					Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)				

Job Title (1)	Nationality or place of registration	Name	Gender (2)	Date elected	Term	First Date Elected (3)	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (4)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (5)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Director	Republic of China -	Wang, Chih-Hung (6)	Male 48	2022.05.31	3	2016.06.13	–	–	–	–	–	–	–	–	Ph.D. Philosophy, National Cheng Chi University. Master of Business Administration, National Chiao Tung University. Senior Vice President, Taipei Exchange. Senior Executive Officer of Premier's office Executive Yuan R.O.C. Executive Director, SME Guidance Center of Taipei City Government. Associate Researcher of NICI.	Adjunct assistant professor in the Department of International Business, Finance, Shih Chien University.	–	–	–	
Director	Republic of China	Su Chao-Shan	Male 80	2022.05.31	3	2008.06.16	–	–	–	–	–	–	–	–	Executive Master of Business Administration, National Sun Yat-sen University Department of Law, National Taiwan University Professor and Dean of College of Business and Information, Shih Chien University Chairman of Bank of Kaohsiung Assistant Manager of Mizuho Bank Director of Bankers Association of Kaohsiung	Director of Pershing Technology Services Corp.	–	–	–	

Job Title (1)	Nationality or place of registration	Name	Gender (2)	Date elected	Term	First Date Elected (3)	Shares held upon election		Shares currently held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (4)	Current positions in the Company or other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship			Remark (5)
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage			Title	Name	Relation	
Director	Republic of China	Chung Mao-Chih	Male 75	2022.05.31	3	2007.06.07	749,451	1.03	749,451	1.03	—	—	—	—	Department of Accounting, Ling Tung University Business Administration Program, Tunghai University Manager of Pan Kuo-Chin CPAs & Co.	Xin Shi Dai Accountancy and Tax Agent	—	—	—	

(1): The legal person shareholder shall name the shareholder and the representative (belonging to the legal person)

(2): Please list the actual age and express it in intervals, such as 41~50 years old or 51~60 years old.

(3): Fill in the time when he served as the company's director or supervisor for the first time. If there is any interruption, please note it.

(4): Experience related to holding the current position, such as having worked in a verification and certification accounting firm or an affiliated enterprise during the preceding disclosure period, the title and position in charge should be stated.

(5): If the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, or are spouses or first-degree relatives, the reasons, rationale, necessity, and countermeasures (such as increasing the number of independent directors, and More than half of the directors do not concurrently serve as employees or managers, etc.) related information.

(6): Director Wang, Chih-Hung resigned on December 30, 2022 due to transfer to civil servant.

2. Major Shareholders of Institutional Shareholders

April 1, 2024

Names of institutional shareholders (1)	Major shareholders of institutional shareholders (2)
Bixiu Investment Co., Ltd.	Huang, Shih-Chung 30%
	Huang, Jen-Tsung 30%
	Huang, Hui-Ju 30%
	Huang, Chin-San 10%
Chun Yi Investment Co., Ltd.	Huang, Jen-Tsung 50%
	Chiang, Su-Lian 30%
	Chiang, Ming-Chu 10%
	Chung, Wan-Chen 10%

(1): For representatives of institutional shareholders, please note the names of institutional shareholders.
(2): Please list the name of shareholders and %, for the top ten shareholders should fill follow table.
(3): For non-institutional shareholders, please note the shareholders' name and holding shares percentage.

Directors' information

1.Exposure of Professional position of directors and independent information of independent directors

Condition / Name	Professional position and Experience (1)	Independent situation (2)	Seats of independent directors in other companies
Bixiu Investment Co., Ltd. Representative: Huang, Shih-Chung	Over five years' experience in Business, company business.		
Chun Yi Investment Co., Ltd. Representative: Chiang, Su-Lian	Over five years' experience in Business.		
Huang Tung-Rong	Over five years' experience in Finance, accounting.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	1
Chen, Chao-Lung	Over five years' experience in Business, company business.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	2
Huang Chun-Ping	Over five years' experience in business, Finance, management.	Following article 3-1 item 5 to item 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters	
Wang, Chin-Hung	Over five years' experience in business, Finance, accounting.	Not employee and second-degree relatives	
Yang Rui-Hua	Over five years' experience in Business, company business.		
Su Chao-Shan	Over five years' experience in Business, Legal, Finance.	Not employee and second-degree relatives	
Chung Mao-Chih	Over five years' experience in Finance, accounting.	Not employee and second-degree relatives	

2. Board Diversity and Independence:

I. Diversification of the board of directors: Describe the diversity policy, goals and achievements of the board of directors. Diversity policies include but are not limited to director selection criteria, professional qualifications and experience that the board of directors should have, gender, age, nationality, and cultural composition or ratio, and describe the company's specific goals and their achievement in relation to the previously disclosed policies.

II. Independence of the board of directors: state the number and proportion of independent directors, explain the independence of the board of directors, and attach reasons to explain whether there are no circumstances stipulated in items 3 and 4 of Article 26-3 of the Securities Exchange Law, including stating the directors, Circumstances where the supervisors or directors and supervisors have spouses and relatives within the second degree of kinship.

(1) Professional qualifications and experience: State the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, they should state their accounting or financial background and work experience, and also state whether they have no company law Article 30 matters.

(2) Independent directors shall state the conditions of independence, including but not limited to whether the person, spouse, and relatives within the second degree serve as directors, supervisors, or employees of the company or its affiliated companies; The number and proportion of the company's shares held in the name of others); whether to serve as a director, supervisor, supervisor of a company that has a specific relationship with the company (refer to the provisions of Article 3, Item 1, 5-8 of the Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to Be Followed) The person or employee; the amount of remuneration received by the company or its affiliates for providing business, legal, financial, accounting and other services in the last two years.

(3) For the method of disclosure, please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

Condition / Name	Basic								Business Experience				Professional ability		
	Nationality	Gender	Shareholder	Age			Independent experience		Professional service and sales	Finance	Business and supply	Information science	Legal	Accounting	Risk management
				45~55	56~65	Over 65	Below 3 years	From 6 to 9 years							
Huang, Shih-Chung	ROC	Male	✓	✔	—	—	—	—	✓	✓	✓	○	○	○	✓
Chiang, Su-Lian	ROC	Female	✓	✓	—	—	—	—	✓	✓	✓	○	○	○	✓
Huang Tung-Rong	ROC	Male	—	—	—	✓	—	✓	✓	✓	○	✓	✓	✓	✓
Chen, Chao-Lung	ROC	Male	—	—	—	✓	—	✓	✓	○	✓	✓	○	○	✓
Huang Chun-Ping	ROC	Male	—	✓	—	—	—	✓	✓	✓	✓	✓	○	✓	✓
Wang, Chin-Hung	ROC	Male	—	✓	—	—	—	—	✓	✓	✓	✓	○	✓	✓
Yang Rui-Hua	ROC	Male	✓	—	—	✓	—	—	✓	○	✓	✓	○	○	✓
Su Chao-Shan	ROC	Male	—	—	—	✓	—	—	✓	✓	○	○	✓	✓	✓
Chung Mao-Chih	ROC	Male	✓	—	—	✓	—	—	✓	✓	○	○	✓	✓	✓

Note: ✔ Has ability，○ Has part of ability.

3. General Manager, Deputy General Manager, Assistant Manager, and Supervisors of Departments and Branch Agencies

April 1, 2024 Unit: Share; %

Job Title (1)	Nationality or place of registration	Name	Gender	Date elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Main working (education) experience (2)	Current positions in or other companies	Any managerial officer who is a spouse or a relative within the second degree of kinship			Remark
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	of shares			Job Title	Name	Relations	
General Manager	ROC	Huang, Shih-Chung	Male	2023. 05. 09	1,661,228	2.29%	513,009	0.71%	—	—	General Manager, Nan Liu Enterprise Co., Ltd. Master in Industrial R&D, National Kaohsiung University Science and Technology	Chairman, NeiZhuang Investment Co., Ltd.	—	—	—	—
Vice President	ROC	Yang Rui-Hua	Male	1997.09.01	181,033	0.25%	—	—	—	—	Zhongzheng Senior High School Manager of Senlong Chemical Fiber Co., Ltd.	Director of Nan Liu Enterprise Co., Ltd. (Pinghu)	—	—	—	
Vice President	ROC	Chang, San-Hua	Male	2011.01.03	9,000	0.01%	—	—	—	—	Master of Industrial Engineering Management, NKUST.	—	—	—	—	
Vice President	ROC	Chen, Li-Chen	Female	2023.08.09	0	—	—	—	—	—	Master of Department of Sociology, National Taiwan University Vice President , KNH(Shanghai) Trading Co., Ltd.	—	—	—	—	
Assistant Vice President	ROC	Chen, Shih-Hsuan	Male	2023.01.01	0	—	—	—	—	—	RMIT University (Economics & Finance)	—	—	—	—	
Finance &Corporate Governance Manager	ROC	Hsu, Chang-Cheng	Male	2021.12.22 2022.08.01	280	—	—	—	—	—	Department of Accounting, NCHU. Accountant of WUS Printed Circuit Co., Ltd. Auditor of Yangtze CPAs & Co.	—	—	—	—	
Manager	ROC	Chou, I-Hui	Female	2021.12.22	2,000	—	5,000	0.01%	—	—	Master, Department of Information Science, Providence University. Manager of China Development Industrial Bank	—	—	—	—	

(1): General Manager, Deputy General Manager, Assistant Managers, Supervisors of Departments and Branch Agencies and persons who hold positions equivalent to General Manager, Deputy General Manager, or Assistant Managers shall be disclosed.

(2): For the current positions in the CPA firm or affiliates in the first term mentioned above, please explain the titles and duties of such positions: Not applicable.

(3): When the general manager or person of equivalent position (top manager) and the chairman of the board are the same person, spouse or first-degree relative, the reason, rationality, necessity and countermeasures should be disclosed (such as increasing the number of independent directors, and should have More than half of the directors do not concurrently serve as employees or managers, etc.) related information.

4. Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

(1) Remuneration paid to directors (including independent directors) in 2023:

December 31, 2023 Unit: NT$1,000, %

Job Title	Name	Director's remuneration								Proportion of NIAT after summing items A, B, C, and D (10)		Employee remuneration for other activities								Proportion of NIAT after summing items A, B, C, D, E, F, and G (10)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in (11)
		Remuneration (A)(2)		Retirement pension (B)		Director's remuneration (C) (3)		Expense on professional practice (D) (4)				Salaries, bonuses and special expenses (E)(5)		Retirement pension (F)		Employee's remuneration (G)(6)						
																The Company		All companies listed in this financial report (9)				
		The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	The Company	All companies listed in this financial report (7)	Cash amount	Shares Sum	Cash amount	Shares Sum	The Company	All companies listed in this financial report (7)	
Chairman	Bixiu Investment Co., Ltd. Representative Huang, Shih-Chung (Note 12)	—	—	—	—	123	123	50	50	0.14%	0.14%	3,058	3,058	—	—	—	—	—	—	2.70%	2.70%	—
Director	Chun Yi Investment Co., Ltd Representative Chiang, Su-Lian	—	—	—	—	123	123	50	50	0.14%	0.14%	1,431	1,431	—	—	—	—	—	—	1.34%	1.34%	—
Director	Yang, Rui-Hua	—	—	—	—	123	123	50	50	0.14%	0.14%	2,343	2,343	—	—	—	—	—	—	2.1%	2.1%	—
Director	Su, Chao-Shan	—	—	—	—	123	123	50	50	0.14%	0.14%	—	—	—	—	—	—	—	—	0.14%	0.14%	—
Director	Chung Mao-Chih	—	—	—	—	123	123	50	50	0.14%	0.14%	—	—	—	—	—	—	—	—	0.14%	0.14%	—
Director	Wang, Chin-Hung(Note13)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Independent Director	Huang, Tung-Rong	—	—	—	—	123	123	110	110	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	—
Independent Director	Chen, Chao-Lung	—	—	—	—	123	123	110	110	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	—
Independent Director	Huang Chun-Ping	—	—	—	—	123	123	110	110	0.19%	0.19%	—	—	—	—	—	—	—	—	0.19%	0.19%	—

	1. Please describe the policy, system, standards and structure of remuneration to independent directors, and describe the correlation with the amount of remuneration based on the responsibilities, risks, time invested and other factors: 2. In addition to what is disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services to all companies included in the financial report (such as serving as a non-employee consultant for the parent company/all companies included in the financial report/invested enterprises, etc.): None.

*Please list the relevant information of directors (general directors who are not independent directors) and independent directors respectively.

(1-2-2) Table of remuneration ranges for Directors and Independent Directors

Remuneration range for each director in The Company	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The company (10)	All companies listed in this financial report (10)	The company (10)	All companies listed in this financial report (10)
Less than NT$1,000,000	Bixiu Investment Co., Ltd. (representative Huang, Shih-Chung), Chun Yi Investment Co., Ltd (representative Chiang, Su-Lian), Huang, Tung-Rong, Huang, Chun-Ping, Wang, Chin-Hung, Yang, Rui-Hua, Su Chao-Shan, Chung Mao-Chih, Chen, Chao-Lung	Bixiu Investment Co., Ltd. (representative Huang, Shih-Chung), Chun Yi Investment Co., Ltd (representative Chiang, Su-Lian), Huang, Tung-Rong, Huang, Chun-Ping, Wang, Chin-Hung, Yang, Rui-Hua, Su Chao-Shan, Chung Mao-Chih, Chen, Chao-Lung	Huang, Tung-Rong, Huang, Chun-Ping, Su Chao-Shan, Chung Mao-Chih Chen, Chao-Lung Wang, Chin-Hung,	Huang, Tung-Rong, Huang, Chun-Ping, Su Chao-Shan, Chung Mao-Chih Chen, Chao-Lung Wang, Chin-Hung,
NT$1,000,000 (inclusive)–NT$2,000,000	–	–	Chun Yi Investment Co., Ltd (representative Chiang, Su-Lian)	Chun Yi Investment Co., Ltd (representative Chiang, Su-Lian)
NT$2,000,000 (inclusive)–NT$3,500,000	–	–	Bixiu Investment Co., Ltd. (representative Huang, Shih-Chung), Yang, Rui-Hua	Bixiu Investment Co., Ltd. (representative Huang, Shih-Chung), Yang, Rui-Hua
NT$3,500,000 (inclusive)–NT$5,000,000	–	–	–	–
NT$5,000,000 (inclusive)–NT$10,000,000	–	–	–	–
NT$10,000,000 (inclusive)–NT$15,000,000	–	–	–	–

NT$15,000,000 (inclusive)– NT$30,000,000	–	–	–	–
NT$30,000,000 (inclusive)– NT$50,000,000	–	–	–	–
NT$50,000,000 (inclusive)– NT$100,000,000	–	–	–	–
More than NT$100,000,000	–	–	–	–
Total				

(1): The names of directors shall be listed separately (for institutional shareholders, the names of institutional shareholders and representatives shall be listed separately), and the payments shall be disclosed collectively. Directors who also serve as General Manager or Deputy General Manager are already listed in the table and the table below (3).
(2): Remuneration of directors of the recent year (including salaries, job remuneration, severance, bonuses, and performance fees).
(3): Remuneration paid to directors of the recent year upon the approval of the Board of Directors.
(4): Business expenses paid out to directors in the recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.
(5): Remuneration for directors concurrently holding positions in the Company (for positions that include the General Manager, Deputy General Manager, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the remuneration paid to said driver. However, such remuneration shall not be included.
(6): For directors concurrently holding positions in the Company of the recent year (including the General Manager, Deputy Manager, other managerial officers, or employees) and receiving the remuneration (including stock and cash), distribution of the recent year compensation of Employees upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, distribution of the remuneration of the recent year shall be based on the proportion of the remuneration distributed last year and filled in Schedule (4).
(7): Total remuneration in various items paid out to the Company's directors by all companies (including The Company) listed in the consolidated statement shall be disclosed.
(8): For the total remuneration in various items paid out to the Company's directors, the name of each director shall be disclosed in the corresponding range of the remuneration.
(9): Total remuneration in various items paid to every director of The Company by all companies (including The Company) listed in the consolidated statement shall be disclosed. The name of the director shall also be disclosed in the proper remuneration range.
(10): Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report for the recent year.
(11): (a) The remuneration the Company's director receives from other non-subsidiary companies that The Company has invested in shall be disclosed in this column.
(b) If the director receives remuneration from investments in other companies that are not subsidiaries of The Company, said remuneration shall be included in Column I in the remuneration range table. The name of the column shall also be changed to "All investments in other companies".
(c) Remuneration in this case shall refer to remuneration, fees (including remuneration as a company employee, director, or supervisor), business expenses, and other related payments received by the director of The Company for being a director, supervisor, or managerial officer of other non-subsidiary companies that The Company has invested in.
∗The remuneration disclosed in the table is different from the income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information instead of taxation.
(12): The representative of Bixiu Investment Co., Ltd. was changed from Huang, Chin San to Huang, Shih-Chung on May 9, 2023. So the information of Huang, Chin San and Huang Shih-Chung is included.
(13): Director Wang, Chin-Hung resigned on December 30, 2022 due to transfer to public office.

(3-2-1) Remuneration for the General Manager and Deputy General Manager

December 31, 2023
Unit: NT$1,000, %

Job Title	Name	Salary (A) (Note2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note3)		Employee's remuneration (D) (Note4)				Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note8)		Whether the person receives remuneration from other non-subsidiary companies that The Company has invested in(9)
		The Company	All companies listed in this financial report (5)	The Company	All companies listed in this financial report (5)	The Company	All companies listed in the financial report (5)	The Company		All companies listed in this financial report (5)		The Company	All companies listed in this financial report (Note7)	
								Cash amount	Shares amount	Cash amount	Shares amount			
General Manager	Huang, Shih-Chung	1,618	1,618	—	—	183	183	—	—	—	—	1.50%	1.50%	—
Vice President	Yang, Rui-Hua	2,137	2,137	—	—	205	205	—	—	—	—	1.95%	1.95%	—
Vice President	Chang, San-Hua	1,865	1,865	—	—	161	161	—	—	—	—	1.69%	1.69%	—
Vice President	Chen, Li-Chen	900	900	—	—	72	72	—	—	—	—	0.81%	0.81%	—

(3-2-2) Table of remuneration ranges

Range of remuneration paid to each General Manager and Deputy General Manager in The Company	Names of the General Manager and Deputy General Manager	
	The Company (6)	All companies listed in the financial report (7)
Less than NT$1,000,000	Chen, Li-Chen	Chen, Li-Chen
NT$1,000,000 (inclusive)–NT$2,000,000	Huang, Shih-Chung	Huang, Shih-Chung
NT$2,000,000 (inclusive)–NT$3,500,000	Yang, Rui-Hua, Chang, San-Hua	Yang, Rui-Hua, Chang, San-Hua
NT$3,500,000 (inclusive)–NT$5,000,000	—	—
NT$5,000,000 (inclusive)–NT$10,000,000	—	—
NT$10,000,000 (inclusive)–NT$15,000,000	—	—
NT$15,000,000 (inclusive)–NT$30,000,000	—	—
NT$30,000,000 (inclusive)–NT$50,000,000	—	—
NT$50,000,000 (inclusive)–NT$100,000,000	—	—
More than NT$100,000,000	—	—
Total	—	—

Note 1: The names of the general manager and deputy general manager should be listed separately, and the amount of various benefits should be disclosed in a summary manner. If a director concurrently serves as the general manager or deputy general manager, he should fill in this form and the above table (1-1), or (1-2-1) and (1-2-2).
Note 2: The salary, job bonus, and severance pay of the general manager and deputy general manager in the most recent year are filled in.

Note 3: This series fills in the amount of various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories, cars and other in-kind provisions and other remuneration for the general manager and deputy general manager in the most recent year. If houses, cars and other means of transportation or exclusive personal expenses are provided, the nature and cost of the assets provided, as well as actual or fair market value rent, gas and other payments should be disclosed. If there is a driver, please add a note explaining the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-based benefits", including obtaining employee stock option certificates, new shares with restricted employee rights, and participating in cash capital increases to subscribe for shares, etc., should also be included in remuneration.
Note 4: This is the amount of employee remuneration (including stocks and cash) distributed to the general manager and deputy general manager approved by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and additional Complete Schedule 1-3.
Note 5: The total amount of remuneration paid to the general manager and deputy general manager of the company by all companies (including the company) in the consolidated report should be disclosed.
Note 6: The company pays the total remuneration to each general manager and deputy general manager, and discloses the names of the general manager and deputy general manager in the attribution level.
Note 7: The total amount of remuneration paid to each general manager and deputy general manager of the company by all companies in the consolidated report (including the company) should be disclosed, and the names of the general manager and deputy general manager should be disclosed in the attribution level.
Note 8: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.
Note 9: a. This column should clearly indicate the amount of remuneration received by the company's general manager and deputy general manager from the subsidiary's external investment enterprise or the parent company (if none, please fill in "none").
b. If the general manager and deputy general manager of the company receive remuneration related to the investment enterprise outside the subsidiary company or the parent company, the remuneration received by the general manager and deputy general manager of the company from the investment enterprise other than the subsidiary company or the parent company shall be Incorporate into column E of the remuneration scale table, and change the column name to "Parent Company and All Reinvested Enterprises".
c. Remuneration refers to the remuneration and remuneration (including employee, director and supervisor remuneration) received by the general manager and deputy general manager of the company for serving as directors, supervisors or managers of subsidiaries, external investment enterprises or parent companies, etc. Business execution fees and other related remuneration.
*The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Law. Therefore, this table is for information disclosure purposes and is not used for tax purposes.

(4-1) Compensation of the top five most highly compensated executives

(Individual disclosure of names and remuneration methods)

December 31, 2023
Unit: NT$1,000, %

Job Title	Name	Salary (A) (Note2)		Gratuity/Pension (B)		Bonuses and special expenses (C) (Note3)		Employee's remuneration (D) (Note4)		Proportion of NIAT after summing the 4 items of A, B, C, and D (%) (Note8)		Whether the person receives remuneration from other non-subsidiary companies that The Company has
		The Compa	All compani listed	The Compar	All compani listed in t	The Company	All companies listed in the	The Company	All companies listed in this financial report (5)	The Company	All companies listed in this financial	

			this financial report (5)		financial report (5)		financial report (5)	Cash amount	Shares amount	Cash amou	Shares amount		report (5)	invested in(9)
General Manager	Huang, Shih-Chung	1,618	1,618	—	—	183	183	—	—	—	—	1.50%	1.50%	—
Vice President	Yang, Rui-Hua	2,137	2,137	—	—	205	205	—	—	—	—	1.95%	1.95%	—
Vice President	Chang, San-Hua	1,865	1,865	—	—	161	161	—	—	—	—	1.69%	1.69%	—
Vice President	Chen, Li-Chen	900	900	—	—	72	72	—	—	—	—	0.81%	0.81%	—
Assistant Vice President	Chen, Shih-Hsuan	1,502	1,502	—	—	120	120	—	—	—	—	1.35%	1.35%	—

Note 1: The so-called "top five executives with the highest remuneration" refer to company managers, and the identification standards for relevant managers are based on the Securities and Futures Commission of the former Ministry of Finance on March 27, 1992.
Taiwan Finance Certificate No. 0920001301 stipulates the applicable scope of "managers". As for the calculation and determination principle of "the top five with the highest remuneration", it is based on the company managers receiving from the merger
The total amount of salaries, retirement pensions, bonuses and special expenses of all companies in the financial report, as well as the amount of employee remuneration (i.e. the four totals A+B+C+D), and sort them into the first five
The person with the highest remuneration will be recognized. If a director concurrently serves as a former supervisor, he should fill in this form and the above form (1-1).
Note 2: This is the salary, job bonus, and severance pay of the top five executives with the highest remuneration in the most recent year.
Note 3: This is the amount of various bonuses, incentives, travel expenses, special expenses, various allowances, dormitories, cars and other in-kind provisions and other remuneration for the top five executives with the highest remuneration in the most recent year. If provided
When it comes to houses, cars and other means of transportation or personal expenses, the nature and cost of the assets provided, the actual or fair market value of rent, gas and other payments should be disclosed. Other
If there is a driver, please indicate the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-based benefits" include obtaining employee recognition
Equity certificates, new shares with restricted employee rights, and participation in cash capital increase subscription shares should also be included in remuneration.
Note 4: This is the amount of employee remuneration (including stocks and cash) of the top five top executives approved by the board of directors in the most recent year. If it cannot be estimated, it will be calculated based on the proportion of the actual amount distributed last year.
The proposed distribution amount for this year should also be completed in Schedule 1-3.
Note 5: The total amount of remuneration paid to the top five executives of the company by all companies (including the company) in the consolidated report should be disclosed.

Note 6: Net profit after tax refers to the net profit after tax of the most recent annual individual or individual financial report.
Note 7: a. This column should clearly indicate the amount of remuneration received by the company's top five top executives from reinvested enterprises outside the subsidiary or related to the parent company (if none, please fill in "None").
b. Remuneration refers to the remuneration and remuneration (including employee remuneration) received by the top five top executives of the company for serving as directors, supervisors or managers of subsidiaries' external investment enterprises or parent companies.
Remuneration for employees, directors and supervisors) and business execution expenses and other related remuneration.
*The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Law. Therefore, this table is for information disclosure purposes and is not used for tax purposes.

(4) Names of managerial officers provided with employee's compensation and state of payments

December 31, 2023
Unit: NT$1,000, %

	Title	Name	Stock amount	Cash amount	Total	Proportion of total amount to net profit after tax%
Managerial Officer	General Manager	Huang, Shih-Chung	0	0	0	0%
	Vice President	Yang Rui-Hua				
	Vice President	Chang, San-Hua				
	Vice President	Chen, Li-Chen				
	Assistant Vice President	Chen, Shih-Hsuan				
	Finance Manager	Hsu, Chang-Cheng				
	Finance Manager	Chou, I-Hui				

＊ For managerial officers receiving remuneration (including stock and cash), distribution of the employee's remuneration of the recent year upon the approval of the Board of Directors shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in current year shall be based on the proportion of the remuneration distributed last year. Net income refers to the net income of the recent year; if IFRS is adopted, the net income refers to the net income of the parent company only or individual financial report of the recent year.

5. Analysis of percentage of total remuneration paid by the Company and all companies listed in the consolidated financial report to the Company's directors, supervisors, General Manager and Deputy General Manager to the net income after tax in the last two years, as well as policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure

(1). Analysis of percentage in last two years

Title	Percentage of total remuneration of parent company in 2023 to the net income after tax (%) (Note 1)		Percentage of total remuneration of parent company in 2022 to the net income after tax (%) (Note 2)	
	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report
Director	0.82%	0.82%	2.39%	2.39%
General Manager and Deputy General Manager	5.96%	5.96%	16.24%	16.24%

Note 1: Distributions of earnings of 2023 are based on the amount approved by the Board of Directors prior to the proposal for distribution of earnings before the Shareholders' Meeting.
Note 2: Distributions of earnings of 2021 are based on the amount approved by the 2022 Shareholders' Meeting.
Note 3: Net income after tax refers to all companies listed in 2023 and 2022 consolidated financial statements.

(2). Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

<1> The remuneration of directors and supervisors is distributed in accordance with Article 17 of the Articles of Incorporation (see the official website). In accordance with Article 20 of the Articles of Incorporation, if the Company makes a profit, less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. The payment procedure of remuneration refer to result of ‘Annual Internal Board of Directors Performance Evaluation’. Distribution of directors' and supervisors' reasonable remuneration depend on the Company's general performance, risk of industry in the future and development trend, personal performance and contribution for the Company. The remuneration paid to directors and supervisors shall

be based on the level of participation in the operations, contributions, and the standards of the same trade; the bonuses paid to directors and supervisors shall be based the Company's earnings and personal business performance and the standards of the same trade. Accordingly, the Company's business performance is closely related to the remuneration of directors, supervisors, General Manager, Deputy General Manager, and employees.

<2> The remuneration of directors and supervisors includes traveling expenses, business expenses, and director's remuneration. If a director is also an employee of the Company, he/she may receive the employee bonus; in addition to the basic salary, job remuneration, performance bonuses, and employee bonuses may be distributed to General Manager and Deputy General Manager based on the official rank and performance.

3. Implementation of Corporate Governance:

(1) Implementation of the Board of Directors:

<1> Five meetings were held by the Board of Directors in the recent year (2023) with their attendance shown as follows:

Title	Name	2023			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%)【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Shih-Chung	4	1	80%	The legal representative was reassigned to Huang, Shih-Chung on May 9 2023.
Director	Chun Yi Investment Co., Ltd. Representative: Chiang, Su-Lian	5	－	100%	
Independent Director	Huang, Tung-Rung	5	－	100%	
Independent Director	Chen, Chao-Lung	5	－	100%	
Independent Director	Huang, Chun-Ping	5	－	100%	
Director	Wang, Chin-Hung	0	－	－	2022/12/30 resignation
Director	Yang, Rui-Hua	5	－	100%	
Director	Su, Chao-Shan	5	－	100%	
Director	Chung, Mao-Chih	5	－	100%	

<2>Two meetings were held by the Board of Directors as of the publication date (2024) of the annual report with the attendance of Directors shown as follows:

Job Title	Name	2024			Remarks
		Attendance in person B	Delegated presence	Attendance rate in person(%)【B/A】	
Chairman	Bixiu Investments Co., Ltd. Representative: Huang, Shih-Chung	2	－	100%	
Director	Chun Yi Investment Co., Ltd. Representative: Chiang, Su-Lian	2	－	100%	
Independent Director	Huang, Tung-Rung	2	－	100%	
Independent Director	Chen, Chao-Lung	2	－	100%	
Independent Director	Huang, Chun-Ping	2	－	100%	
Director	Wang, Chin-Hung	2	－	100%	
Director	Yang, Rui-Hua	2	－	100%	
Director	Su, Chao-Shan	2	－	100%	

Other items that shall be recorded:

1.For matters specified in Article 14-3 of Taiwan's Securities and Exchange Act or Board resolutions where other independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, the date of the Board meeting, session number, content of proposal, opinions of all independent directors, and the Company's disposal of such opinions shall be stated.

Session number of the Board of Directors meeting and date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinio
The first times of the Board of Directors in 2023, 2023/03/15	2. Approved Distribution of the 2022 Compensation of Employees and Directors.	V	
	5. Approved the amendment to the "Articles of Association".	V	
	8. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time of the Board of Directors in 2023, 2023/05/09	2. Approved distribution amount of Remuneration to major managers and Directors in 2022.	V	
	3. Election of new chairman of board of directors.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The third time of the Board of Directors in 2023 , 2023/08/08	4. Election of new chairman of board of directors	V	
	5. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
	2. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fifth time of the Board of Directors in 2023, 2023/12/27	3. Approved loan guarantee for subsidiaries.	V	
	5. Approved 2024 Compensation of managers, 2023 Bonus distribution of managers,2023 Compensation of Employees, 2023 Compensation of Directors and Supervisors by Remuneration committee.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The first time of the Board of Directors in 2024, 2024/03/14	2. Approved Distribution of the 2023 Compensation of Employees and Directors.	V	
	5. Approved independent director by-election.	V	
	6. Approved the nomination and review of independent director candidates.	V	
	7. Approved the proposal to lift the non-competition restrictions of new director.	V	
	10. Approved loan guarantee for subsidiaries.	V	
	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None		
The second time of the Board of Directors	2. Approved distribution amount of Remuneration to major managers and Directors in 2023.	V	
	3. Approved loan guarantee for subsidiaries.	V	

in 2024, 2024/05/09	Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None

1. The Company's independent directors have expressed no opposition or qualified opinions.
   The independent directors of the company have no objection or reservation of opinion.
2. The implementation of directors' recusal of interest-related proposals. The director's name, content of the proposal, reasons for recusal of interests, and participation in voting shall be stated: None.

(2) Implementation of Performance Evaluation of Board of Directors.

Evaluation cycle (Note1)	Evaluation period (Note2)	Evaluation range (Note3)	Evaluation method (Note4)	Evaluation content(Note5)
Annual one time	From January 1, 2023 to December 31, 2023	Performance Evaluation of Board of Directors, individual directors and Functional Committee	Internal self-evaluation of Board of Directors, self-evaluation of board of director members	(1) Performance Evaluation of Board of Directors: Including of participation in the operation of the company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors, internal control. (2) Performance Evaluation individual directors: Including of alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education; and internal control. (3) Performance Evaluation of Functional Committee: participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and Internal control.

Assessment of objectives and implementation status in the area of strengthening the powers of the Board of Directors for current and recent years:

The Company has formulated 'Regulations Governing Procedure for Board of Directors Meetings' according to Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Company follow the government rules to approved Regulations Governing Procedure for Board of Directors Meetings and updated it. The Company uploaded the attendance to the Board of Directors meetings to Market Observation Post System. Major resolutions made by the Board of Directors have been disclosed on the Company's website and maintained by responsible departments. Information on the Company's finances is also disclosed on the website from time to time. Established by the Company in 2011, the Remuneration Committee is responsible to assist the Board of Directors in managing the remuneration. The term of directors and supervisors of the company expired in 2019 and a comprehensive re-election was conducted. In response to the establishment of an audit committee, it replaced the function of the supervisor and will be applicable after 2019 Annual Shareholders Meeting.

To implement the corporate governance and enhance the functions of the Board of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows.

- Participation in the operation of the company.
- Improvement of the quality of the board of directors' decision making.
- Composition and structure of the board of directors.
- Election and continuing education of the directors.
- Internal control.

The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2023 were good and reported to the Board of Directors on March 14, 2024 and the contents were posted on the Company's website.

(3) Implementation of Audit Committee.

<1> Five meetings (A) were held by the Board of Directors in the recent year (2023) with their attendance shown as follows:

Title	Name	Attendance in person B	Delegated presence	Attendance rate in person(%) 【B/A】	Remarks
Independent Director	Huang, Tung-Rung	5	0	100%	
Independent Director	Chen, Chao-Lung	4	1	80%	
Independent Director	Huang, Chun-Ping	5	0	100%	

The Audit Committee was composed of three independent directors. For helping board of directors, the main function of the Audit Committee is to supervise the quality and ethics of accounting, internal audit officer, financial reporting flow and financial control.

The Committee shall convene at least once quarterly. The powers of the Committee are as follows:

1.Auditing of financial statements and financial policy, procedures.
2.Internal control system and related policy, procedures.
3.Asset transactions or derivatives trading of a material nature.
4. Loans of funds, endorsements, or provision of guarantees of a material nature.
5. The offering, issuance, or private placement of equity-type securities.
6. Investment of equity-type securities and cash.
7. Compliance.
8. Matters in which a director or manager is an interested party.
9. Appeal report.
10. Prevention fraud plan and fraud survey report.
11. Information security.
12. Risk management.
13. Seniority, independent and performance of audit accountants.
14. The hiring or dismissal of a certified public accountant, or their compensation.
15. The appointment or discharge of a financial, accounting, or internal audit officer.
16. Process of Audit Committee.
17. Evaluation of Audit Committee.

➢ Review financial report

The Board of Directors approved 2023 Business Report, financial statements and distribution of Profit. The financial statements is audited by PricewaterhouseCoopers Taiwan. The above Business Report, financial statements and distribution of Profit were audited by the Audit Committee and there’s no any problem.

➢ Effectiveness of internal control system evaluation

The Audit Committee evaluate effectiveness of policy and procedures of the Company’s internal control system (including of financial, business, risk management, information security and external compliance). The Committee review regular report of audit office, audit accountants, managers that include risk management and compliance. Reference announcement of Internal Control Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the audit committee members recognize the effectiveness of risk management and internal control system. The Company takes necessary control system to supervise and correct the violation action.

➢ Implementation of Audit Committee.

Session number of the Audit Committee meeting and date	Major resolutions and subsequent processing	Article 14-5 of the Securities and Exchange Act	The qualified opinion unreview by Audit Committee and approved by over two thirds of all directors
The second session the fourth time Audit Committee 2023.3.15	Discussion items: 1. 2022 Parent company only financial statements, consolidated financial statements and business reports. 2. Assessment of the effectiveness of the internal control system and issuance of 2022 Internal Control Letter.. 3. Amendment of the Company's articles of association.	V V V	
	The results of the decision by Audit Committee (2023.3.15): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass.		
The second session fifth time Audit Committee 2023.05.09	Discussion items: 1. Consolidated financial statements for the first quarter of 2023.	V	
	The results of the decision by Audit Committee (2023.05.09): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		
The second session sixth time Audit Committee 2023.08.08	Discussion items: 1. Consolidated financial statements for the second quarter of 2023. 2. Amendment of internal control system. 3. Loan guarantee for subsidiaries.	V V	
	The results of the decision by Audit Committee (2023.08.08): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass.		
The second session seventh time Audit Committee 2023.11.06	Discussion items: 1. Consolidated financial statements for the third quarter of 2023. 2. Loan guarantee for subsidiaries.	V V	
	The results of the decision by Audit Committee (2023.11.06): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass.		
The second session eighth time Audit Committee 2023.12.27	Discussion items: 1. 2023 annual audit plan. 2. Loan guarantee for subsidiaries.	V V	
	The results of the decision by Audit Committee (2023.12.27): all attendees of Audit Committee members agreed to pass.		
	Subsequent processing of Audit Committee opinions: all attendees of Directors agreed to pass		

Other items that shall be recorded:

1. If the supervisors stated any opinions while attending Audit Committee, the date, session, contents of the case discussed, and resolution of the Audit Committee as well as The Company's disposition of opinions stated by the Audit Committee members shall be described.

(1) Listing Article 14-5 of the Securities and Exchange Act.

(2)Except above, others that approved by two thirds of boards of directors and not approved by Audit Committees.

2. For the avoidance of conflict of interest by independent directors, the names of independent directors, content of proposal, reasons for the avoidance of conflict of interest, and the participation in the vote shall be stated.

3. Communication of independent directors between audit manager and accountant. (Including of important items, methods, results of the Company's finance, sales)

(4) State of corporate governance, gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Did the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has stipulated best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclosed them in the Investor Area on the Company's website.	No material gap was found.
2. Equity structure and shareholders' rights of the Company (1) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(1)The Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation. The Company also allows shareholders to ask questions or propose properly. In addition, shareholders may instantly and frequently obtain related information on the Company via the Market Observation Post System or phone and have the right to share profits. The Company convenes the shareholders' meeting according to the Company Act and related regulations and formulates Rules and Procedures for the Shareholders' Meeting (see Meeting Handbook of 2024 Annual Shareholders' Meeting). All resolutions are made in accordance with Rules and Procedures for the Shareholders' Meeting. The resolutions made in the shareholders' meeting comply with related regulations and the Company's Articles of Incorporation. The spokesperson or deputy spokesperson is dedicated to processing shareholder proposals or disputes. The Company will seek the assistance of legal consultants if necessary.	No material gap was found.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company's stock transfer and registrar agency is Yuanta Securities Co., Ltd., which helps the Company control major shareholders and ultimate controlling shareholders. The Company regularly discloses the pledge, increase/decrease in the Company's shares, or major matters that may result in the change in shares for the supervision of shareholders.	No material gap was found.
(3) Did the Company establish and enforce risk control and	✓		(3)The Company has established rules for specific companies or groups with	No material gap

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
firewall systems with its affiliated businesses?			related business operations and financial transactions and supervision measures for subsidiaries and disclosed related information on affiliates in accordance with regulations.	was found.
(4) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(4) The Company has set Regulations Governing Prevention of Insider Trading to prevent insider trading.	No material gap was found.
3. Composition and responsibilities of the Board of Directors: (1) Has a policy of diversity been established and implemented for the diversified composition of the Board of Directors?	✓		(1) The Company has established the Corporate Governance Best Practice Principles and the Rules for Electing Directors and Supervisors. The Rules 20 of ‘The Corporate Governance Best Practice Principles” said: the composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards: 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background, professional skills, and industry experience (professional skills include laws, accounting, industry, financial, sales or technology). At present, the Company has 9 directors, of which 3 are independent directors. The professional background of the directors includes management, accounting, finance and experience in non-woven industries. And for the accountants, university professors, etc. Professional advice from the help of university lecturers allows us to think in a different angle thereby enhancing the company's business performance and management efficiency. The gender equality is important to the structure of the board of directors. Director Wang, Chin-Hung resigned on December 30, 2022 due to transfer to public office. The target of female directors is 10%. The board of directors have 8 directors. There is one female director in the board of directors. The rate of female directors is 12.5%. It meets our target. The following is the implementation of the diversification of the directors of the Company:	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	

Diversified core items / Name of Director	Base structure							Professional skills and industry experience				
	Gender	The Company's employee	Age			Experience of independent directors		Management	Leadership	Industry knowledge	Accounting	Finance
			Under 51	61 to 70	71 to 77	3 to 6 years	6 to 9 years					
Huang, Shih-Chung	M	V	V					V	V	V		
Chiang, Su-Lian	F	V	V					V	V	V		
Huang, Tung-Rung	M			V		V		V			V	
Chen, Chao-Lung	M				V		V	V	V	V		
Huang, Chun-Ping	M		V				V	V				
Yang, Rui-Hua	M	V			V				V	V		
Su, Chao-Shan	M				V			V				V
Chung, Mao-Chih	M				V			V			V	

Remark:
Gender: M is male, F is female.
The policy for the diversified composition of the Board of Directors is announced on MOPS and the Company’s website.

Assessed items	Yes	No	Summary	Gaps
(2) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?	✓		(2) The Company has established the Remuneration Committee and Audit Committee in accordance with regulations and laws. Other operations of corporate governance are processed by responsible departments. No other functional committee is established. In the future, the Company will evaluate the necessity of establishing other committees. (3) To implement the corporate governance and enhance the functions of the Board	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
(3) Did the Company stipulate regulations for assessing the performance of the Board of Directors and the process of assessment? Are these performance assessments carried out regularly every year?	✓		of Directors of the Company and establish performance targets to improve the efficiency of the operations of the Board, the Company has formulated the "Regulations Performance Evaluation of the Board of Directors" and the performance evaluation measures are listed as follows. • Participation in the operation of the company. • Improvement of the quality of the board of directors' decision making. • Composition and structure of the board of directors. • Election and continuing education of the directors. • Internal control. The criteria for evaluating the performance of the board members by themselves are listed as follows. • Familiarity with the goals and missions of the company • Awareness of the duties of a director • Participation in the operation of the company • Management of internal relationship and communication • The director's professionalism and continuing education • Internal control The Board of Directors of the Company conducts an annual internal performance evaluation and conducts an annual performance evaluation at the end of each year. It is completed and collected all information before the first board of directors meeting in the following year. The board of directors reports the results of the Board's assessment in the following year. The results of the Board's performance evaluation of the year 2023 were good and reported to the Board of Directors on March 14, 2024 and the contents were posted on the Company's website.	No material gap is found.
(4) Did the Company regularly implement assessments on the independence of the CPA?	✓		(4) The Company authorizes CPAs from PricewaterhouseCoopers Taiwan and has avoided matters and persons that directly or indirectly have a conflict of interest to fully adhere to fair, rigorous honesty and independence. The CPAs signed "Independent Auditors' Statement" for financial statements of ever quarter and annual report. Independent directors regularly evaluate the independence of CPAs and report the evaluation to the Board of Directors. The Company conducts an independent assessment of the CPA annually by the	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			Finance Department. The company also conducts the annual assessment of Independent Accountants at the end of each year. And they are completed before the most recent Board of Directors in the following year and the latest annual report of the Board of Directors evaluation result. As a result of the assessment by the Company's Finance Department, Chung-Yu Tien and Tzu-Yu Lin in compliance with the Company's independent evaluation criteria. The results of the assessment of the accountants of 2023 are reported in the board meeting on March 14, 2024 and published the contents on the company's website. Note: CPA Independent Auditors' Evaluation List:	

Evaluation List	Yes	No
1.Whether the accountant has no direct or significant indirect financial relationship with the Company	V	
2. Whether the accountant has not provided any financing or guarantee with the Company or the directors and supervisors of the Company	V	
3. Whether the accountant is not considering the possibility of the loss of customers and affect the company's audit work	V	
4. Whether the accountant has no close business relationship and potential employment relationship with the Company?	V	
5. Whether the accountant has not received any fees or charges related to the audit project	V	
6. Whether the members of the accountants and the audit team are not currently in the company's office or in the last two years as directors and supervisors or managers who have a significant impact on the audit work	V	
7. The non-audit services provided by the accountant to the Company do not directly affect the important items of the audit project	V	
8. whether the accountant has not advertised or intermediated the shares or other securities issued by the Company	V	
9. Whether the accountant did not act as a defender of the Company or on behalf of the Company in coordination with	V	

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			conflict of other third parties 10.Whether the accountant has not relationship with the directors and managers of the Company or the persons who have a significant impact on the audit project — V 11. The audit CPA has not served within one year as the directors, supervisors and managers of the company — V 12. Whether the accountant is not part of the company's regular staff who receive fixed salary — V 13. Whether the accountant has not involved in the management of the Company's decision-making process — V 14. As of now the auditing report has not been changed in seven years — V 15. So far, the accountant has not been punished — V	
4. Whether the company has set up full-time/part-time units/persons for corporate governance related matters? (Including but not limited to providing the directors and supervisors to carry out the business required information, handling the matters relating to the meetings of the board of directors and the shareholders' meeting, registrations and changes in the registrations in the company, making the minutes of the board of directors and the shareholders' meeting)	✓		The company's full-time corporate governance units are the general manager's office and the finance department. The manager of corporate governance is assumed by the manager Hsu, Chang-Chen, who is equipped with 7 years of experience in accounting supervisors in public offering companies. The main responsibilities of the corporate governance supervisor are to handle the appropriateness of the board of directors and shareholders' meeting according to law, prepare the minutes of the board of directors and shareholders' meeting, assist directors to take office and continue their education, provide information needed for directors to practice, assist directors, assist directors in complying with laws, etc. Implementation of corporate governance by corporate governance manager in 2023 is as follows. 1. Assisting duty implementation for directors and independent directors, providing necessary information for board meeting and continuing professional education. (1) Updating revised law and rules for the Company operation and corporate governance related information to board of directors, and update new version irregularly. (2) Review security level of related information and keep communication	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			smoothly between directors and each department. (3) Independent directors follow corporate governance rules. It's necessary to assist to arrange meetings, when independent directors need to understand and discuss operation of the Company with internal auditor manager and CPA. (4) Assisting directors to plan and arrange annual education. 2. Assisting directors to follow procedures and resolutions of director meetings and shareholders' meeting. (1) To report corporate governance situation to board of directors, independent directors, supervisors or audit committee, confirm hold shareholders' meeting and board meetings legally and rules of corporate governance. (2) Assisting and reminding directors prepare the rules for resolution of board meetings. (3) To announce resolution of board meetings on MOPS after board meetings for investors' reference. 3. Preparing the agenda of board meetings, noticing directors no later than before 7 days, preparing related information of board meetings, reminding interest recusal for directors before the meetings and preparing board of resolution no later than before 20 days. 4. Booking the date of shareholders' meeting by rules, preparing meeting notice, meeting handbook, meeting minutes during legal period and announce on MOPS, application for change registration when amendment of rules or re-elect directors. Education of corporate governance manager in 2023.	

Date	Organizer	Course Title	Hours	Total hours
2023.05.22	TWSE	Publicity meeting on sustainable development action plans for listed companies.	3	12
2023.07.14	Taiwan Corporate	How Lighthouse Factory uses digital transformation to achieve	3	

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	

	Governance Association	sustainable development.		
2023.11.06	Taiwan Corporate Governance Association	Sharing of recent tax law changes and family inheritance practice cases.	3	
2023.08.09	Taiwan Corporate Governance Association	The impact of carbon pricing on corporate operations.	3	

5. Has the Company established a communication channel with stakeholders? Has a stakeholders' area been established on the Company's website? Are major corporate social responsibility (CSR) topics concerning the stakeholders addressed appropriately by the Company?	✓		The Company has setup a stakeholder area page with contact information in the company website. The corporate social responsibility issues concerning the interested parties are addressed via phone and email listed in the contact us page of our website. (1) Shareholders 1. Call Shareholders' Meeting to Order in the second quarter every year. Voting rights for resolutions adopted at a shareholders' meeting can be performed by electronic transmission to join the meeting. 2. The Company announced financial statements by quarter, issued Annual report and Business Report by year for investors reference. 3. Announcement for revenue of previous month by total amount and department on TWSE website every month. 4. Setup Investor Area on the Company's website and update new information of the Company. Announce the name, telephone number and email of investors' window on the Company's website for investors' inquiry and feedback. 5. Attending to investor conference hosted by Taiwan or foreign securities Corp. irregularly. There is one time in 2023. 6. Meetings with analysts from Taiwan or foreign by visit plant or conference call irregularly. There are 10 times in 2023. (2) Customers 1. To visit customers irregularly and collect replying information. 2. The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT$50 million to enhance its corporate social responsibilities. 3. Setup Customers Center on website to increase channel for collecting customers' request. 4. Customers filled Customer satisfaction survey every year to upgrade product and service quality. Customers' satisfaction level is satisfied in 2023. (3) Suppliers Customer satisfaction survey 1.Evaluation The Company follow internal control procedure and supply rules to evaluate new suppliers or major suppliers based on the quality, price, service, and speed; to build long-term partnerships. We join Sedex that is Empowering Responsible Supply Chains and FSC-CoC (Forest Stewardship Council- Chain of Custody). 2.Management To evaluate for major suppliers and exist transactions' suppliers by quality, due date and cooperation. The Company take care the relationship of suppliers for stable cooperation. The Company emphasize environmental protection and human rights to fulfill corporate governance in the supply chain.	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			(4) Employees The Company attaches great importance to employee benefits and arrange activities that promote employees' health, such as gatherings. The Company setup Employees area and connection window on the Company's website. Providing the service phone number and email address for employees.	
6. Has the Company delegated a professional shareholder services agent to handle the shareholders' meeting?	✓		The Company authorizes Stock Transfer and Registrar Department, Yuanta Securities Co., Ltd. to process the stock transfer and registrar services in accordance with Regulations Governing Handling of Stock Affairs.	No material gap is found.
7. Information disclosure (1) Did the Company establish a website to disclose information on financial operations and corporate governance?	✓		The Company has set up a website (http://www.nanliugroup.com, including a Chinese version and English version), which is connected to the Market Observation Post System. On the website, the Investor Area discloses the Company's finances and corporate governance from time to time.	No material gap is found.
(2) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	✓		To improve the transparency of the disclosure of information, the Company has set up the sound spokesperson system and a public information system to allow shareholders and stakeholders to fully understand the Company's finances and corporate governance.	No material gap is found.
8. Did the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		(1) Interests and rights of employees, care for employees. Please refer to Employer/employee relationship of the Annual report. (2) Relation with investors. The company have good communication with investors. It's including of announcement of finance information, to attend investor conference hosted by Securities for communication with investors and provide investors' opinions to the Company management level. The company will keep good communication with investors. Please refer related information to investor area on website. (3) Relation with suppliers and relation with interested parties. Please refer to Investor area and Stakeholder area on website. (4) Continuing education of directors and supervisors. Please refer continuing education of directors and supervisors in 2023 on MOPS (Market Observation Post System - Corporate Governance) website. The	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
			company follow the related rules. (5) Execution of risk management policies and risk measuring standards. Please refer to Risk of the Annual report. (6) Execution of customer policies. Please refer to Production and Sales Status of the Annual report. (7) Liability insurance for the Company's directors and supervisors. Liability insurance has been covered for directors and supervisors. The reports of the Liability insurance such as the insured amount, the coverage scope and the insurance rate for the year of the 2024 has been report to the Board of Directors on March 14, 2024.	

9. Please descript the improvement of the result of Corporate Governance Evaluation System by the Corporate Governance Center of the Taiwan Stock Exchange announced in the last year. (The evaluation results which were not included in the assessment did not need to be listed)

The scores of the Company's Corporate Governance evaluation in 2023 are in the block of 66% to 80% of all evaluated companies. The following will be the improvement plans of the Company:

- Does the Company regularly conduct internal performance evaluations of functional committees (which should at least include the audit committee and salary and remuneration committee) every year, and disclose the implementation status and evaluation results on the Company website or annual report?

  In the future, the company will disclose the implementation status and evaluation results of the functional committee on the company website.
- Has the company uploaded its annual financial statements in English 16 days before the shareholders' meeting?

  The annual financial statements in English will be uploaded 16 days before the shareholders' meeting.
- Whether the Company discloses the interim financial statements in English within two months after the filing deadline for the Chinese version of the interim financial statements?

  The English annual financial statements will be uploaded within two months after the filing deadline for the Chinese version of the interim financial statements.

(5)The formation, responsibility, and operation of the Salary and Remuneration Committee:

<1>Information on the members of the Salary and Remuneration Committee

Identity (Note 1)	Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Compliant to the requirements of independence (Note 2)								Number of salary and remuneration committee memberships concurrently held in other public companies	Remarks (Note 3)
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8		
Independent Director	Huang, Tung-Rong		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chen, Chao-Lung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Huang, Chun-Ping	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note 1: For identity, please annotate whether the person is a director, independent director, or other.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the ✓ sign in the field next to the corresponding condition(s).

(1) Not employed by the Company or an affiliated business.

(2) Not a director or supervisor of the Company or an affiliated business. This does not apply in cases where the person is an independent director of the Company, its parent company, or a subsidiary where the Company holds, directly and indirectly, more than 50% of the voting shares.

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the 3 preceding items.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the Company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

<2> Operations of the Salary and Remuneration Committee

(1) The Company has a Remuneration Committee composed of 3 members.

(2) The duration of the current term of service is from May 31, 2022 to May 30, 2025.

In the recent year, a total of two Remuneration Committee meetings (A) were held. The following lists member qualifications and presence at these meetings:

Job Title	Name	Actual presence (B)	Delegated presence	Rate of actual presence (%) (B/A) (Note)	Remarks
Committee convener	Huang, Tung-Rung	2	0	100%	
Member	Chen, Chao-Lung	1	1	50%	
Member	Huang, Chun-Ping	2	0	100%	

The term/date of Remuneration Committee meetings	The content of proposal and follow up	Meetings' resolution	Follow-up of Remuneration Committee opinions by the Company
The fifth term, the second time Remuneration Committee meetings 2023.05.09	1. Distribution amount of Remuneration to major managers and Directors in 2023	All members of Remuneration Committee meetings agreed.	Proposal board meeting by Remuneration Committee meetings and all directors approved.
The fifth term, the third time Remuneration Committee meetings 2023.12.27	1. The principle of year-end bonus distribution and the case of the amount paid by managers. 2. The monthly salary structure and payment amount of managers. 3. The 2023 employee remuneration and the appropriation ratio of directors' remuneration.	All members of Remuneration Committee meetings agreed.	Proposal board meeting by Remuneration Committee meetings and all directors approved.

Other items that shall be recorded:

1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the Directors' Meeting, session, contents discussed, results of meeting resolutions, and the Company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail (also, where the salary and remuneration approved by the Directors' Meeting is better than that recommended by the Salary and Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.
2. Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion that is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.

(6) Performance of sustainable development:

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>1. Has the Company established an exclusively (or concurrently) dedicated unit for promoting sustainable development? Is the unit empowered by the Board of Directors to implement sustainable development activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?</td><td>✓</td><td></td><td>The company has established an exclusively (or concurrently) dedicated unit for promoting CSR: General Manager's Office. The General Manager's Office’s duty include stipulated sustainable development policies and systems, management rules, implement plan. The related department managers have responsibility for implement. And they are completed before the most recent Board of Directors in the following year.</td><td>No material gap is found.</td></tr>
<tr><td>2. Does the Company implement risk evaluation of environment, society, corporate governance by materiality principle, and stipulated risk management systems or policies?</td><td>✓</td><td></td><td>(1) The Company has stipulated corporate social responsibility policies and implement related risk evaluation by materiality principle. Base on risk after evaluation, stipulated risk management systems or policies is as follows.
<table>
<tr><th>Major issues</th><th>Risk evaluation item</th><th>Risk management systems or policies</th></tr>
<tr><td>Environment</td><td>Environment protection and ecological conservation</td><td>The Company has passed ISO 14001:2015 Environmental management systems certification, FSC-COC:2017 Forest Stewardship Council- Chain of Custody certification, OEKO-TEX® Standard 100 Textile non-toxic certification, PEFC-COC Programme for the Endorsement of Forest Certification. The Company implement environment protection and stipulated environment management guide. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products.
The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is</td></tr>
</table>
</td><td>No material gap is found.</td></tr>
</table>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			<table><tr><td></td><td></td><td>responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.</td></tr><tr><td>Society</td><td>1.Occupational safety</td><td>The company has passed ISO 45001:2018 Occupational Health and Safety Management Systems certification. To satisfy regulations request, decrease harm risk, training strongly, improve continually. The Company implement training to follow statutory provisions, make occupational safety training plan and implement related training regularly or unregularly.</td></tr><tr><td></td><td>2.Product safety</td><td>The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification, GOTS The Global Organic Textile Standard certification, CNS certification of orthographic mark by the Bureau of Standards and Inspection of the Ministry of Economic Affairs, European standard EN 13795 medical surgical gown certification, American AAMI medical surgical gown certification, Cosmetics GMP (Taiwan) certification, QMS Medical Equipment Manufacturer Quality Management System (Taiwan) Certification. The Company is compliant with relevant laws and international laws governing the marketing and labeling of its products and services.</td></tr><tr><td>Corporate governance</td><td>Society economy and compliance</td><td>To establish corporate governance organization and implement internal control system, satisfy to follow related law.</td></tr></table>	
3. Environment issue.				

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(1)Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		(1)The president establish environment policy for customers' expectation. When the environment change, the president will amend and announce it. The president have to make sure the environment policy to satisfy the Company's target, satisfy environment management system need, provide the structure of establishing and reviewing environment target, communicate to each level of the Company. To make each level employees can understand and implement. To request each departments to strengthen procedure effectiveness, upgrade customers' satisfaction. Then the Company can provide best products to customers. The company has passed ISO 14001: 2015, International environmental management system certification and ISO 45001:2018 Occupational Health and Safety Management Systems certification, PEFC-COC Programme for the Endorsement of Forest Certification. The development of environmental management manual, follows the "plan, Do, Check and action" (PDCA) concept for the establishment and maintenance of environmental management system in order to control and achieve continual improvement of processes and products. The Company is committed to maintain the environment in accordance with related regulations and standards and achieve GMP-certified production environment and management. The Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; the General Affairs Division works with responsible personnel to maintain a clean environment.	No material gap is found.
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		(2)The Company has promoted the recycling of waste pallets which are used to stack goods and the recycling of wet wipes. In particular, with the installation of water recycling system and the reuse of water, there was a significant reduction in the amount of water used. The factory processes wastewater using the process of reverse osmosis to achieve a certain water quality standards. Parts of recycling water are reused for production lines. Others is then widely used in toilets and watering greeneries in the company. Reduce water consumption by around 90% from 2014 to 2017. Also in 2024, the company will continue to maintain this performance standard. In terms of waste reduction, the target will be achieved by, reducing the use of non-	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			renewable resources, making good use of resources and energy, limiting the generation of waste to the maximum possible when design products, and classifying the recyclable wastes. For 2024, the target for the reduction in the waste products is 10%.	
(3)Does the Company evaluate with changes to the global climate and how it may affect now and future risk and opportunity, and countermeasures of related climate issue?	✓		(3) The World bank announced a report in 2012, a football field size forest lost for every two seconds. That is a heavy threaten thing for environment. WWF said, felling forest make temperature to rise and that is the major reason of climate changes. The company has passed FSC-COC:2017 Forest Stewardship Council- Chain of Custody certification, PEFC-COC Programme for the Endorsement of Forest Certification. The raw materials use forest-certified products to reduce the impact on the environment and ensure that the sources of materials avoid forests that violate trade or public rights, genetically modified trees, illegal logging, etc., and have achieved the goal of doing our part for the earth and reducing air pollution, warming and other environmental issues.	No material gap is found.
(4)Does the Company computed greenhouse gas emissions, water consumption, the total weight of waste for last two years, stipulated strategies for reducing energy consumption, greenhouse gas emissions, water consumption, others waste emissions?	✓		(4)The Company has formulated the "Low Carbon Policy" as a guide for future carbon reduction projects. This includes optimization of energy efficiency and installing solar panels. In 2016, the company started to install photovoltaic equipment for energy saving and carbon reduction. In 2017, the company began to use energy efficient motors and gradually dispose of some existing high-power motors. For decreasing greenhouse gas emissions, strengthen energy control. The office and meeting room should keep suitable temperature setting (use air conditioner when temperature over 30 degree). It should adjust or close air conditioner when members decrease. The office and work area should keep strainer of air conditioner clean and update it regularly for reducing electricity fee. It should keep enough light in working area and close the electricity switch when no one in working area. The Company has installed energy-saving light bulbs and reduced the number of light tubes. For 2024, the target for annual energy saving is 5%. In order to save water and energy consumption, our company converts the process wastewater in the factory into recycled water generated by the reverse osmosis method that meets certain water quality standards. Part of it is reused in the production line,	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			and the rest is widely used for flushing toilets, environmental greening water, etc. Reduce wastewater discharge and reduce the concentration of wastewater discharge. From 2014 to 2017, water consumption reduced around 90%. From 2018 till now, the reduced water consumption maintained. In 2024, the goal will be to continue to maintain the current improved situation. The cooling tower should maintain regularly to keep pipelines smoothly, no blocking, no water leaking. If the toilet tanks leak, should notice the maintainer to fix it. The Company has installed water-saving devices.	
4. Society issue. (1) Has the Company referred to relevant laws and international human rights instruments to stipulate relevant management policies and procedures?	✓		(1) The company does comply with the Labor Standards Law and related regulations, as well as international human rights conventions, such as gender equality, work rights and prohibition of discrimination. It has joined SMETA - Supplier Ethical Information Exchange Audit (SEDEX), and has an employee welfare committee responsible for supervision and Protect the relevant rights and interests of employees. In addition, the company not only encourages employees to participate in various activities organized, but also provides employees with bonuses and related gifts during folk festivals.	No material gap is found.
(2) Has the Company established and implement an employee welfare measures (include salary, leave and other welfare), and the Company's business performance reflect on employees' salary?	✓		(2) The Company established and implement an employee welfare measures, include salary, leave, training and retirement system. The Company's business performance reflect on employees' salary already. The article 20 of 'Articles of Incorporation' said as follows. If the Company makes a profit, over 1% shall be set aside as compensation for employees, and less than 2% as compensation for directors and supervisors. However, the Company's accumulated losses shall first have been covered. Employees may be compensated in shares or in cash. Employees who qualify for compensation may include those of the Company's subsidiaries who meet specific criteria.	No material gap is found.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) The company has passed ISO 45001:2018 International Organization for Standardization and Safety Management Systems certification and ISO 14001:2015 international environmental management system certification, in order to prevent occupational hazards and to ensure labor safety and health. Also, to ensure that safety and health matters comply with the relevant laws and regulations in order to reduce the loss of life and property. The Company has formulated the "Safety and Health	No material gap is found.

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			Management Procedures" in accordance with the relevant laws and regulations on labor safety and health, labor safety and health organization management and self-inspection measures. Our company employees, contractors, third-party manufacturers and suppliers who carry out operational activities in factories. The company held regularly safety and health education training for disaster prevention during working period.	
(4) Has the Company established an effective competency development career training program for employees?	✓		(4)The Company holds internal training programs and expatriate professional training programs from time to time to cultivate employees' competencies and strengths. The training programs for employees are described below.	No material gap is found.
(5) Is the Company compliant with relevant laws and international laws governing, and the customers' health, safe, customers' privacy, marketing and labeling of its products and services?	✓		(5) The company has passed ISO 9001:2015 quality management system certification, ISO 13485:2016 Medical devices quality management system certification, ISO 22716:2007 Cosmetics quality management system certification. The Company is compliant with relevant laws and international laws governing, and the customers' health, safe, customers' privacy, marketing and labeling of its products and services. The Company follows the related laws and regulations governing its business operations. The Company has a toll-free hotline, 0800-556-668, and arranges responsible personnel to process customer complaints. The Company also purchases product liability insurance of NT$50 million to enhance its corporate social responsibilities.	No material gap is found.
(6)Does the Company establish suppliers' management system and request suppliers follow related rules and implement situation for Environmental protection, Occupational safety and health or labor rights?	✓		(6) The Company has joined SMETA – Supplier Ethical Information Exchange Audit (SEDEX), and during the evaluation of new suppliers and existing suppliers, we attach great importance to human rights, labor rights, prohibition of child labor, non-discrimination, etc. Quality, price, service, and speed are the main evaluation items to establish a qualified supplier system. As a long-term partner, we will emphasize the company's demands for environmental protection and human rights regulations to implement corporate governance in the supply chain.	No material gap is found.
5. Does the Company prepare CSR report to expose non-financial information by referring global used report rules and format? Does the CSR report obtain the third party certification?		✓	Information relating to CSR is disclosed on the Company's website and the prospectus. The Company will evaluate to prepare CSR report to expose non-financial information by referring global used report rules and format.	

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">6. If the Company makes its own corporate social responsibilities according to the rule of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the implement and differences:
The Company has formulated “Codes of Corporate Social Responsibility” and follow in the future. Regularly to help the surrounding schools, public interest groups and vulnerable groups (living alone old men or old women, single-parent families, emergency relief).
In order to contribute to the society, the chairman has set up private Nan liu Charity Foundation, with full-time staff of an Executive Secretary, Executive Officer and volunteers, directly dedicated to assist the elderly living alone and single-parent family in emergency and other related matters. The current plan to set up a central kitchen, to provide meal to living alone old men or old women.</td></tr>
<tr><td colspan="5">7. Other important information for better understanding of corporate social responsibilities (such as the Company's systems and measures and the implementation of environmental protection, social engagement, social contribution, social service, social charity, customer interest, human rights, safety and health, and other CSR activities):
(1) Business Performance
To fulfill the corporate governance, the Company has established the effective internal control system and independent directors to improve the practical experience of the management team. Also, the Company has stipulated Rules and Procedures for the Shareholders' Meeting to strengthen the competency of the Board of Directors. To secure shareholders' equity and improve the transparency of the disclosure of information, the Company has the spokesperson and deputy spokesperson responsible for the instant disclosure of important information and arranges responsible personnel to communicate with shareholders.
(2) Environmental Protection
The company has passed ISO 14001:2015 international environmental management system certification and ISO 45001:2018 Occupational Health and Safety Management Systems certification. The Company has formulated the "Environment Management Procedures" and established a recycling system to reduce the impact of disposal of waste on human bodies and the environment and has been committed to maintain the environment in accordance with related regulations and standards and achieve a GMP-certified production environment and management. In addition, the Environmental Safety Division is responsible for regular maintenance of landscaping; the Administration Department and each plant promote a 5S competition; General Affairs Division works with responsible personnel to maintain a clean environment. To save water and energy consumption, the Company has installed water-saving devices, except faucets for special purposes, and energy-saving light bulbs and reduced the number of light tubes in corridors and places stationed with fewer employees.
(3) Employee Interest and Care
The Company has passed ISO 45001:2018 International Organization for Standardization. Consistently upholding stable and sustainable operation, the Company attaches great importance to employee benefits by allocating monthly benefits and arranging activities that promote employees' health, such as gatherings, an annual health examination, wedding and funeral allowances, group insurance, and casualty insurance. In addition, the Company has stipulated regulations governing retirement and set up a Supervisory Committee of Business Entities’ Labor Retirement Reserve according to the Labor Standards Act to allocate a labor retirement reserve based on a certain percentage of monthly salary to a pension account at the Bank of Taiwan. According to Labor Pension Act, starting from July 1, 2005, the amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage. The labor pension shall be calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis. The regulations of and measures for the labor relations formulated by the Company are well implemented in accordance with applicable laws. In addition,</td></tr>
</table>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	

the Company held the following training programs to improve employees' competency and strengths in 2023.

<1> Occupational Safety and Health has 182 person-time, 61 hours.

<2> Management has 8 person-time, 58 hours.

<3> Professional training has 695 person-time, 110 hours.

<4> Continue education has 93 person-time, 109 hours.

<5> Ethical Corporate Management has 34 person-time, 35 hours.

<6> Risk Management has 53 person-time, 35 hours.

(4) Investor Relations

According to the Company Act and related regulations, the Company holds an annual shareholders' meeting and notifies shareholders of the meeting; the Company treats major and minor shareholders equally and encourages them to attend the shareholders' meeting and participate in the election of directors and supervisors or amendments to the Company's Articles of Incorporation; the Company reports material finances, including the disposal of assets and endorsements and guarantees, to the shareholders' meeting. The Company also allows shareholders to ask questions or propose properly, records the shareholder's meeting minutes, and discloses related information on the Market Observation Post System. In addition, to ensure that shareholders fully understand and participate in the determination of the Company's major matters, the Company will provide an annual report for the stock transfer and registrar agency prior to the annual shareholders' meeting and have the spokesperson and deputy spokesperson properly deal with the recommendations, doubts, and disputes related to shareholders.

Since listed in the emerging stock market on May 7, 2013, the Company has disclosed related information in accordance with the Taiwan Stock Exchange Guidelines for Stock Review and appointed responsible personnel from the Department of Finance, Audit Office and Accounting Division to collect and disclose information online that may affect investors' decisions upon the review and approval of responsible supervisors.

(5) Stakeholders' Interest

The Company has set up smooth communication channels with banks and other creditors, employees, customers, and suppliers and values and maintains their legitimate rights and interests.

1. The Company provides sufficient information for banks to make the best judgment and decision on the Company's operations and finances.
2. The Company has established the Employees' Welfare Committee and regularly holds labor conferences, where representatives from both the Company and labor participate, to take care of employees and maintain a smooth communication channel between both parties.
3. The Company appoints responsible personnel to deal with suppliers. No arrears or late payments exist so far. The Company regularly discloses the related information on finances on the Market Observation Post System and maintains good relations with suppliers.
4. The Company has the spokesperson and deputy spokesperson to communicate with stakeholders.

(6) The Company has engaged in communities and charities through commercial activities, in-kind donations, volunteer service or other gratuitous professional services.

1. The Company has actively participated in community and artistic activities through contributions to social welfare and artistic performances.
2. Contributions:

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	

(1) The Company made the following donations to the government and local groups from time to time:

A. Donated NT$1,500 thousand to Yanchao, Tianliao District district community people with food and clothes to keep warm activities.

B. Donated NT$440 thousand to community activities.

C. Donated NT$60 thousand to disadvantaged people support funds.

D. Donated NT$470 thousand to cultural, artistic, and sports activities.

E. Donated NT$690 thousand to cultural and educational foundations.

F. Donated wet wipes NT$430 thousand to protection activities.

(2) In order to contribute to the society, the founder and his brother have set up private Nan liu Charity Foundation and Southern charitable trust, with gratuitous volunteers, directly dedicated to provide meal to the elderly living alone and assist single-parent family in emergency and other related matters. Foundation donated unregularly to the society and local community as follows.

A. Donated NT$4,290 thousand to meal delivery for elderly people living alone.

B. Donated NT$1,150 thousand to child welfare expenditures.

C. Donated NT$140 thousand to elderly welfare expenditure.

D. Donated NT$220 thousand to emergency assistance.

E. Donated NT$450 thousand to subsidies for low-income households.

F. Donated NT$270 thousand to others social welfare activities.

G. Donated NT$1,200 thousand to social welfare activities of government agencies.

H. Donated NT$4,280 thousand to social welfare activities of civil society organizations.

I. Donated NT$710 thousand to community social welfare activities.

J. Donated NT$650 thousand to social welfare activities of religious groups.

K. Donated NT$1,200 thousand to other social welfare activities.

(4) Promoted industry–academia cooperation with colleges and universities, including Cooperation Production Scheduling System with NKUST , Industry-university cooperation with KMU , industrial development and research with SYSU .

3. The Company processed waste in accordance with the Industrial Waste Disposal Plan and reported the flow of waste online according to applicable laws and regulations.

(7) Implementation of Integrity Management:

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
1. Stipulating policies and plans for ethical corporate management				
(1) Does the Company established clearly indicated policies and activities that approved by Board of Directors, related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?	✓		(1) The Company has formulated "Codes of Ethical Conduct of Supervisors, and Managerial Officers", and "Codes of Ethical Corporate Management" which is fully understood and followed by the Board of Directors and the management.	No material gap is found.
(2) Does the Company established e dishonesty evaluation system, analysis regularly, evaluate business activities with a higher dishonesty activities risk and preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE Listed?	✓		(2) The Company use fair and honesty for business. Before the business, consider the legitimacy and credibility of the entity and prevent to do business with dishonesty company. Always to follow the credibility of the entity. According to Code of Ethics for Directors, Supervisors, and Managerial Officers, if directors or managerial officers violate the code of ethics, the Company will punish them based on the disciplinary measures. In addition, the Company will emphasize in the annual meeting and managerial meetings that integrity is the foundation of the Company's business philosophy. For preventing dishonesty activities, the Company established "Rules of reporting illegal and immoral or dishonest case".	No material gap is found.
(3)Has the Company stipulated a plan to forestall unethical conduct? Has the Company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations within said plan? Is the plan implemented accordingly?	✓		(3) The Company has formulated "Rules of reporting illegal and immoral or dishonest case" and established internal and external reporting channels and handling systems to ensure a sustainable development. Also, the Company has established an effective accounting system and internal control system and reviewed and revised them from time to time to keep the systems sustained and effective.	No material gap is found.
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	✓		(1) The Company evaluated the legality, reputation and credit of major clients and suppliers before doing business with them to avoid acts of bad faith.	No material gap is found.
(2) Has the Company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the Board of Directors? Does said unit regularly (at least one time for yearly) report to the Board of Directors on the state of its activities?	✓		(2) The Office of Chairman is the dedicated unit for promoting the corporate integrity operation; the Audit Office is responsible to supervise, audit, and report on the integrity operation to supervisors and the Board of Directors.	No material gap is found.
(3) Has the Company established policies preventing conflicts of	✓		(3) The Rules and Procedures for the Board Meeting stipulate the avoidance of conflicts of interest between directors. When discussing a proposal in the Board	No material gap is found.

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
interest, provided proper channels of appeal, and enforced these policies and channels accordingly?			meeting, directors involved in the conflict of interest shall avoid participating in the resolution. The Company has set up a smooth channel for employees to directly complain or make appeals through immediate supervisors.	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits for evaluation of dishonesty risk and make audit plan to audit dishonesty situation that carried out by the Company's internal audit unit or commissioned to a CPA?	✓		(4) The Company has established an effective accounting system and internal control system and reviewed and revised them from time to time; the Company also has full-time auditors to audit the accounting system and internal control system on a regular basis, provide opinions for improvements to keep the systems sustained and effective, and submit the audit report to supervisors and the Board of Directors. The audit office evaluate to make audit plan to audit dishonesty situation for prevention dishonesty activities.	No material gap is found.
(5) Does the Company regularly organize internal and external training for ethical corporate management?	✓		(5) The company regularly promotes the concept of honest management to employees. In 22023, the education and training of honest management will focus on preventing money laundering at home and abroad, risk analysis of heavy financial mergers, bragging mechanism, fraud prevention, etc., 34 people/time, 35 hours.	No material gap is found.
3. Status for enforcing whistleblowing systems in the Company (1) Has the Company established concrete whistleblowing and reward systems and accessible whistleblowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?	✓		(1) The Company has established a reporting mail system and appointed a responsible department to deal with complaints in accordance with related regulations and procedures.	No material gap is found.
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistleblower?	✓		(2) The Company clearly defined in the Regulations Governing the Procedures of Communication and Responses that responsible personnel shall hold the identity of the informant confidential.	No material gap is found.
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistleblower?	✓		(3) The Company will hold the informant confidential and harmless in the process of reporting.	No material gap is found.
4. Improvement of information disclosure (1) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation Post System (MOPS)?		✓	The Company has set up an exclusive area to disclose the related information on the Company's integrity operation.	The Company will process the information on a timely basis, subject to the actual needs.

Items assessed	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of said gaps
	Yes	No	Summary	
5. Where the company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: No material gap is found.				
6. Other important information for better understanding of the integrity operation: None.				

(8) If the Company has stipulated best practices for corporate governance and other relevant bylaws, the means to search for these bylaws shall be disclosed.

Currently, the Company has stipulated a Code of Ethics for Directors, Supervisors, and Managerial Officers, Rules and Procedures for the Shareholders' Meeting, Rules and Procedures for the Board Meeting, a scope of responsibilities of independent directors, and a sound internal control system and internal audit system to fulfill the operation and promotion of corporate governance. For related regulations and systems, please refer to the Company's website and external websites.

(9) Other Important Corporate Governance Information: None.

(10) Implementation of Internal Control System

1. Statement of Internal Controls:

NAN LIU ENTERPRISE CO., LTD.

Statement of Internal Control System

Date: March 14, 2024

The internal control system from January 1 to December 31, 2023, according to the result of self-assessment is stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and asset protection), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in “Highlights for Implementation of Establishing Internal Control System by Listed Companies” (hereinafter referred to as “Highlights” has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments, 3. Control activities, 4. Information and communication, 5. Monitoring. Each element also includes several items. For the foregoing items, refer to “Highlights”.
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting, the compliance of applicable law and regulations has been effective and they can reasonably assure that the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on March 14, 2024, and those 8 directors in presence all agree at the contents of this statement.

NAN LIU ENTERPRISE CO., LTD.

Chairman: Mr. Huang, Shih-Chung

General Manager: Mr. Huang, Shih-Chung

Notice to Readers

For the convenience of readers, the Supervisors’ Review Report have been translated into English from the original Chinese version prepared. 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 Supervisors’ Review Report shall prevail.

2. Any CPA commissioned to conduct a project review of the ICS shall disclose the CPA's audit report: Not applicable.

(11) Any legal penalty enacted upon The Company and its personnel, or any penalty, major defects, and state of improvements enacted by The Company upon its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(12) Major resolutions of the shareholders' meeting and the Board meeting in the most recent year up to the publication date of this report

2023 Major Resolutions of Shareholders' Meeting and Implementation Status

1. Approved Distribution of Surplus in 2022.

   Implementation Status: Approved ex-dividend date was on 2023.9.18 and distributed on 2023.10.13

2. Amendments of Parts of the Articles of Incorporation.

   Implementation Status: The Company already registered the amendment to the Ministry of Economic Affairs on August 28, 2023 and announced on the company website.

3. Individual Financial Statements and Consolidated Financial Statements and Business Report for 2022.

   Implementation Status: The relevant forms have been submitted to the main engine for reference and announcement in accordance with the company law and other relevant laws and regulations.

2023 major resolutions of the Board of Directors meetings

Session number of the Board of Directors meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2023, The Board of Directors	2023.03.15	1. Approved 2022 Financial Statements and the Business Report.		
		2. Distribution of the 2022 Compensation of Employees and Directors.	V	
		3. Approved 2022 Dividend Distribution.		
		4. Approved issuance of 2022 Internal Control Letter.		
		5. Proposal to revise the "Articles of Association".	V	
		6. Approved the convening of the 2023 Shareholders' Meeting.		
		7. Approved evaluation of eligibility and independence for visa accountant.		
		8. Approved loan guarantee for subsidiaries.	V	
		9. Approved the application of comprehensive credit line.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The second time in 2023, The Board of Directors	2023.05.09	1. Approved Consolidated Financial Statements for the First Quarter of 2023.		
		2. Approved distribution amount of Remuneration to major managers and Directors in 2022.	V	
		3. Election of new chairman of board of directors.	V	
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The third time in 2023	2023.08.08	1. Approved Consolidated Financial Statements for the second Quarter of 2023.		
		2. Approved amendment of internal control system.	V	

The Board of Director		3. Approved the record date for common share dividend.		
		4. Election of new chairman of board of directors.	V	
		5. Approved loan guarantee for subsidiaries.	V	
		6. Approved the application of comprehensive credit line.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fourth time in 2023 The Board of Directors	2023.11.06	1. Approved Consolidated Financial Statements for the third Quarter of 2023.		
		2. Approved loan guarantee for subsidiaries.	V	
		3. Approved the application of comprehensive credit line.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		
The fifth time in 2023 The Board of Directors	2023.12.27	1. 2024 annual audit plan.		
		2. 2024 annual business plan.		
		3. Approved loan guarantee for subsidiaries.	V	
		4. Approved the application of comprehensive credit line.		
		5. Approved 2024 Compensation of managers, 2023 Bonus distribution of managers, 2023 Compensation of Employees, 2023 Compensation of Directors by Remuneration committee.	V	

2024 major resolutions of the Board of Directors meetings

Session number of the Board meeting	Date	Major resolutions	Article 14-3 of the Securities and Exchange Act	Independent director has a dissenting or qualified opinion
The first time in 2024, The Board of Directors	2024.03.14	1.2023 Individual Financial Statements, Consolidated Financial Statements and Business Report.		
		2. Approved distribution of the 2023 Compensation of Employees and Directors.	V	
		3. Approved 2023 Dividend Distribution.		
		4. Approved assessment of the effectiveness of the internal control system and issuance of 2023 Internal Control Letter.		
		5. Approved independent director by-election.	V	
		6. Approved the nomination and review of independent director candidates.	V	
		7. Approved the proposal to lift the non-competition restrictions of new director.	V	
		8. Approved convening of the 2023 Shareholders' Meeting, accepting proposals and nominations from shareholders holding more than 1% of the shares.	V	
		9. Approved evaluation of qualifications and independence for visa accountants.		
		10. Approved loan guarantee for subsidiaries.	V	
		11. Approved the application of comprehensive credit line.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None.		

		The results of the decision: all attendees agreed to pass.		
The second time in 2024, The Board of Directors	2024.05.09	1. Approved Consolidated Financial Statements for the first Quarter of 2024.		
		2. Approved distribution amount of Remuneration to major managers and Directors in 2023.	V	
		3. Approved loan guarantee for subsidiaries.	V	
		4. Approved the application of comprehensive credit line.		
		Independent Directors' opinions: None. The Company's handling the opinions of independent directors: None. The results of the decision: all attendees agreed to pass.		

(12) As of the printing date of annual report, Directors or supervisors have different opinions that have been noted on the record or declared in writing in connection with the important resolutions passed by the Board of Directors: None.

(13) As of the printing date of annual report, dismissal situation of Chairman, General manager, Accounting manager, Finance manager, Auditor officer and RD manager: None.

4. Accounting Expenses

Name of the accounting firm	Name of the CPA		Audit period	Notes
PricewaterhouseCoopers Taiwan	Chung-Yu Tien	Tzu-Shu Lin	January 1, 2023 ~ December 31, 2023	

Unit: NT$1,000

Name of the accounting firm	Name of the CPA	Accounting charge	Non-accounting charge					Audit period	Remarks
			System design	Business registrations	Human Resources	Others	Total		
PricewaterhouseCoopers Taiwan	Chung-Yu Tien Tzu-Shu Lin	4,180	--	--	--	200	200	January 1, 2023~ December 31, 2023	Transfer pricing report

(1) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts for over 1/4 to audit fee: None.

(2) Change of the CPA firm and the audit fee in the year of change is less than that in the previous year: None.

(3) The audit fee is reduced by over 15% compared with the previous year: None.

(4) Assessments on the Independence of CPA: refer to page 39~40.

The Company assesses the independence of the CPA as follows and reports the result to the Board of Directors:

A. Statement of independence of CPA.

B. The audit or non-audit service provided by CPAs shall be reviewed in advance to ensure that the non-audit service will not affect the result of the audit.

C. The same CPA has not consecutively provided the assurance service for more than 5 years.

D. An annual questionnaire about the competency of the CPA will be conducted to summarize the assessment of independence of the CPA.

5. **Alternation of CPA: None.**

6. The Company’s Chairman, General Manager, or any Managerial Officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None.
7. Equity transfer or changes to equity pledge of directors, supervisors, managerial officers, or shareholders holding more than 10% of company shares in the most recent year to the publication date of this report.

Changes to the equity of directors, supervisors, managerial officers, and major shareholders

April 1, 2024, Unit: Share

Title	Name	2023		As of April 01, 2024	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Chairman	Bixiu Investments Co., Ltd. (Huang, Shih-Chung)	—	—	—	—
Director Major shareholder	Chun Yi Investment Co., Ltd (Chiang,Su Lian)	337,000	—	—	—
Independent Director	Huang Tung-Rong	—	—	—	—
Independent Director	Chen, Chao-Lung	—	—	—	—
Independent Director	Huang, Chun-Ping	—	—	—	—
Director. Vice President	Yang, Rui-Hua	—	—	—	—
Director	Su, Chao-Shan	—	—	—	—
Director	Chung, Mao-Chih	—	—	—	—
Major shareholder	Tian Zi Ding Investments Co., Ltd.	(495,000)	—	(36,000)	—
President	Huang, Shih-Chung	(48,000)	(1,300,000)	—	—
Vice President	Chang, San-Hua	(4,000)	—	—	—
Vice President	Chen, Li-Chen	—	—	—	—
Assistant Vice President	Chen, Shih-Hsuan	—	—	—	—
Finance Manager	Hsu, Chang-Cheng	—	—	—	—
Manager	Chou, I-Hui	—	—	—	—

(1) Information on equity transfer: None.

(2) Information on equity pledge: None.

8. Information on relationships among the top ten shareholders:

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Name (or name)	Relations	
Tian Zi Ding Investments Co., Ltd.	8,143,659	11.22%	—	—	—	—	–	–	–
Representative: Huang,Ho-Chun	1,271,015	1.75%	—	—			Huang Chin-San	Brother	
NeiZhuang Investn Co., Ltd.	6,769,924	9.33%	—	—	—	—	–	–	–
Representative: Huang, Shih-Chung	1,661,228	2.29%	513,009	—	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Jen-tsung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	

Huang, Chin-San	5,288,978	7.29%	1,851,159	2.55%	—	—	Huang,Ho-Chun Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Brother Spouse Adult children Adult children Adult children	–
Bixiu Investment Ltd.	5,090,929	7.01%	—	—	—	—	–	–	–
Representative: Huang, Chin-San	5,288,978	7.29%	—	—	—	—	Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	–
Chun-I Investments Co., Ltd.	4,973,000	6.85%	—	—	—	—	–	–	–
Representative: Huang, Jen-Tsung	1,748,618	2.41%	—	—	—	—	Huang, Chin-San Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	–
Southern Charitable Trust	2,200,000	3.03%	—	—	—	—	–	–	–
Ho, Chu-Sheng	1,902,000	2.62%	—	—	—	—	—	—	—
Huang Hsieh, Mei-yun	1,851,159	2.55%	5,288,978	7.29%	—	—	Huang, Chin-San Huang, Shih-chung Huang, Jen-tsung Huang, Hui-ju	Spouse Adult children Adult children Adult children	–
Huang, Jen-tsung	1,748,618	2.41%	479,746	0.66%	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Hui-ju	Father and son Mother and son Brother Brother and Sister	–
Huang,Shih-Chung	1,661,228	2.29%	513,009	0.71%	—	—	Huang Chin-San Huang Hsieh, Mei-yun Huang, Shih-chung Huang, Jen-tsung	Father and son Mother and son Brother and sister Brother and sister	–

9. Number of shares held and percentage of stake of investment in other companies by the Company, the Company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the Company, and calculations for the consolidated shareholding percentage of the above categories.

December 31, 2023, Unit: 10,000 share, %

Shift in investment	Investment by the Company		Investments by the Directors, supervisors, managerial officers, and companies directly or indirectly controlled by The Company		Consolidated investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
NANLIU ENTERPRISE CO., LTD (SAMOA)	5,294	100%	-	-	5,294	100%
Nan Liu Enterprise Co., Ltd. (Pinghu)	-	-	-	100%	-	100%
NANLIU MANUFACTURING (INDIA) PRIVATE LIMITED	-	-	-	100%	17,000	100%
NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	-	-	-	100%	7,500	100%
CHING-TSUN Biomedical Technology Co., Ltd.	400	100%			400	100%
Zhuomei (Jiaxin) Biomedical Technology Co., Ltd.	-	-	-	70%	-	70%

IV. Capital Overview

1. Source of capital:

A. Capital stock status

Unit: 1000 shares; NT$1000

Year	Nominal value per share (NT$)	Authorized stock		Paid-in capital		Remarks		
		Number of shares (share)	Monetary amount (NT$)	Number of shares (share)	Monetary amount (NT$)	Source of capital shares	Equity contributions made in the form of assets other than cash	Others
1999	10	19,782,000	197,820,000	25,000,000	25,000,000	Surplus conversion and capital cash increase	None	Note 1
2000	10	25,000,000	250,000,000	25,000,000	250,000,000	Surplus conversion	None	Note 2
2001	10	27,500,000	275,000,000	27,500,000	275,000,000	Surplus conversion	None	Note 3
2002	10	29,700,000	297,000,000	29,700,000	297,000,000	Surplus conversion	None	Note 4
2003	10	32,670,000	326,700,000	32,670,000	326,700,000	Surplus conversion	None	Note 5
2004	10	34,956,900	349,569,000	34,956,900	349,569,000	Surplus conversion	None	Note 6
2005	10	47,600,000	476,000,000	38,457,000	384,570,000	Surplus conversion	None	Note 7
2006	10	47,600,000	476,000,000	42,303,000	423,030,000	Surplus conversion	None	Note 8
2009	10	100,000,000	1,000,000,000	46,800,000	468,000,000	Surplus conversion	None	Note 9
2010	10	100,000,000	1,000,000,000	52,800,000	528,000,000	Surplus conversion	None	Note 10
2011	10	100,000,000	1,000,000,000	60,000,000	600,000,000	Surplus conversion	None	Note 11
2012	33	100,000,000	1,000,000,000	64,500,000	645,000,000	Capital cash increase	None	Note 12
2013	51	100,000,000	1,000,000,000	72,600,000	726,000,000	Capital cash increase	None	Note 13

Note:

1. Approved by the Ministry of Economic Affairs document number 88136434 on October 5, 1999.
2. Approved by the Ministry of Finance document number 96306 and Ministry of Economic Affairs document number 132602 on July 7, 2000.
3. Approved by the Ministry of Finance document number 153992 and Ministry of Economic Affairs document number 09001455350 on August 27, 2001.
4. Approved by the Ministry of Finance document number 0910146006 and Ministry of Economic Affairs document number 09101420360 on August 21, 2001.
5. Approved by the Ministry of Finance document number 0920136356 and Ministry of Economic Affairs document number 0932729920 on August 12, 2003.
6. Approved by the Financial Supervisory Commission document number 0930135288 and Ministry of Economic Affairs document number 09332793660 on August 09, 2004.
7. Approved by the Financial Supervisory Commission document number 0940132626 and Ministry of Economic Affairs document number 09432970340 on August 10, 2005.
8. Approved by the Financial Supervisory Commission document number 0950132996 and Ministry of Economic Affairs document number 09532910040 on July 27, 2006.
9. Approved by the Financial Supervisory Commission document number 0980040804 and Ministry of Economic Affairs document number 09833204310 on August 14, 2009.
10. Approved by the Financial Supervisory Commission document number 0990044285 and Ministry of Economic Affairs document number 09901228350 on August 23, 2010.
11. Approved by the Financial Supervisory Commission document number 1000037649 and Ministry of Economic Affairs document number 10001221900 on August 12, 2011.
12. Approved by the Financial Supervisory Commission document number 1010024889 and Ministry of Economic Affairs document number 1010117900 on June 08, 2012.
13. Approved by the Financial Supervisory Commission document number 1020008354 and Ministry of Economic Affairs document number 10201085060 on March 20, 2013.

B. Stock type

April 1, 2024 Unit: share

Stock type	Authorized capital stock					Remarks
	Outstanding stocks			Unissued shares	Total	
	Already on the market (listed)	Not on the market (unlisted)	Total			
Common shares	72,600,000	–	72,600,000	27,400,000	100,000,000	The Company's stocks are listed stocks

Note: Please indicate whether the shares are listed or OTC companies (should be noted if it is limited listing or OTC traded).

2. Shareholder structure:

April 1, 2024 Unit: share

Shareholder structure / Quantity	Government Agency	Financial Agencies	Others Legal person	Individual	Foreign institutions And outsiders	Total
The number of people	0	0	22	6,232	48	6,302
Shares held	0	0	28,380,637	41,125,455	3,093,908	72,600,000
oportion of shares held (%)	0%	0%	39.09%	56.65%	4.26%	100.00%

3. Stock ownership distribution:

April 1, 2024 Unit: share

Stock holding classification	Number of shareholders	Shares held	Shareholding percentage
1 to 999	1, 382	206, 142	0. 28%
1,000 to 5,000	4, 210	7, 737, 406	10. 66%
5,001 to 10,000	371	2, 879, 355	3. 97%
10,001 to 15,000	108	1, 394, 993	1. 92%
15,001 to 20,000	63	1, 143, 165	1. 57%
20,001 to 30,000	61	1, 538, 096	2. 12%
30,001 to 40,000	16	561, 369	0. 77%
40,001 to 50,000	13	616, 082	0. 85%
50,001 to 100,000	28	2, 047, 259	2. 82%
100,001 to 200,000	18	2, 484, 874	3. 42%
200,001 to 400,000	10	2, 817, 952	3. 88%
400,001 to 600,000	4	2, 085, 853	2. 87%
600,001 to 800,000	4	2, 664, 767	3. 67%
800,001 to 1,000,000	1	803, 525	1. 11%
1,000,001 or more	13	43, 619, 162	60. 09%
Total	6, 302	72, 600, 000	100%

4. List of major shareholders

List of top 10 shareholders or shareholders with 5% or more of total issued stocks.

April 1, 2024 Unit: share

Stock type / Name of major shareholders	Shares held	Shareholding percentage
Tian Zi Ding Investment Limited	8,143,659	11.22%
Nei Chuang Investment Limited	6,769,924	9.33%
Huang, Chin-San	5,288,978	7.29%
Bixiu Investment Limited	5,090,929	7.01%
Chun-I Investments Co., Ltd.	4,973,000	6.85%
Southern Charitable Trust	2,200,000	3.03%
Ho, Chu-Sheng	1,902,000	2.62%
Huang Hsieh, Mei-Yun	1,851,159	2.55%
Huang, Jen-Tsung	1,748,618	2.41%
Huang, Shi-Chung	1,661,228	2.29%

5. The net value, surplus, dividend, and market price per share within the last two years.

Unit: thousand shares/NTD

Year / Item			2022	2023	As of March 31, 2024 (Note 4)
Market price per share	Max		127.00	89.20	82.00
	Min		67.40	69.70	70.00
	Average		87.41	77.05	74.50
Net value per share	Before issuance		48.23	48.24	50.45
	After issuance		47.23	(Note5)	-
Earnings per share	Weighted average		72,600	72,600	72,600
	Earnings per share (before adjustment)		0.80	1.65	—
	Earnings per share (adjusted)		(1.00)	(Note5)	—
Dividend per share (DPS)	Cash dividend		1.00	1.10(Note5)	—
	Stock grants	—	—	—	—
		—	—	—	—
	Cumulative unpaid dividends		—	—	—
Return on investment analysis	P/E ratio (Note 1)		109.26	46.70	—
	Dividend yield (Note 2)		87.41	70.05(Note5)	—
	Cash dividend yield (Note 3)		1.14%	1.43%(Note5)	—

Note 1: P/E Ratio = Average closing price for each share for the year/earnings per share
Note 2: P/D Ratio = Average closing price for each share for the year/cash dividend per share
Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the year
Note 4: for the sake of data accuracy, only data through March 31, 2024 are shown.
Note 5: has not been adopted by shareholder meeting resolution.

6. The Company dividend policy and implementation status

(1) Dividend policy stipulated within the articles of association

The Company's operation is based on long-term management, with the objective of stabilizing the Company's market competitive position. Thus, the Company will continue to make investments. To respond to the Company's future capital needs and long-term financial planning, the Company's dividend distribution will be based on a residual dividend policy. The Company's future capital budget planning will be used to balance the funding need for the next year. After reserving the required surplus capital, the remaining surplus will be distributed in the form of a cash dividend and stock dividend. However, the cash dividend shall not be less than 10% of the total dividend.

The company consistently adds production capacity to increase competing power. Every year, less than 50% of net income after tax is distributed as dividends and the rest of the earnings are reserved for future capital expenditures. To improve return on investment of shareholders, the payout ratio of 2022 is around 60% of net income. The dividend distribution is all on cash. A proposal of dividend distribution is first approved by the Board of Directors and then is submitted to the Annual Shareholders' Meeting.

(2) This year's proposed dividend distribution:

Nan Liu Enterprise Co., Ltd.
2023 Profit Distribution Table

Unit: NT$

Items	Amount	
	Subtotal	Total
Beginning retained earnings		1,601,742,872
Remeasurements of defined benefit plans	(3,596,622)	
2023 net income	119,866,237	
Legal reserve (10%)	(11,626,962)	
Special reserve	(43,553,212)	
Subtotal of distributable earnings		1,662,832,313

Distributable items		
Dividend to shareholders-cash dividend (NT$1.1/share)	(79, 860, 000)	(79, 860, 000)
Unappropriated retained earnings		**1, 582, 972, 313**

Chairman: Huang, Shih-Chung General Manager: Huang, Shih-Chung Accounting Manager: Chang, Cheng Hsu

The Company's 2023 profit distribution has been approved by the Board of Directors. Shareholders on March 14, 2024. The resolution was NT$1 cash dividend per share, with the total amounting to NT$72,600,000. However, this has not been approved by the Annual shareholders' meeting.

7. The effects of stock grants drafted by this shareholders' meeting on The Company's operating performance and earnings per share: none

8. Employee, Director, and supervisor remuneration:
The Company's Board of Directors meeting passed the 2023 employee remuneration on March 15, 2022. The remuneration shall be listed based on a specific percentage according to the year's profit status. Directors' remuneration is listed into accounting based on expected issued amount. If the aforementioned listed amount is different from the actual issued amount, the change will be handled according to accounting estimates and adjusted and accounted for in the issuing year.

2023 remuneration of directors and employees: Unit: (NT$)

	Monetary Amount (NT$)	Note:
Directors/supervisors' remuneration (in cash)	986, 483	Accounts for 0.90% of income before income tax (Parent Company Only)
Employee remuneration (in cash)	1, 424, 920	Accounts for 1.3% of income before income tax (Parent Company Only)
Total	2, 411, 403	

Note: The aforementioned employee remuneration is scheduled to be paid in 2023.

2022 remuneration of directors and employees: Unit (NT$)

	Monetary Amount (NT$)	Note:
Directors'/supervisors' remuneration (in cash)	571, 689	Accounts for 0.90% of income before income tax (Parent Company Only)
Employee remuneration (in cash)	825, 773	Accounts for 1.3% of income before income tax(Parent Company Only)
Total	1, 397, 462	

Note: The appropriated remuneration of directors and employees is the same as proposed remuneration of directors and employees by the Board of Director. And it was paid after being approved by the 2023 annual shareholders' meeting.

9. Buyback of company stock: none

10. Handling of corporate bonds, special shares, overseas depository receipts, proof of employee stock options, mergers and acquisitions (including mergers, acquisitions and splits): none.

11. Funding application plan and implementation: None.

V. Operating summary

1. Business Activities

A. Business scope

(1) Main business contents

- ◆ Manufacturing, processing, trade and import and export of suede, imitation leather, nonwoven lining, fabrics for civil engineering, waterproof/fire-resistant filter bags, resin bond padding, shoe materials, nonwoven carpets, nylon carpets, and DuPont synthetic fiber bullet-proof vests.
- ◆ Manufacturing, trade, and import and export of scouring pads, industrial grinding wheels, and household aluminum foil products (aluminum foil dirt-prevention plates).
- ◆ Trade, import and export of household hardware, nonwoven fabrics, resin, carborundum, aluminum products, and their raw materials.
- ◆ Manufacturing, processing, trade and import and export of nonwoven air filters, cotton fabrics, and aluminum foil and aluminum tableware.
- ◆ Import, export and trade of household plastic products (tableware) and stainless steel cutlery.
- ◆ Agent of domestic and foreign manufacturers' distribution, quotation and bidding for abovementioned products.
- ◆ Industrial plant development and rental businesses.
- ◆ Development of specific professional areas.
- ◆ Cosmetics manufacturing, wholesale and retail.
- ◆ Paper processing.
- ◆ Cosmetic pigment manufacturing industry.
- ◆ Dehydrated food manufacturing industry.
- ◆ Supplementary food wholesale industry.
- ◆ Cleaning supplies wholesale and manufacturing industry.

(2) The business proportion of main products

Units: 1000 NT$; %

Main products	2023	
	Amount	%
Spunlace nonwoven fabrics	1,739	28.15%
Biotechnology products (note)	1,835	29.69%
Air through & Thermal bond nonwoven fabrics	1,962	31.76%
Disposable surgical gowns fabrics	624	10.10%
Others	19	0.30%
Total	6,179	100.00%

Data sources: offered by The Company Note: including wet wipes, facial mask and skincare products.

(3) The Company's products (services)

① Hygiene materials:

A. PP air through & Thermal bond nonwoven fabrics—baby/adult diaper and sanitary napkin surface material.

B. Spunlace nonwoven fabrics—medical grade operation protective clothing fabrics, dust-free electronic cleaning cloth, clean wipes, medical drape cloth, and ointment cloth.

C. Needle rolled nonwoven fabric—bra liner and shoulder pad cotton material.

D. Biotech products—wet wipes (infant, adult skin), masks, makeup remover cotton, emulsion liquid cosmetics (collagen day cream, placenta night cream, lotions, extracts, eye creams, marine creams, and skincare products).

② Industrial products:

A. Grinding wheels—stainless steel, copper PCB grinding, wood polishing, and electroplating polishing.

B. High-end air filter cloth.

C. Household articles—household cleaning rags, scouring pads, and other cleaning products.

(4) Planned product development

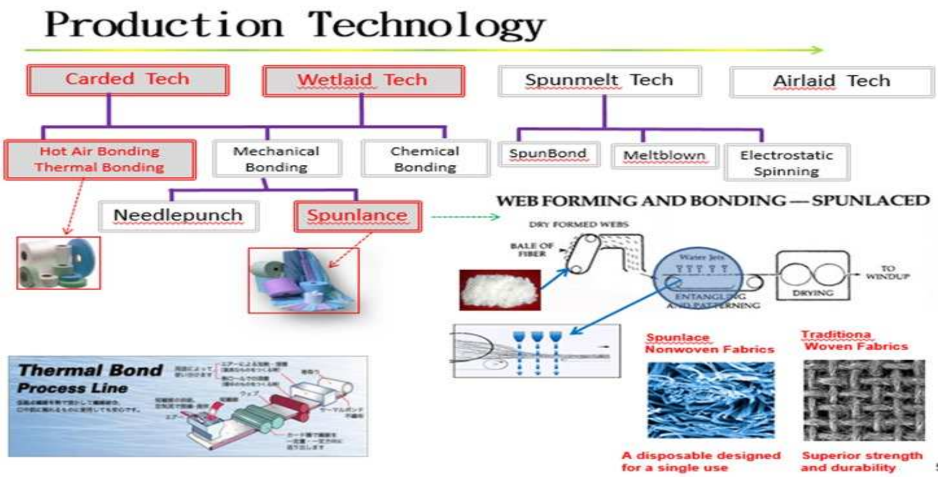
①Nonwoven fabrics: medical/surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven cloth, biodegradable environmentally friendly nonwoven cloth, 3D surface nonwoven fabric, and industrial wipes.

②Biotech products: top-grade facial masks, top skincare products, food grade collagen, plant extract, emulsions, liquid agent for cosmetics, washable wet wipes, far infrared mask.

B. Industry overview

1. Current state and development of the industry

Nonwoven fabric is made with unconventional combining or weaving methods. The process uses mechanical, thermal, and chemical means to glue, roll, melt, and spun bond together natural or artificial fibers. Because these products have some characteristics of cloth, they are called nonwoven fabrics. The nonwoven fabric industry is the youngest member of the textile industry and has the most development potential. This process breaks through conventional textile technology and fully utilizes modern physics and chemical concepts to derive a newly emerging technology. This industry also fully integrates textile, mechanical, chemical, plastic, and papermaking technology to significantly reduce production costs in the conventional textile industry and effectively increase production quantity. Currently, formed nonwoven fabric is suitable for use on non-clothing products, single-use sanitary items, or cosmetic/skincare products. This industry can be perceived as a secondary industry in the textile industry. Of all textile manufacturing processes, nonwoven fabric has the shortest production process and the largest production capacity. Initially, it was used to produce low-price products. In recent years, because industry, technology and production equipment have continued to advance, new applications are being developed. The level of products has also increased to become high value-added products. Taiwan's nonwoven fabric industry began in 1969 and has over 30 years of history. After long-term hard work by Taiwanese industry operators, the accumulated development results and manufacturing technology have an important place in the global market.



Data source: Nanliu

In addition to being widely used on conventional household sanitary products, nonwoven fabric can be used in more special environments after design change. For example, it can be used in medical/surgical clothing and as industrial and electronic wipes. Its quality requirements must achieve a certain cleanliness, permeability, and hairball residue level. As global travel becomes more common, resulting in frequent exchange, new viruses such as SARS and H1N1 、COVID-19can spread rapidly in this environment. Recently, natural disasters such as earthquakes and floods are also frequent occurrences and have caused severe damage and casualties. When regions of the world encounter such chaos, the need for sanitary and medical/protective equipment will significantly increase. This indicates that civilized cultures are placing more emphasis on health and safety and that the need for single-use nonwoven consumer products will increase.

Because nonwoven fabric is light, elastic, and breathable and can be made to have different uses (filter, absorber/perspiration evaporator, made to be air/moisture permeable, made to be used for planting, for polishing, and to insulate noise and heat) after going through different procedures. It can also be made into different forms and appearances. In recent years, production technology breakthroughs and introduction of different processing methods to make high-tech special artificial fibers have pushed nonwoven fabric to be used in unconventional fields. Conventional uses such as household sanitary products have extended to medical, aerospace, filtration, computer, and civil engineering industries. After special production and processing, nonwoven fabric can be classified as high-tech textile products in functional textile, which has stably increased in sales every year.

Nonwoven fabrics use

Clothing	Secondary clothing material	Filling material (men/women's clothing, children's clothing, short jacket, shirts, and hat material)
	Thermal insulation material	Filler cotton (wetsuit, pajamas), quilt
	Disposable clothing	Protective clothing, travel underwear, beachwear, casual wear
Home textiles	Kitchen	Scouring pad, table cloth, table napkins, filter material
	Furniture	Sheets, bed covers, mattress covers, sofa covers, cushion covers
	Decoration	Carpets, curtains, wallpaper, audio equipment
Artificial leather	Shoe materials	Surface material, inner material, middle material, anti-sliding material, reinforcing materials
	Bag material	Bag interior substrate, bag bottom material, leather upholstery
Industrial use	Filter material	Filters (liquids, gases, dust, grease)
	Wiping cloth	Dust cloth, wiping cloth
	Electronic equipment	Insulating material (cloth, battery cell separation cloth, coating material)
	Print fabric	Maps, calendars, labels, stickers
	Others	Aircraft skin coating material, material for the aerospace industry, body armor
Geotextile	Civil engineering	Asbestos mats, soil stabilization materials, water storage materials, artificial turf
	Building	Waterproof and moisture permeability fabrics, roofing materials, soundproofing materials, shockproof material
	Foundation	Highways, subways, airports, tunnels
Agriculture and gardening	Agriculture	Heat protection material, windproof materials, fruit protection material
	Gardening	Seedling and orchid growing materials
Life-related	A variety of packaging materials	Candy packaging, teabags, handbags
	Washing supplies	Towels, paper towels, tablecloths
	Makeup wipes	Cosmetic puff
	Other family use	Various water absorbing paper cloth

Medical nonwoven cloth	Hospital	Surgical masks, surgical caps
	Medical supplies	Compress towel substrate and adhesive tape
	Others	Artificial skin, artificial blood vessels
Hygiene products	Physical products	Sanitary napkins
	Diaper	Adult diapers, baby diapers

From the beginning of Taiwan's nonwoven fabric industry in the 1960s to the present, operators have experienced Taiwan's economic flight and prosperity after 10 great construction projects. After the 2000 financial crisis, Taiwan businessmen moved abroad. Later, the oil crisis, the American housing loan crisis, and the European debt crisis resulted in a global economic downturn. In 2011 and 2012, sales in Taiwan's nonwoven fabric industry declined. The sales value gradually improved after 2013, along with economic revival, expansion of the application market, and improvements in production technology. In 2023, Taiwan's nonwoven fabric export value was USD299 million, and the export quantity was 80 thousand tons.

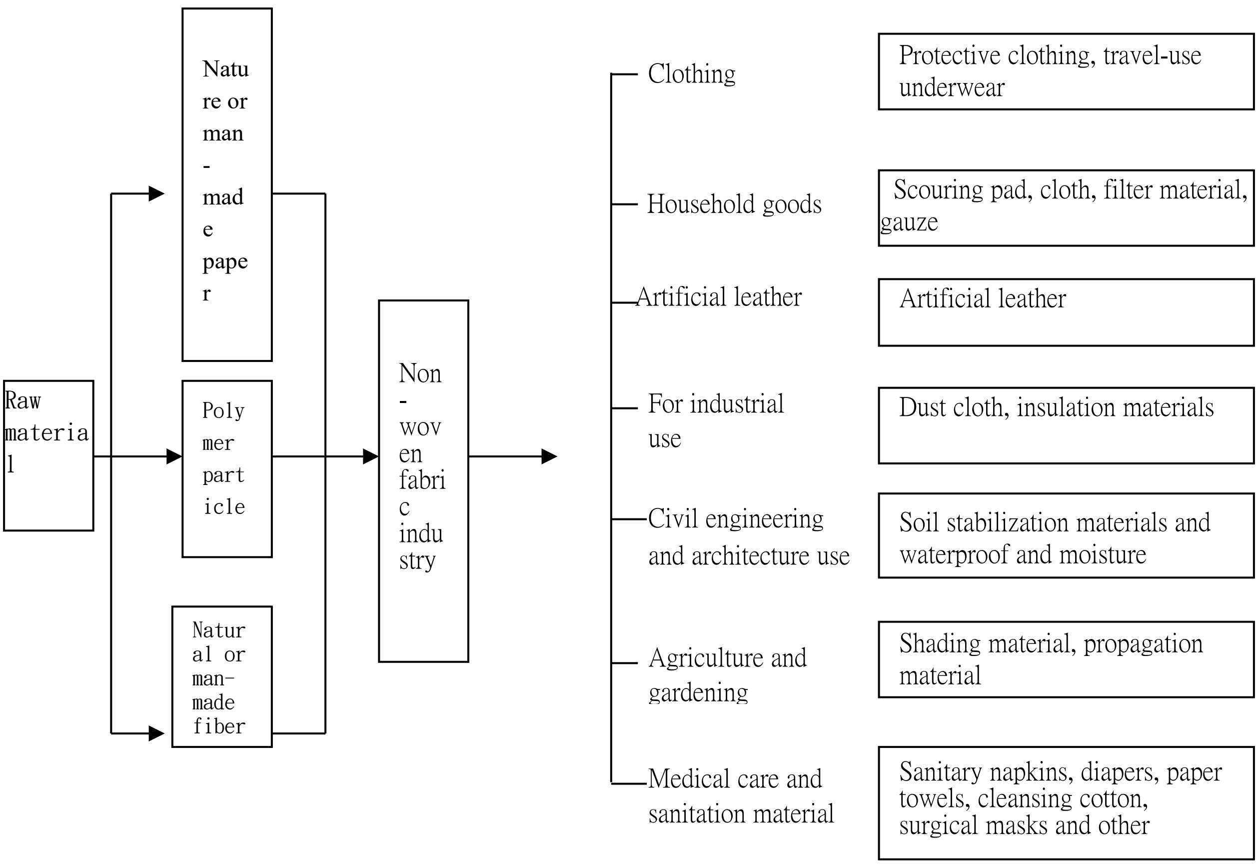
Statistics of Taiwan's nonwoven fabric industry production, import and export value and quantity within the last five years.

	2019	2020	2021	2022	2023	Unit
Production volume	191.4	193.6	182	150.7	147.2	1000 Ton
Export value	388.2	470.2	417.2	354.8	299.3	1000 USD
Import value	100.5	150.8	121.6	118.8	100.8	1000 USD
Export volume	98.7	114.3	120.6	88.5	79.8	1000 Ton
Import volume	24.6	40.2	32.8	32.9	31.4	1000 Ton

Data source: ANFA - 2023Taiwan statistic report

2. Correlation among upstream, midstream, and downstream sections of the industry

Nan Liu Enterprise's main products are nonwoven fabric and cosmetic/beauty care products. The industry correlation diagram is as follows:



(3) Various product development trends

① Product diversification

In recent years, the nonwoven fabric industry has been affected by significant fluctuation in raw material prices, and the cost has significantly increased. China's nonwoven fabric industry operators have also increased their production scale and taken a price-competition model of sales. As a result, gross profit has fallen for Nan Liu and other nonwoven fabric operators in recent years. Thus, relevant nonwoven fabric operators must diversify their development direction and products and use increased product added value to increase profitability.

② Cross-field nonwoven fabric composite technology development

In addition to diversifying industry development and products, the nonwoven fabric industry is also engaging in nonwoven fabric composite technology. For example, the top and bottom layers of spun bond nonwoven fabric and a middle layer of meltblown nonwoven fabric goes through composite processing to produce SMS nonwoven fabric. The Company is also actively developing medical use pulp spunlace composite nonwoven fabric, composite biodegradable nonwoven fabric, and composite elastic nonwoven fabric. As composite technology becomes more mature, the industry is able to expand the application of nonwoven fabric and increase added value.

③ World trend in environmentally friendly material

In recent years, environmental awareness has emerged, and single-use, disposable nonwoven fabric products such as wet wipes, medical use surgical garment, masks, and gauze all require the development of environmentally friendly materials. The nonwoven fabric industry is developing different fiber materials that will be able to quickly decompose into shorter molecular chains. This will allow the materials to decompose into smaller fragments in natural environments and reduce pollution. The industry is also developing fiber materials that can decompose into small CO_2, H_2O, or CH_4 molecules in the natural environment. This will allow materials to return to nature and lower their impact on the environment. The Company will continue to improve its composite technology and is currently in the initial stages of developing composite, decomposable nonwoven fabric.

Some parts of nonwoven fabric production use wood pulp, which can affect the ecological environment system. Thus, The Company will continue to focus on monitoring and controlling the nonwoven fabric industry chain. In 2012, The Company passed the FSC COC chain of custody verification. The use of FSC COC to monitor the nonwoven fabric production chain can achieve the protection of forests throughout the entire supply chain (upstream sources of wood raw materials, processing, manufacturing, sales, printing, products, sales to the end consumer). This prevents overconsumption of the world's forestry resources and mitigates the effects on existing ecological systems during the production and sales process, enabling the Company to fulfill its environmental and social responsibilities.

(4) Competition

The Company was founded in 1978, and its main business is the production and sales of hot-pressed nonwoven fabrics, spunlace nonwoven fabric, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In recent years, the Company has expanded production lines to personal hygiene products including wet paper towels and beauty maintenance supplies such as masks and skincare products. Currently, listed domestic companies with similar products, capital, and operating scale include Kang Na Hsiung, Shinih, and Universal Incorporation. Their main operating items and operating revenue are as follows:

Unit: million NT$

Items \ Company	Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
Major Business items	1.Spunlace nonwoven fabric (including Disposable surgical gowns fabrics) 38.25% 2.Air through & Thermal bond nonwoven fabrics 31.76% 3.Biotechnology products (including wet wipes) 29.69% 4.Others 0.3%	1. Sanitary napkin 50.23% 2. Diaper 9.29% 3. Wet wipes 19.70% 4. Nonwoven and others 20.78%	1. Nonwoven 97% 2. Other 3%	1. Nonwoven 83.63% 2. Other 16.37%
2023 consolidated net sales	6,179	2,938	2,115	406

Data source: the 2023 consolidated financial statements from various companies that are announced on MOPS website.

3. Long-term and short-term business development plans

(1) Short-term plan

• Consolidate existing clients, and attract more customers.

• Implement the Group's production policy to obtain the most advantageous configuration.

• Obtain high-end orders, and improve real profits.

• Improve resource utilization, and reduce resource consumption and waste.

•Promote environmentally friendly product production technology to obtain market opportunities.

(2) Long-term plans

• Integrate the group's resources, and provide customers with more complete services.

• Improve the cost structure, and provide our customers with more competitive prices.

• Enhance customer satisfaction, and expand the overall production scale. Pursue cost advantages to make prices more competitive.

• Create a win-win situation, ensure technology leadership, and increase market share.

2. Market, production, and sales status:

i. Market analysis

(1) Main product sales area

Unit: million NT$

Area \ Year		2022 (consolidated)		2023 (consolidated)	
		Amount	Ratio%	Amount	Ratio%
Taiwan		1,299	21.7%	1,208	19.6%
China		2,678	44.7%	2,782	45.0%
Export	Japan	948	15.8%	958	15.5%
	India	244	4.1%	403	6.5%
	Asia	616	10.3%	633	10.3%
	Others	201	3.4%	194	3.1%
Total		5,986	100.00%	6,179	100%

(2) Market share

The Company's main business is the production and sales of Air through & Thermal bond nonwoven fabrics, spunlace nonwoven fabrics, and biotechnology-related products (including wet wipes, masks, lotions and other skincare products). In 2023, The Company's consolidated operating revenue was superior to that of similar companies in the industry, including Nan Liu, KNH, Shinih, and Universal Incorporation.

Unit: million NT$

Items \ Company		Nan Liu	Kang Na Hsiung	Shinih	Universal Incorporation
2023 (consolidated)	Net Sales	6, 179	2, 938	2, 115	406

Data source: the consolidated financial statement from various companies that are announced on MOPS website.

In addition, according to a statistic by Nonwovens Industry (a main United States nonwoven fabric monthly journal), the Company ranked 23rd among all nonwoven fabric companies in the world in 2022. The Company has exceeded the rankings of all similar companies in Taiwan and has become an important nonwoven fabric company in the Asia region. The Company ranked 468rd among companies of the manufacturing industry in 2024.

(3) Future market supply and demand and growth

Nonwoven fabric is lightweight, elastic, and breathable and can be made to have absorption/moisture retention and breathable/moisture permeable characteristics or made into filters, planting material, wiping material, soundproofing material, and insulation materials through different processes. In addition, this material can be made into diverse forms and appearances. As production technology continues to show breakthroughs in recent years, high-tech special artificial fiber is being continuously developed. Processing methods are becoming more diversified, and nonwoven technology is being applied to unconventional fields. Nonwoven fabric has moved from conventional uses such as everyday hygiene supplies to being used in medical, aeronautic, filter, computer, and civil engineering fields. After special processing, nonwoven fabric can be classified as a high-tech textile product in functional textile. As such, its global sales have grown steadily each year.

① The downstream application product demand is growing steadily.

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to ten years.

② The China market has created a huge market and business opportunity.

In terms of individual areas, China has the fastest growth in the nonwoven fabric industry. In 2013, China's nonwoven fabric production quantity was 2.387 million tons but reached 5.27 million tons by 2020. This is an annual compound growth rate of 17%, which far exceeds the global average. This is mainly attributed to increasing Chinese labor costs, appreciation of the CNY, and raw material price increase. At the time, the European and American markets showed weak economic numbers, increased national debt, high unemployment rate, and other negative factors, which resulted in decreased demands. Still, China itself is showing growing demands, and increased salaries have raised the average income of its citizens. This, in addition to the two-child policy, has led to expected increased demand in the nonwoven fabric production, and demand is expected to grow. In the second half of 2016, the CNY depreciated significantly, and the impact on the exports was huge. However, due to the two-child policy and the increased national income, the domestic demand could maintain steady for disposable consumer goods.

Production quantity and import/export value and quantity in the nonwoven fabric industry in China for the last six years.

Item	2017	2018	2019	2020	2021	2022	Unit
Production volume	3,705	3,960	4,210	5,273	5,340	5,310	Thousand tons
Export value	2,614	2,705	3,111	4,949	4,540	3,990	Million USD
Import value	897	827.4	842	1,106	1,056	918	Million USD
Export volume	894.2	881.5	1,051	1,364	1,371	1,207	Thousand tons
Import volume	147.3	127	127	159	135	102	Thousand tons

Data source: ANFA – 2022 China statistic

③ Stable domestic demand

As the economy gradually began reviving in 2013, expanded market application and production technology advancements gave Taiwan's nonwoven fabric industry a highly competitive edge in the global market. In 2023, Taiwan's nonwoven fabric export value was USD 299 million, and the export quantity was 798 thousand tons. Compared with 2022, this is a decrease of 15.64%. The need of non-woven is up trend.

(4) Competitive niche

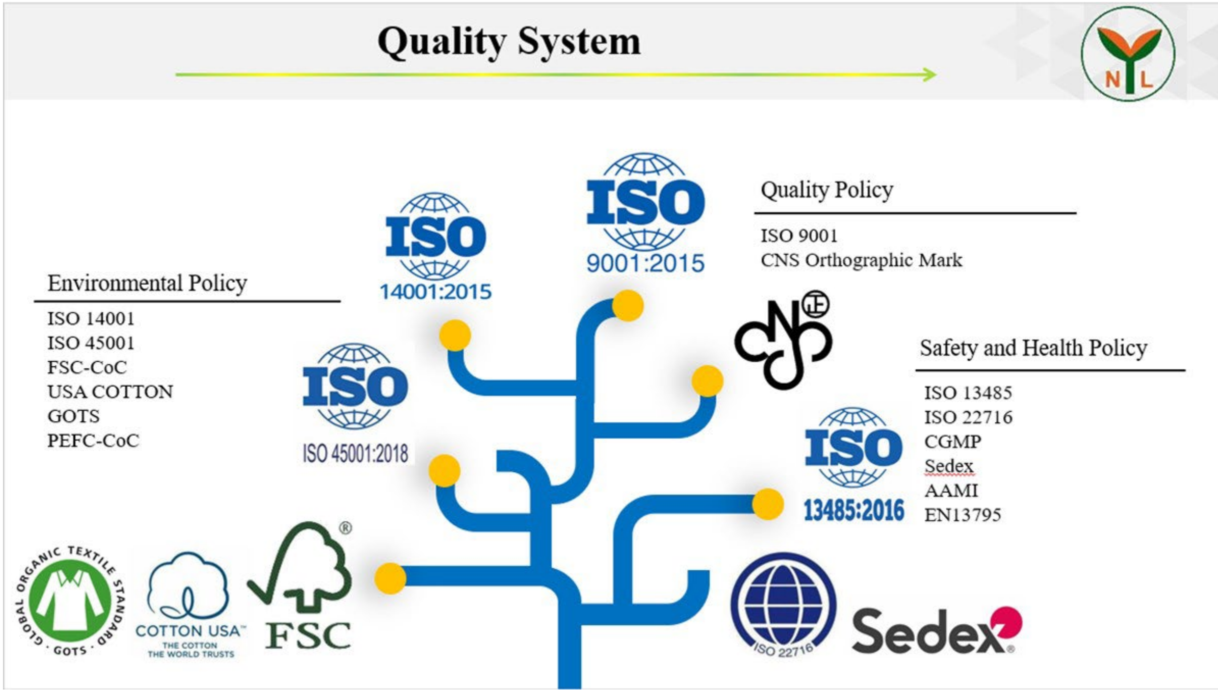
① Continuing investment in research and development

The Company has invested in the production and development of nonwoven fabric since 1995. We have accumulated more than 20 years of production experience and built a technology team to improve our development abilities. Currently, The Company has professionals who were once part of the PGI group, and who have nonwoven fabric experience, leading the R&D team. The team has continually developed nonwoven fabric production technology and expanded its relevant applications. At present, the Company's research results include surgical medical protective clothing fabrics and industrial-strength cloth. In the future, we will expand into embedded anti-corrosion technology, water purification technology, flushable wipes, elastic diaper waists, strong wipes for 3D printing technology and other high value-added products. Regarding production technology and process improvement, the Company will adjust production equipment based on new material development and process improvements. Actual production site tests will be conducted to set the best production parameters, which will improve production yield and lower production costs. Furthermore, The Company will maintain close exchange with major European, American, Japanese, and Korean hygiene product companies to fully understand market trends. This will enable The Company to rapidly develop products that conform to market demands.

② Good stability product quality

The Company has actively obtained ISO 9001:2015 quality certification, CNS(Chinese National Standards) quality certification, ISO 14001:2015 environmental certification, ISO13485:2016 medical certification, ISO 45001:2018 Occupational Health and Safety Management Systems certification, ISO 22716:2007 Cosmetics quality management system certification, CGMP Cosmetic Good Manufacturing Practice, OEKO-TEX® Standard 100 Textile non-toxic certification, GMPC(Good Manufacturing Practice of Cosmetic Products) excellent cosmetics manufacturing standards certification, GOTS(The Global Organic Textile Standard) certification, Sedex (Suppliers Ethical Data Exchange) certification, USA

COTTON products certification, AAMI American standard medical surgery clothing certification, EN13795 European standard medical surgery clothing certification, PEFC Programme for the Endorsement of Forest Certification Schemesand FSC-COC:2017 (Chain of Custody) production and sales management certification. These certifications ensure that The Company manufactures and sells nonwoven fabric and related products under the strictest quality control and provide customers with peace of mind. In addition, The Company also uses related quality management tools (such as the SPC method) to continue to improve product quality. ISO 9001 and other quality management systems are implemented, and quality personnel are actively cultivated to ensure a solid foundation for product quality.



In addition to actively building a quality management system for various items, The Company also requires work personnel to strictly follow relevant production SOPs during the production process. The production environment is managed based on low temperature, germ-free, and cleanroom standards. To reduce possible pollution during the production process from personnel operations, The Company has introduced automated production equipment from Germany and Japan as well as conducted quality monitors and tests for various automatic detection systems. This ensures that all products from the factory conform to strict quality standards and relevant specifications.

(5) Advantageous and disadvantageous factors for development prospects and response measures

① Advantageous factors

A. Downstream product application demand is steadily growing

According to statistical data forecast from INDA, EDANA, and Nonwoven Materials & Products, nonwoven fabric will gradually replace the conventional textile market because its production quantity, speed, and cost are superior to conventional textiles. Not only do the European and American markets show steady demand growth for nonwoven fabric, rapid economic growth in Asia, the Middle East, and Latin America is driving demand for personal hygiene products such as wet wipes, diapers, and sanitary napkins. Demand for cosmetic and beauty care products such as facial masks and makeup remover pads is also growing at a rapid speed. Thus, demand in the nonwoven fabric industry is expected to grow steadily for the next five to 10 years. Therefore, The Company will have space for growth in the nonwoven fabric industry in the future.

B. Continual development of new application fields

The application scope of nonwoven fabric is continuing to expand and can be used in different applications after processing with different techniques. Nonwoven fabric products are continuing to be developed and innovated. In the United States, Japan, Europe, and other advanced nations, nonwoven fabric is still classified as an emerging industry that is environmentally friendly. Because there are diverse application fields, nonwoven fabric can be used in daily living supplies; medical protection; car materials; electronics and hi-tech; industrial, agricultural and textile products; and as shoe material and synthetic leather. Global demand for nonwoven fabric products is still steadily growing, and the production value will soon be higher than that of conventional textile products. Of these, nonwoven fabric is showing the fastest growth in everyday hygiene products and medical protection products.

C. Biotechnology products have a certain brand visibility

In addition to the production and sales of nonwoven fabric, The Company has gradually been diversifying in recent years. Currently, The Company has two brands, Silk Soft and Netharria. Products from these two brands include masks, makeup emulsion, lotion, moisturizer, and shower gel. These products are sold in department stores, post offices, and farmer's associations. Currently, mask products have become one of the most popular items sold by the post office. Our masks have also been selected by the Cross-Strait Trade & Commerce Association of R.O.C. as a recommended souvenir. Thus, The Company's beauty care products have established initial brand recognition. We will continue to expand our sales channels and further enhance our brand awareness.

② Disadvantageous factors

A. Risk of price competition from Chinese companies

According to Taiwan Nonwoven Fabric Industry Association monthly journal data, Chinese companies are continuing to make significant investments in the nonwoven fabric industry by acquiring machinery and equipment. In recent years, China's nonwoven fabric industry production quantity has grown by an average of 10% annually. China's nonwoven fabric production value is the highest in Asia (except Japan) and is rapidly developing. This has formed a certain threat and pressure for Taiwan's industry. China's investment in nonwoven fabric is mostly centered around spunbond and meltblown production technology. Spunbond and meltblown have high investment costs and large production scale; therefore, high-quantity production is required to reach economies of scale for this new machine equipment. Thus, the current nonwoven fabric market is showing a trend of price competition.

Response measures:

The Company has focused on developing hot air/hot-press and spunlace technology nonwoven fabrics. Hot air/hot-press nonwoven fabric is soft, loose, and has good texture. Currently, they are widely used in diaper and sanitary napkin surface material. The

Company has improved spunlace nonwoven fabric technology and materials, production technology, water quality purification technology, and post-processing technology (water resistance, alcohol resistance, and blood resistance). Currently, we have passed the American standard AAMI certification and European standard EN 13795 certification, which means that these materials can be used as medical and protective materials. Currently, surgical clothing made from spunlace nonwoven fabric has higher cost but is preferred by medical personnel because the materials are better than SMS composite nonwoven fabric. The Company is continuing with various new product development and product quality improvements and has clearly separated our market and product position from the spunbond and meltblown nonwoven fabric of our Chinese competitors.

B. Risk of substitute products

Currently, common nonwoven fabric formation technology used around the globe is similar and generally includes machine bonding, thermal bonding, spunbond, and meltblown technology. The Company's current main products are spunlace nonwoven fabric and hot air bonding/hot-press nonwoven fabric, which are classified as mechanical bonding and thermal bonding technology. Comparatively, some vendors have converted their investments toward spunbond and meltblown technology nonwoven fabric, then processing the products with composite processing to produce SMS nonwoven fabric. SMS nonwoven fabric such as polyester has a relatively low price. Not only does polyester have a price advantage, SMS nonwoven fabric has lower water permeability. Thus, SMS nonwoven fabric made with spunbond technology and meltblown technology and composite processing has become the primary replacement product for The Company's spunlace nonwoven fabric and air through & thermal bond nonwoven fabrics.

Response measures:

In addition to cost considerations, we must also consider the comfort and softness of nonwoven fabric products. Hot air/hot-press and spunlace technology produced nonwoven fabrics are more comfortable, softer, and more elastic. Although SMS produced surgical clothing can reach 40 g, the material tends to be transparent and has a plastic feel. Thus, surgical medical personnel still prefer surgical clothing made form spunlace nonwoven fabric and dislike wearing SMS nonwoven fabric surgical clothing that feels like a raincoat. Therefore, spunlace nonwoven fabric still has a certain market demand.

The Company is still developing various spunlace nonwoven fabric products such as elastic composite nonwoven fabric, elastic pulp spunlace nonwoven fabric, biodegradable environmentally friendly spunlace nonwoven fabric, flushable wet wipes, and industrial use wipe to increase the added value and application of spunlace nonwoven fabrics.

C. A large amount of investment must be made to maintain competitiveness in the nonwoven fabric industry

As production technology improves in the nonwoven fabric industry, new products are developed, sales are expanded, and branches are opened overseas, nonwoven fabric industry personnel must continue to invest funds to purchase new machinery and equipment to expand production capacity. This is required to gain and maintain a competitive advantage. Thus, the nonwoven fabric industry requires significant funding, and relevant operators should have sufficient funding and flexibility capital allocation to engage in expansions and asset investment.

Response measures

The Company maintains a good relationship with financial institutions. Currently, The Company has a low cost of borrowing money and still has sufficient bank financing. In the long term, The Company not only reserves a surplus from the annual profit but also uses listing plans and capital market instruments to obtain sufficient and stable long-term investment funds. This fund is used to fulfill expansion needs, improve the Company's financial structure, and reduce financial risk.

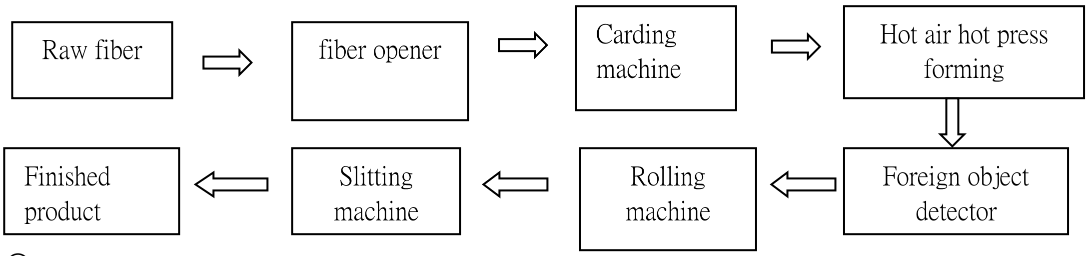
ii. Major uses and production process of the primary products

(1) Major uses of the primary products

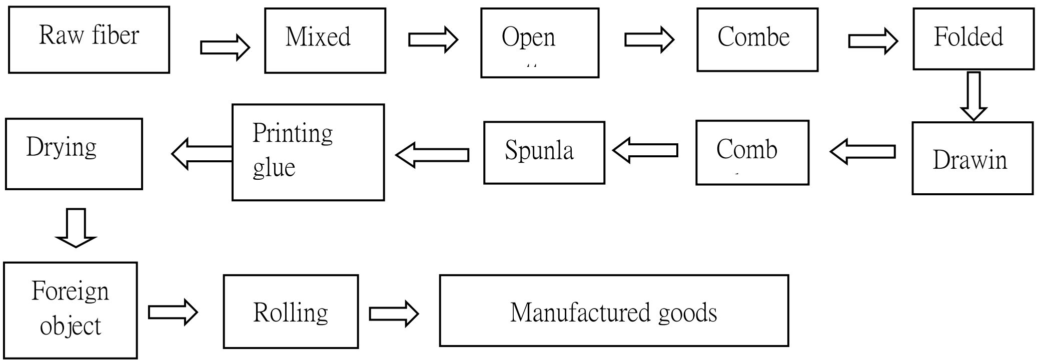
Main products	Important use
Air through & thermal bond nonwoven fabrics	Baby diaper and sanitary napkin surface material
Spunlace nonwoven fabric	Medical and sanitary materials, cleaning supplies, shoes
Biotech products	Wipes (infant, adult skin), masks, cleansing cotton, emulsion liquid cosmetics

(2) Production process

① Air through & thermal bond nonwoven fabric



②Spunlace nonwoven fabric



Main raw material supply status

The main raw materials	Major suppliers (domestic and foreign)	Supply status
Polypropylene (PP), composite fiber Rayon fiber, PET fiber	Sateri, Fujian Mr Fiber Joint, Tung Chau Jiang Hua	Good

iii. List of vendors that account for more than 10% of total purchases within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT$; %

Items	2022				2023				As of March 31, 2024			
	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship	Name	Amount	% of net purchase	Relationship

1	Sateri	547, 424	14. 26	None	Sateri	549, 654	14. 13	None	Sateri	153, 237	17. 84	None
2	Others	3, 292, 257	85. 74	None	Others	3, 339, 310	86. 97	None	Others	705. 787	82. 16	None
Net Purchase		3, 839, 681	100. 00		Net Purchase	3, 839, 681	100. 00		Net Purchase	859, 024	100. 00	

Explanation for changes:

The main raw materials used by The Company within the last two years are PET fiber, rayon fiber, and nonwoven fabric. Sateri is The Company's rayon fiber provider. There are no major changes to raw material suppliers within the last two years.

iv. List of customers that account for more than 10% of total sales within either of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio.

Units: Thousand NT$; %

Items	2022				2023				As of March 31, 2024			
	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship	Name	Amount	% of net sales	Relationship
1	A Company	937, 704	15. 66	None	A Company	841, 472	13. 62	None	B Company	168, 801	11. 82	None
2	B Company	759, 034	12. 68	None	B Company	732, 866	11. 86	None	C Company	145, 066	10. 16	None
3	Others	4, 289, 608	71. 66		Others	4, 604, 633	74. 52		Others	1, 114, 542	78. 02	
Net Sales		5, 986, 346	100. 00		Net Sales	6, 178, 971	100. 00		Net Sales	1, 428, 409	100. 00	

Explanation for changes:

The Company focuses on the nonwoven fabric industry and management of its related derivative products. Our main products include air through & thermal bond nonwoven fabric, spunlace nonwoven fabric, hygiene products, and biotech/beauty care products. Our customers include vendors in Taiwan, Japan, and Korea. Our product quality has passed professional certification, and The Company has a stable and long-term supply and sales relationship with our customers. There were no significant changes in sales customers within the last two years.

v. Production quantity and value in the last two years

Unit: thousand packs/ton/ NT$1000

Year / Production quantity and amount / Primary products	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Spunlace nonwoven fabric	35, 000	34, 716	2, 522, 511	35, 000	36, 364	2, 574, 814
Air through & thermal bond nonwoven fabric	16, 950	19, 466	1, 487, 291	16, 950	21, 808	1, 591, 303
Biotechnology products (note)	—	226, 026	2, 469, 235	—	176, 773	2, 507, 562
Disposable surgical gowns fabrics	7, 300	3, 643	398, 077	7, 300	4, 312	427, 130
Others	—	283, 851	6, 877, 114	—	239, 257	7, 100, 809
Total	35, 000	34, 716	2, 522, 511	35, 000	36, 364	2, 574, 814

Note: includes wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

vi. Sales quantity and value in the last two years

Unit: thousand packs/ton/and NT$1000

Year / Sales value / Primary products	2022				2023			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Spunlace nonwoven fabric	10,459	697,942	15,114	1,144,306	10,244	685,257	12,911	1,055,014
Air through & thermal bond nonwoven fabric	16,047	1,532,471	1,791	229,253	18,838	1,734,547	1,827	227,809
Biotechnology products (note)	120,521	1,804,485	7,264	83,040	97,560	1,752,287	7,214	100,170
Disposable surgical gowns fabrics	507	63,353	3,046	431,496	522	63,855	3,931	560,101
Others	147,534	4,098,251	27,215	1,888,095	127,164	4,235,946	25,883	1,943,094
Total	10,459	697,942	15,114	1,144,306	10,244	685,257	12,911	1,055,014

Note: includes wet wipes, facial masks, skincare products and other biotech products. The units are not always the same, and the number was converted and expressed in the smallest unit (for example, thousand bags, thousand bottles, thousand pieces).

3. Number of employees in the last two years

Year		2022/12/31	2023/12/31	2024/03/31
The number of employees	Direct	535	580	662
	Indirect	317	360	316
	Total	852	940	978
Average age		35.60	34.5	34.38
Average years of service (years)		5.60	4.9	3.7
Education distribution ratio (%)	Ph.D.	0.35%	0.32%	0.30%
	Master	4.93%	5.32%	4.81%
	College	41.08%	38.40%	38.04%
	High school	30.28%	33.09%	34.36%
	Below high school	23.36%	22.87%	22.49%

4. Environmental protection expenditures

(1) The Company has applied for and received pollution emission permits, paid pollution prevention fees, or established designated environmental personnel according to regulations. The following is The Company's permit and establishment status:

Items	Name of allowed fixed pollutant source	Code	Effective period	Permit document number	Remarks
1	Cosmetic manufacturing procedures	(M02) 190059	09/22/2020 - 09/21/2025	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1779-00	First factory
2	Heat medium heating process	(M05) 000002	03/18/2021 - 03/17/2026	Kaohsiung City Government Environmental Protection Bureau air pollution permit number E1835-02	Second plant
3	Water pollution prevention license		03/30/2021- 03/29/2026	Kaohsiung City Government Environmental Protection permit number00987-01	Second plant

(2) The Company's investment in environmental pollution prevention equipment, their uses, and their expected benefits:

March 31, 2023

Equipment name	Quantity	Obtainment date	Investment cost (NT$1000)	Residual value	Remarks
Dust collection equipment	4	09/25/2000	1,083	0	Fiber opening machine is fitted with dust collection equipment to meet air pollution testing standards.
Dust collection equipment	1	07/31/2005	750	0	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Recycled water treatment equipment	1	04/01/2004	4,653	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	12/31/2000	220	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	11/25/2010	660	0	Recycled water, reduce production costs, meet environmental requirements
Recycled water improvement project	1	03/28/2011	3,630	0	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/25/2011	95	0	Purification of waste gas, reduce production costs, and meet environmental requirements.
New construction of biotech wastewater retention equipment	1	09/25/2015	240	28	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Continuous and automatic monitoring of waste water (video) transmission	1	10/25/2015	500	63	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Flotation equipment	1	12/25/2015	8,677	1188	Recycled water, reduce production costs, meet environmental requirements
Storage equipment (spunlace)—20T flat bottom tanks	1	02/25/2016	250	38	Process wastewater with regulated procedures until it reaches environmental protection requirements.
Pressure filter equipment	1	05/25/2016	860	155	Recycled water, reduce production costs, meet environmental requirements
Pressure filter equipment	1	10/25/2019	7209	5409	Recycled water, reduce production costs, meet environmental requirements
Recycle fibers Dust collection equipment	1	01/01/2020	6351	5028	Cleared air, reduce production costs, meet environmental requirements
New High Pressure Filter Press	1	01/01/2020	1100	870	Recycled water, reduce production costs, meet environmental requirements
Dust collection equipment	1	01/01/2020	16510	13070	For use in opening fiber and collecting dust, reducing production costs, meeting environmental requirements.
Expert in dry system	1	05/01/2020	1051	890	Recycled water, reduce production costs, meet environmental requirements
New High Pressure Filter Press	1	05/01/2020	1100	932	Recycled water, reduce production costs, meet environmental requirements
Cotton Dust collection Quest	1	05/01/2020	7775	6587	Cleared air, reduce production costs, meet environmental requirements
Dust collection equipment	1	08/01/2020	6,545	1,745	Cleared air, reduce production costs, meet environmental requirements
Air flotation equipment	1	10/01/2020	5,168	1,550	Recycled water, reduce production costs, meet environmental requirements
Air flotation equipment	1	10/01/2020	6,246	1,874	Recycled water, reduce production costs, meet environmental requirements

Air duct collection engineering	1	10/01/2020	2,660	798	Input fiber, dust collection, reduce production costs, meet environmental requirements
Waste water process and recycle equipment	1	07/01/2020	3,697	924	Follow waste water process procedure, meet environmental requirements
Soft water filtration system	1	10/01/2020	1,330	399	Follow waste water process procedure, meet environmental requirements
Air flotation Sewage bucket engineering	1	03/01/2021	220	84	Recycled water, reduce production costs, meet environmental requirements
New High Pressure Filter Press	1	12/01/2021	2,200	1,173	Recycled water, reduce production costs, meet environmental requirements
Ultrapure water system recycle equipment	1	10/31/2023	2,200	1,980	Recycled water, reduce production costs, meet environmental requirements
Wastewater storage equipment	1	03/31/2024	1,960	1,927	Follow waste water process procedure, meet environmental requirements

Note: from 2023 through the date of annual report printed, The Company has expended NT$5,766 thousand on environmental cleaning and maintenance-related items.

（3） In the last two years through the printing of this annual report, the Company's improvement of environmental pollution: none.

（4） The Company's losses and total fines as a result of pollution to the environment (including reparation) within the last two years through the printing of this annual report. Disclose future response measures, including improvement measures and possible expenditures (including estimated losses, fines, and compensation if response measures are not taken). If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

（5） Current pollution and improvement status, and its effects on the Company's competitive position and capital spending, as well as estimated major environmental protection capital expenditures in the next two years: none.

5. Employer/employee relationship

1. Company's employee benefits and retirement system and their implementation, as well as the employer/employee agreement status:

(1) Benefits:

The Company's employee-benefit-related measures are as follows:

①Issue performance bonuses according to operating conditions.

②Funeral/wedding, work injury, hospitalization subsidies and Labor Day bonuses.

③Handle labor insurance, health insurance and relevant insurance for dependents.

④Hold employee travel and issue employee birthday bonus.

⑤Year-end banquet and lottery.

⑥Engage in industry–academia cooperation and encourage employees to learn while on the job.

(2) Education and training measures: fixed schedule training courses that provide professional personnel with career training and continual education.

(3) Retirement system:

The Company has established an Employee Retirement Monetary Fund Oversight

Committee according to the Labor Standard Act and has regularly set aside regular monthly pensions that are saved in a Central Trust of China retirement account. To respond to the new retirement system, the Company will appropriate 6% to employee personal accounts.

(4) Employer/employee agreements:

The Company is subject to the Labor Standards Act, and all operations conform thereto. As of the printing of this annual report, there have been no employer/employee disputes.

2. The Company's losses and total fines as a result of employer/employee disputes within the last two years through the printing of this annual report. Disclose current and future estimated monetary amount and response measures. If the amount cannot be reasonably estimated, please state the reason for being unable to make a reasonable estimate: none.

6. Important contracts

Nature of contract	Party	Contract start elected	Main content	Restrictive terms
Land lease	Li Wu-Yi and five others	2010/02/01~ 2040/02/01	Real estate leasing (Yanchao plant land)	None
Taiwan Sugar Corporation land setting aboveground rights agreement	Taiwan Sugar Corporation	Jan.2024~ Jan.2034	Real estate above ground property right	When the aboveground lease is up, renewal shall be through mutual agreement and after royalty payments, and cannot exceed 50 years (accumulated).

VI. Financial summary

1. Concise financial data from the last five years

(1) Concise asset balance sheet and Comprehensive Income

i. **Concise asset balance sheet—consolidated**

Unit: Thousand NT$

Year / Iterm		Financial data in the last five years (note 3)					2024/3/31 Financial data (note 4)
		2019/12/31	2020/12/31	2021/12/31	2022/12/31	2023/12/31	
Current assets		4,140,415	4,871,089	4,310,601	4,227,419	4,461,801	4,404,134
Property, plant and equipment		4,366,569	4,849,793	4,975,674	4,880,167	4,978,861	4,958,375
Intangible assets		351	326	165	1,415	1,834	1,361
Other assets		1,029,750	1,157,773	1,263,527	1,310,557	941,760	888,770
Total assets		9,537,085	10,878,981	10,549,967	10,419,558	10,384,256	10,252,640
Current liabilities	before distribution	3,335,224	3,843,726	3,837,317	4,272,804	4,396,340	4,409,971
	after distribution	3,661,924	4,714,926	3,924,437	4,345,404	note1	note2
Noncurrent liabilities		3,096,296	2,767,004	3,223,666	2,644,983	2,485,894	2,179,781
Total liabilities	before distribution	6,431,520	6,610,730	7,060,983	6,917,787	6,882,234	6,589,752
	after distribution	6,758,220	7,481,930	7,148,103	6,990,387	note1	note2
Owners equity		3,105,565	4,268,251	3,488,984	3,501,771	3,501,887	3,662,723
Capital		726,000	726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	2,308,629	3,438,552	2,685,346	2,665,726	2,709,395	2,780,533
	after distribution	1,981,929	2,567,352	2,598,226	2,593,126	note1	note2
Other equity		(382,531)	(349,768)	(375,829)	(343,422)	(386,975)	(297,277)
Treasury stock		-	-	-	-	-	-
Non-control equity		-	-	-	-	-	-
Total equity	before distribution	3,105,565	4,268,251	3,488,984	3,501,771	3,501,887	3,662,723
	after distribution	2,778,865	3,397,051	3,401,864	3,429,171	note1	note2

(Note 1) The 2023 profit distribution is waiting for approval at the shareholders' meeting.

(Note 2) As of May 12, 2024, the 2023 profit distribution proposal has not been proposed by the shareholders' meeting. Therefore, the amount after distribution is not listed.

(Note 3) The aforementioned financial data figures were audited by certified public accountants.

(Note 4) CPAs reviewed the financial statements as of March 31, 2024.

2. Concise consolidated income statement—consolidated

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm	Financial data in the last five years (note 1)					2024/3/31 Financial data (note 2)
	2019/12/31	2020/12/31	2021/12/31	2022/12/31	2023/12/31	
Net sales	6,546,829	9,371,410	6,784,152	5,986,346	6,179,040	1,428,576
Gross profit	1,237,303	2,745,131	916,176	627,564	737,931	208,463
Operating profit	720,489	2,076,654	263,638	58,825	184,215	45,738
Other non-operating income and expenses	70,260	(84,066)	(13,401)	130,009	19,071	52,634
Income before income tax	790,749	1,992,588	250,237	188,834	203,286	98,372
Income from continuing operations	526,005	1,453,723	117,268	57,735	119,871	71,164
Net income	526,005	1,453,723	117,268	57,735	119,871	71,164
Other comprehensive income(loss)	(123,443)	35,663	(25,335)	42,172	(47,150)	89,702
Total comprehensive income(loss)	402,562	1,489,386	91,933	99,907	72,721	160,866
Net income attributable to owner of parent	526,005	1,453,723	117,268	57,735	119,866	71,138
Net income attributable to non-controlling interests	-	-	-	-	5	26
Comprehensive income attributable to owner of parent	402,562	1,489,386	91,933	99,907	72,716	160,836
Comprehensive income attributable to non-controlling interests	-	-	-	-	5	30
Earnings per share (After retroactive adjustment)	7.25	20.02	1.62	0.80	1.65	0.98

(Note 1) The aforementioned financial data have been audited by CPAs.

(Note 2) CPAs reviewed the financial statements as of March 31, 2024.

3. Concise balance sheet—the parent company only

Unit: NT$1000

Iterm \ Year		Financial data in the last five years (note 2)				
		2019/12/31	2020/12/31	2021/12/31	2022/12/31	2023/12/31
Current assets		1,277,277	2,055,043	1,499,782	1,711,709	1,581,967
Property, plant and equipment		2,925,906	3,337,535	3,478,901	3,251,049	3,004,202
Intangible assets		-	-	-	1,068	1,550
Other assets		4,610,844	5,106,455	5,290,429	5,556,771	5,666,444
Total assets		8,814,027	10,499,033	10,269,112	10,520,597	10,254,163
Current liabilities	before distribution	2,613,113	3,464,782	3,558,452	4,376,036	4,421,290
	after distribution	2,939,813	4,335,982	3,645,572	4,455,896	note1
Noncurrent liabilities		3,095,349	2,766,000	3,221,676	2,642,790	2,330,986
Total liabilities	before distribution	5,708,462	6,230,782	6,780,128	7,018,826	6,752,276
	after distribution	6,035,162	7,101,982	6,867,248	7,098,686	note1
Owners equity		3,105,565	4,268,251	3,488,984	3,501,771	3,501,887
Capital		726,000	726,000	726,000	726,000	726,000
Capital surplus		453,467	453,467	453,467	453,467	453,467
Retained earnings	before distribution	2,308,629	2,308,629	2,685,346	2,665,726	2,709,395
	after distribution	1,981,929	1,437,429	2,598,226	2,593,126	note1
Other equity		(382,531)	(349,768)	(375,829)	(343,422)	(386,975)
Treasury stock		-	-	-	-	-
Non-control equity		-	-	-	-	-
Total equity	before distribution	3,105,565	4,268,251	3,488,984	3,501,771	3,501,887
	after distribution	2,778,865	3,397,051	3,401,864	3,429,171	note1

(Note 1) The 2023 profit distribution is waiting for approval at the shareholders' meeting.
(Note 2) The aforementioned financial data have been audited by CPAs.

4. Concise consolidated income statement - the parent company only

Unit: except for earnings per share, which is indicated in 1 NT$, the remainder is in NT$1000.

Year / Iterm	Financial data in the last five years (note 1)				
	2019/12/31	2020/12/31	2021/12/31	2022/12/31	2023/12/31
Net sales	3,032,462	5,176,171	3,215,624	2,734,889	2,586,475
Gross profit	423,431	1,556,415	157,833	99,184	72,302
Operating profit	177,935	1,187,869	(138,409)	(161,535)	(150,263)
Other non-operating income and expenses	390,632	483,458	223,212	223,659	257,461
Income before income tax	568,567	1,671,327	84,803	62,124	107,198
Income from continuing operations	526,005	1,453,723	117,268	57,735	119,866
Net income	526,005	1,453,723	117,268	57,735	119,866
Other comprehensive income(loss)	(123,443)	35,663	(25,335)	42,172	(47,150)
Total comprehensive income(loss)	402,562	1,489,386	91,933	99,907	72,716
Net income attributable to owner of parent	526,005	1,453,723	117,268	57,735	119,866
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owner of parent	402,562	1,489,386	91,933	99,907	72,716
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (After retroactive adjustment)	7.25	20.02	1.62	0.80	1.65

(Note 1) The aforementioned financial data have been audited by CPAs.

2. Financial analysis

(1) Financial analysis— IFRSs (consolidated)

Iterm analyzed	Year	Financial analysis in the last five years					As of
		2019	2020	2021	2022	2023	2024/3/31
Financial structure (%)	Liability to asset ratio	67.44	60.77	66.93	66.39	66.28	64.27
	Long-term capital as a proportion of fixed assets	237.00	145.06	134.91	125.95	120.27	117.83
Debt repayment Capacity %	Current ratio	124.14	126.73	112.33	98.94	101.49	99.87
	Quick ratio	84.99	86.33	82.97	70.29	73.81	72.09
	Interest coverage (times)	27.94	56.15	8.52	4.47	3.26	4.95
Operation Capacity	Receivables turnover (times)	4.71	6.51	4.62	4.56	4.58	3.94 (Note1)
	Average collection days	77.00	56.07	79.00	80.00	79.69	93.00 (Note1)
	Inventory turnover (times)	5.41	6.01	5.52	6.20	6.55	6.07 (Note1)
	Payables turnover (times)	4.49	6.07	5.61	5.42	6.41	6.14 (Note1)
	Average inventory turnover days	67.00	60.73	66.12	58.87	55.72	60.00 (Note1)
	Fixed asset turnover (times)	2.61	2.51	1.38	1.21	1.25	1.63 (Note1)
	Total asset turnover (times)	0.74	0.92	0.63	0.57	0.59	0.55 (Note1)
Profitability	Asset rate of return (%)	6.18	14.50	1.24	0.71	1.66	3.45 (Note1)
	Return on equity (%)	17.05	39.43	3.02	1.65	3.42	7.95 (Note1)
	Percentage of income before income tax to paid-up capital (%)(note7)	108.92	274.46	34.47	26.01	28.00	13.55
	Net profit ratio (%)	8.03	15.51	1.73	0.96	1.94	4.98
	Earnings per share (NT$)	7.25	20.02	1.62	0.80	1.65	0.98
Cash Flow	Cash flow ratio (%)	23.69	41.37	24.99	9.29	11.13	5.14
	Cash flow adequacy ratio (%)	66.15	75.63	63.43	65.29	74.14	104.06
	Cash reinvestment ratio (%)	4.77	12.49	0.86	3.06	4.04	1.42
Degree of leverages	Degree of operating leverage	1.52	1.28	3.41	18.64	6.72	5.07
	Degree of financial leverage	1.04	1.02	1.14	13.16	1.96	2.19

The changes of financial ratio of the last two years:

1. In 2023, the net sales of the China factory increased by 3.5%, and the production capacity of the Indian factory was gradually opened. The net sales of the Indian factory increased by 1.1 times compared with the same period last year. The consolidated net sales in 2023 increased by 3.22% compared with the same period last year. With the increase in gross profit margin and operating expenses rate decreases, profits increase.
2. In 2023, due to the growth of the net sales of the Indian factory, the purchase of materials loans and working capital loans were increased. Due to the high interest rates of US dollars and Indian rupees (several times the interest rate of New Taiwan dollar loans), the interest expenses in 2023 increased and the interest coverage ratio increased. It was lower than that in 2022. However, in the first quarter of 2024, the Indian factory has paid off all bank loans. Coupled with the increase in profits, the interest coverage ratio has rebounded.
3. The remaining financial ratios had no important changes.

(Note 1) This financial analysis has been converted for the entire year.
(Note 2) All financial ratios have been calculated according to the financial statement audited by CPAs.

（2）**Financial analysis— IFRSs (parent company only)**

Iterm analyzed	Year	Financial analysis in the last five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Liability to asset ratio	64.77	59.35	66.02	66.72	65.85
	Long-term capital as a proportion of fixed assets	542.20	210.76	192.90	189.00	194.16
Debt repayment Capacity %	Current ratio	48.88	59.31	42.15	39.12	35.78
	Quick ratio	26.89	39.69	26.99	27.36	25.42
	Interest coverage (times)	15.58	34.84	2.99	1.93	2.15
Operation Capacity	Receivables turnover (times)	5.66	8.16	5.19	5.75	5.09
	Average collection days	64.49	44.73	70.33	63.48	71.71
	Inventory turnover (times)	6.81	8.14	7.41	7.52	7.54
	Payables turnover (times)	6.40	12.02	14.03	13.17	13.33
	Average inventory turnover days	53.60	44.84	49.26	48.54	48.40
	Fixed asset turnover (times)	2.75	2.31	0.94	0.81	0.83
	Total asset turnover (times)	0.37	0.54	0.31	0.26	0.25
Operation Capacity	Asset rate of return (%)	6.91	15.50	1.70	1.16	2.16
	Return on equity (%)	17.05	39.43	3.02	1.65	3.42
	Percentage of income before income tax to paid-up capital (%)(note7)	78.32	230.21	11.68	8.56	14.77
	Net profit ratio (%)	17.35	28.08	3.65	2.11	4.63
	Earnings per share (NT$)	7.25	20.02	1.62	0.80	1.65
Cash Flow	Cash flow ratio (%)	30.24	35.34	6.24	4.09	7.54
	Cash flow adequacy ratio (%)	78.62	83.83	63.31	64.14	71.97
	Cash reinvestment ratio (%)	5.82	10.71	(9.67)	1.50	4.47
Degree of leverages	Degree of operating leverage	3.15	1.29	(1.95)	(1.37)	(1.57)
	Degree of financial leverage	1.29	1.04	0.76	0.71	0.62

The changes of financial ratio of the last two years:

1. As profits increase in 2023, the interest coverage ratio increases.
2. The remaining financial ratios had no important changes.

Note: All financial ratios have been calculated according to the financial statement audited by CPAs.

The financial analysis calculation formula is as follows:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities / Total assets.
   (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).
2. Debt-paying ability
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset – inventories) / Current liabilities.
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) / Interest expenses over this period.
3. Operating ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) turnover ratio = Net sales/Average value of PP&E
   (7) Total inventory turnover rate = Net sales / Average total asset value.
4. Return on investments
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses × (1 – interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Gain (loss) after tax / Average total equity value.
   (3) Net profit rate = Gain (loss) after tax / Net sales.
   (4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company – dividends of preferred shares) / Weighted average of outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow of business activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years / (Capital expenditure + inventory increase + cash dividends) for the 5 most recent years.
   (3) Cash reinvestment ratio = (Net cash flow for business activities – cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital). (Note 5)
6. Degrees of leverage
   (1) Degree of operating leverage (DOL) = (Net operating revenue – operating change costs and expenses) / Operating profit (Note 6).
   (2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses).

(3) Name of the CPA in the last 5 years and audit opinions

Year	Accounting firms	Name of the CPA	Audit opinions
2019	Yangtze CPAs & Co.	Hu, Hsiang-Ning, Lin Szu-Ning	No reservations
2020	PricewaterhouseCoopers Taiwan	Tzu-Shu Lin, Chung-Yu Tien	No reservations
2021	PricewaterhouseCoopers Taiwan	Tzu-Shu Lin, Chung-Yu Tien	No reservations
2022	PricewaterhouseCoopers Taiwan	Tzu-Shu Lin, Chung-Yu Tien	No reservations
2023	PricewaterhouseCoopers Taiwan	Chung-Yu Tien, Tzu-Shu Lin,	No reservations

3. Audit Committee's Review Report of the 2023 (Please refer to page 108)

4. 2023 Independent Auditors' Report, consolidated financial statements, and notes: Please refer to page 109~170.

5. 2023 Independent Auditors' Report, Parent Company Only financial statements, and notes: Please refer to page 171~252.

6. Any financial difficulties experienced by the Company and its affiliated businesses during the most recent year up to the publication date of this report as well as the impact of said difficulties on the financial condition of The Company: None.

VII. Discussion and analysis of financial data and management results, as well as risk management.

1. Financial condition

Review and analysis of financial data

(1) Financial data analysis —consolidated

Unit: Thousand NT$

Iterm / Year	2023/12/31	2022/12/31	Difference	
			Amount	%
Current assets	4,461,801	4,227,419	234,382	5.54
Property, plant and equipment	4,978,861	4,880,167	98,694	2.02
Intangible assets	1,834	1,415	419	29.61
Other assets	941,760	1,310,557	(368,797)	(28.14)
Total assets	10,384,256	10,419,558	(35,302)	(0.34)
Current liabilities	4,396,340	4,272,804	123,536	2.89
Noncurrent liabilities	2,485,894	2,644,983	(159,089)	(6.01)
Total liabilities	6,882,234	6,917,787	(35,553)	(0.51)
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	2,709,395	2,665,726	43,669	1.64
Other equity	(386,975)	(343,422)	(43,553)	12.68
Total equity	3,501,887	3,501,771	116	0.00

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Other assets: The main reason is that the prepayments for equipment in 2023 decreased by 346 million compared with the previous year.
2. Other equity: The main reason is that at the end of 2023, the RMB depreciated against the Taiwan dollar by about 2.1% compared with the end of the previous year.

The above changes were normal operation. There is no important effect to the Company finance.

(2) Financial data analysis —Parent Company Only

Unit: Thousand NT$

Year / Iterm	2023/12/31	2022/12/31	Difference	
			amount	%
Current assets	1,581,967	1,711,709	(129,742)	(7.58)
Investment at equity	5,060,299	4,926,389	133,910	2.72
Property, plant and equipment	3,004,202	3,251,049	(246,847)	(7.59)
Other assets	607,695	631,450	(23,755)	(3.76)
Total assets	10,254,163	10,520,597	(266,434)	(2.53)
Current liabilities	4,421,290	4,376,036	45,254	1.03
Noncurrent liabilities	2,330,986	2,642,790	(311,804)	(11.80)
Total liabilities	6,752,276	7,018,826	(266,550)	(3.80)
Capital	726,000	726,000	0	0.00
Capital surplus	453,467	453,467	0	0.00
Retained earnings	2,709,395	2,665,726	43,669	1.64
Other equity	(386,975)	(343,422)	(43,553)	12.68
Total equity	3,501,887	3,501,771	116	0.00

The changes of Assets, liabilities and equity of the last two years (the change ratio is over 20% and change amount is more than NTD 10,000 thousand):

1. Noncurrent liabilities: The main reason is that long-term loan at the end of 2023 decreased by 301 million compared with the end of the previous year.
2. Other equity: The main reason is that at the end of 2023, the RMB depreciated against the Taiwan dollar by about 2.1% compared with the end of the previous year.

The above changes were normal operation. There is no important effect to the Company finance.

2. Operating results

(1) Comparative analysis of operating results—consolidated

Unit: Thousand NT$

Year / Iterm	2023	2022	Change amount	Changes(%)
Net sales	6,179,040	5,986,346	192,694	3.22
Operating costs	5,441,109	5,358,782	82,327	1.54
Gross profit	737,931	627,564	110,367	17.59
Total operating expenses	553,716	568,739	(15,023)	(2.64)
Operating profit	184,215	58,825	125,390	213.16
Non-operating income and expenses	19,071	130,009	(110,938)	(85.33)
Profit before income tax	203,286	188,834	14,452	7.65
Income tax expense	(83,415)	(131,099)	47,684	(36.37)
Net income	119,871	57,735	62,136	107.62
Other comprehensive income(loss)	(47,150)	42,172	(89,322)	(211.80)
Total comprehensive income(loss)	72,721	99,907	(27,186)	(27.21)

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Operating profit: In 2023, consolidated net sales and gross profit margin increased, operating expense ratio decreased, and operating profit increased accordingly.
2. Non-operating income and expenses: Mainly due to the appreciation of the US dollar against the New Taiwan dollar at the end of 2023 compared with the end of the previous year, the consolidated foreign currency exchange benefits decreased by 104 million.
3. Income tax expense: Due to the relocation of Taiwan factory production lines in 2023, net sales was affected and income tax expenses were reduced.
4. Net income: Due to the increase in profits in 2023 and the decrease in income tax expenses.
5. Other comprehensive income, Total comprehensive income: Due to the reduction in exchange differences in the translation of financial statements of foreign operating institutions.

The above changes were normal operation. There is no important effect to the Company finance.

(2) Comparative analysis of operating results—Parent Company Only

Unit: Thousand NT$

Year / Iterm	2023	2022	Change amount	Changes(%)
Net sales	2,586,475	2,734,889	(148,414)	(5.43)
Operating costs	2,514,173	2,635,705	(121,532)	(4.61)
Gross profit	72,302	99,184	(26,882)	(27.10)
Total operating expenses	222,565	260,719	(38,154)	(14.63)
Operating profit	(150,263)	(161,535)	11,272	(6.98)
Non-operating income and expenses	257,461	223,659	33,802	15.11
Profit before income tax	107,198	62,124	45,074	72.55
Income tax expense	(12,668)	4,389	(17,057)	(388.63)
Net income	119,866	57,735	62,131	107.61
Other comprehensive income(loss)	(47,150)	42,172	(89,322)	(211.80)
Total comprehensive income(loss)	72,716	99,907	(27,191)	(27.22)

(Note): Unrealized revenue (profit) on transactions with associates

Description of the change ratio is over 20% and change amount is more than NTD 10,000 thousand:

1. Gross profit, Income tax expense, Net income: Due to the relocation of the Taiwan factory production line in 2023, net sales and gross profit margin were affected, resulting in a decrease in gross profit, income tax expense and net income.
2. Profit before income tax, Net income: Due to the decrease in operating expense ratio and the increase in interest income and equity method investment income, the profit before income tax and net income increased.
3. Other comprehensive income, Total comprehensive income: Due to the reduction in exchange differences in the translation of financial statements of foreign operating institutions.

The above changes were normal operation. There is no important effect to the Company finance.

(3) Expected sales volume and its basis, its possible effects on the Company's future finances, and response plan: not applicable.

3. Cash flow

1. Analysis of change in cash flow for the recent year—consolidated

Unit: Thousand NT$

Items	2023	2022	Changes
Net cash flow from operating activities	489,289	396,759	18.91%
Net cash flow from investing activities	(713,216)	(757,992)	-6.28%
Net cash flow from financing activities	(173,385)	61,996	135.76%

Data source: financial statements audited by CPAs

Analysis of the changes in cash flow :

(1) Net cash flow from operating activities increased because of sales, account receivable and inventory decreased in 2022.

(2) Net cash outflow from financing activities increase because of borrowing from bank increased.

2. Analysis of changes in cash flow for the most recent year—Parent Company Only

Unit: Thousand NT$

Items	2022	2021	Changes
Net cash flow from operating activities	179,052	222,224	-24.11%
Net cash flow from investing activities	(75,872)	(332,578)	-338.34%
Net cash flow from financing activities	120,161	61,452	48.86%

Data source: financial statements audited by CPAs.

Analysis of the changes in cash flow:

(1) The increase in net cash inflow from operating activities was mainly due to the growth of net sales in 2023, the reduction of inventory, and the increase in interest income.

(2) The decrease in net cash outflow from investing activities was mainly due to the increase of 371 million in pledged time deposits in 2023.

(3) The increase in net cash outflow from financing activities was mainly due to the payment of cash dividends, decrease in amounts payable to related parties and interest payments.

3. Liquidity improvement program: not applicable.

4. Analysis of cash flow for the next year—consolidated

Unit: Thousand NT$

Cash at the beginning of the period A	Expected net cash flow from operating activities for the next year	Expected cash flows for the year C	Projected cash surplus (deficiency) A+B-C	Remedial measures for expected cash inadequacy	
				Investment plan	Capital increase planned
1,089,012	564,299	526,123	1,127,188	—	—

Analysis description:

(1) Operating activities: It is expected that in 2024, the Indian factory will mass-produce, net sales and profits will increase steadily, and operating activities will generate net cash inflows..

(2) Investment activities: No significant capital expenditure.

(3) Financing activities: It is expected that financing activities will generate net cash outflows due to the repayment of bank and the payment of cash dividends.

(4) Remedy measures for the expected cash shortage: Based on the above analysis, it is expected that there will be remaining working capital for the whole year, and there will not be a cash shortage.

4. Material expenditures of the most recent year and impact on the Company's finances and operations

The Company's recent major capital expenditure for the investment of new fourth factory in Yanchao, investment is around NT$ 700 million. The funding comes primarily from the Company's operating profit and Bank loans. There is no significant impact on the company's finances.

5. Reinvestment policy for the most recent year, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

(1) Reinvestment policy for the most recent year:

The Company's current reinvestment is through a Samoa holding company, and the investment is in the Pinghu City subsidiary company (of a subsidiary company). Due to the early investment of Pinghu plant, after years of hard work and pioneering, the current operations and profits are stable.

In response to the requests from the major customers, the company has evaluated the market demand and planned to set up a factory in India to supply its products and satisfy the demands of the local customers. The case has been approved by the board of directors on March 14, 2017 and the chairman of the board of directors has been authorized to handle the related matters. The total investment is US $20 million (including working capital) and construction completed. India plant started to manufacture in 2022.

(2) Main reason for profit or loss, improvement plan, and the Company's reinvestment policy:

31 December 2023 Unit: Thousand NT$

Reinvestment undertakings	Accumulated remittance Investment amount	Main reason for profits or losses	
		2023 investment profit(loss)	Description
NANLIU ENTERPRISE CO., LTD. (SAMOA)	1,643,224	297,489	Operation normal, profit in good condition
Nanliu Enterprise (Pinghu) Ltd.	1,487,607	312,747	Operation normal, profit in good condition
NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	666,698	(43,482)	Manufacturing.
NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	284,350	13,083	Preparing
CHING-TSUN Biomedical Technology Co., Ltd	40,000	(6,438)	Preparing
Zhuomei (Jiaxin) Biomedical Technology Co., Ltd.	–	13	Preparing

(3) Improvement plans and investment plans for the year ahead:

A. Taiwan: according to the market situation, The Company estimates that there is potential for demand growth in personal hygiene material such as EDI pure water wet wipes, diapers, and sanitary napkins. Thus, The Company will continue to invest in this equipment to develop opportunities for cooperation with customers and increase The Company's operating income. To integrate the resources of The Company's various plants, The Company has leased land in the Yanchao District. In the future, the old factory will be moved to the new location. This will concentrate manpower and equipment resources to improve the Company's management efficiency.

B.China: The Company has established a subsidiary company Nanliu (Pinghu) Ltd. in China to handle relevant business. The Company purchase nonwoven machines and related equipment to meet China customers' demand.

C. India: In response to the requests from the major customers and the future of local market, the case has been approved by the board of directors. The Company will setup nonwoven plant in India to provide local customer material demand. The India plant construction completed. India plant started to manufacture in 2022.

(6) Other important matters: none.

6. Risk management assessment and analysis:

(1) Changes to interest rates, currency exchange fluctuations, and inflation within the last year and how these may impact The Company's gain or loss, as well as future response measures.

1. Changes in interest rates and resulting impact to The Company's gain or loss as well as future response measures:

The Company's long-term and short-term bank loan rate in 2023 was around 0.6% to 7.95%. In recent years, market interest rates have been low, which is beneficial to the Company when negotiating financing interest rates. The company's investment in new Yanchao plant required currency is NT$. And it is estimated that Taiwan's Central Bank will maintain the current standard for future long-term interest rates. The Company's Finance Department specialists will periodically or regularly assess bank lending rates and pay attention to changes in the international and domestic financial markets. Finance personnel will also maintain close contact with banks to obtain more favorable lending rates and ample credit.

2. Currency exchange fluctuations and resulting impact on The Company's gain or loss as well as future response measures

The Company's major markets cover the United States and Japan, and the export ratio is more than 50%. Thus, changes in exchange rates have a significant impact on the Company's profit and loss. The Company's main production raw materials, such as rayon, polyester fiber and polypropylene, are mostly procured from foreign suppliers. The intake and expenditure of the same currency produces an offset and has a natural hedging effect on exchange rate changes. To avoid the potential impact of exchange rate fluctuations on profit, the Company has taken the following response measures:

①Foreign currency assets and liabilities offset
Foreign currencies accepted as payment for export are used to directly pay for imports to reduce exchange differences produced by foreign exchange transactions.

②Collect exchange rate change information at all times to fully grasp exchange rate trends. This is used to determine the time for converting foreign currency to NT$ or retained foreign currency in a foreign exchange account.

③Improve the quality and added value of products to adequately reflect exchange rate fluctuation in the cost and adjusted prices.

3. Effects of inflation on the Company's profit and loss.

In recent years, the global economic system has raised up from the bottom. International oil prices have remained high. Domestic electricity price hikes have gradually resulted in price increases of basic everyday supplies and result in inflation concerns. The Company's procurement unit has rapidly responded to market fluctuations. Sales units have consulted with customers in a timely manner regarding costs. Thus, The Company's operations and losses (gains) in the last two years have not been seriously affected by inflation. In addition to boosting added value, The Company will continue efforts to reduce production costs to reduce negative effects of inflation on market demand.

(2) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, derivatives trading policies, main reasons for profits or losses in the last year, and future response measures.

The Company has not engaged in high-risk, highly leveraged investments and has not carried out derivative transactions. Lending to others, endorsements, and guarantees are handled according to policy and response measures set up in the “Operational Procedure of Governing Loaning of Funds and Making of Endorsements/Guarantees” and the “Operational Procedures for Endorsements and Guarantees”.

(3) Future research plan and expected research and development fee:

The Company is a professional nonwoven fabric producer and uses this as a core technology. We are gradually crossing over to downstream product applications such as sanitary material, medical supplies and beauty care items to diversify our products. To provide customers with the highest-quality grade of nonwoven products and follow the latest market trends, The Company's research and development team has spared no effort in improving production technology and research. The team has continually developed sanitary materials and beauty care products according to popular trends to lead the market and obtain opportunities. The Company expects to invest NT$23,000 thousand in research and development in 2024. Development plans are as follows:

(1)Nonwoven fabric: medical, surgical protective clothing, elastic composite nonwoven fabric, elastic spunlace nonwoven fabric, biodegradable environmentally friendly nonwoven material, 3D surface nonwoven fabric, and industrial wipes.

(2)Biotechnology products: high-quality facial mask, high-quality skincare products, food grade collagen, plant placenta extract, emulsions, liquid cosmetics, and flushable wet towels.

(4) Changes to local and overseas policies and laws that impact the Company’s financial operations, and response measures:

The Company's daily operations conform to relevant domestic and foreign laws. We always pay attention to foreign and domestic policy trends and changes in law to propose response measures in a timely manner. In the last year and as of the printing of this prospectus, there are no important domestic or international policy or law changes that affected the Company's financial operations.

(5) Changes to technology and industry that impact the Company’s financial operations, and response measures:

The products produced by The Company are nonwoven fabric and its application-related products. These are general consumer goods that have a wide range of use, including medical, cleaning, cosmetic, agricultural, and industrial use. These products have become indispensable base materials and have a certain annual market demand. Nonwoven fabric is an improvement of textiles. Different materials are blended or innovative processes are used to transform and produce products with different uses and functions. As technology and production technology evolve, application of nonwoven fabric becomes broader and is gradually replacing conventional textile. The Company has spared no effort in grasping product trends. The objective is to meet customer's design or pioneer new product markets. Thus, technology and industrial change are the power and opportunity that drive The Company's business development.

(6) Changes to corporate image that impact the Company's risk management, and response measures:

The Company always adheres to professional and honest business principles and value the importance of risk management and corporate image. We work hard to achieve worker solidarity and gain recognition from our customers. In the last year and as of the printing of this prospectus, The Company has not encountered any corporate image changes that have caused a corporate crisis.

(7) Anticipated benefits of mergers and possible risks:

The Company currently has no plans to acquire another company.

(8) Anticipated benefits and possible risks of plant expansion:

The Company has considered that there is still considerable growth space in the hygiene and beauty care market, that the demand in the Chinese market is large, and that demand for hygiene products is increasing because people's standard of living has improved. Thus, The Company expects to continue procuring related equipment. The objective is not only to develop local customers and increase overall operating scale but also to increase production capacity and establish classification planning. The most appropriate operating cost can be arranged according to product demand, which can increase product production benefits.

(9) Purchase or sale concentration risks:

A. Purchase concentration risk:

The primary material sources for The Company's product are stable and sufficient. These materials are large quantity materials with adequate capacity. There is a variety of supplier choices, and The Company has a stable annual procurement volume. The Company maintains a good relationship with suppliers, so there is no purchase concentration risk.

B. Sales concentration risk

The Company's main products include hot-air/hot-pressed nonwoven fabric, spunlace nonwoven fabric, and hygiene and beauty care products. Main applications include baby diaper and sanitary napkin surface material, medical sanitary materials, and personal hygiene sanitary materials. Our product lines are diversified, and our customer base covers Europe, America, Japan and China. The Company maintains a good and cooperative relationships with our major customers. The main target group includes well-known sanitation materials manufacturers and domestic and foreign agents. Our customer base is distributed, and our largest customer does not account for more than 20% of sales. Thus, there is no sales concentration risk.

(10) Impact and risks resulting from major equity transfer or change by Directors, supervisors, or shareholders holding more than 10% of the Company's shares.

In the last year through the printing of this annual report, there has been no major equity transfer or change by Directors, supervisor, or major shareholders who hold more than 10% of the Company's shares.

(11) Impact of change of operating rights on the Company and risks:

Last year through the printing of this annual report, the Company has had no operating rights changes.

(12) Litigation or non-lawsuit events: confirmed judgment, ongoing litigation, and non-litigation or administrative contention items that involve the Company, company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock shall be clearly listed. If the results could have a major effect on the Company's shareholders' equity or securities price, the relevant data should be disclosed:

A. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices shall be disclosed. Disclosure includes disputed facts, amount, proceeding starting date, the main parties involved, and present status: none.

B. Confirmed judgment, ongoing litigation, and non-litigation or administrative contention items involving company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock in the last two years through the printing of this annual report that could have a significant impact on shareholders' equity or securities prices: none.

C. Company Director, supervisor, General Manager, responsible person, or stockholder who holds more than 10% of The Company's stock that was involved with Securities Exchange Act Article 157 items, and the Company's current handling status, within the last two years through the printing of this annual report: none.

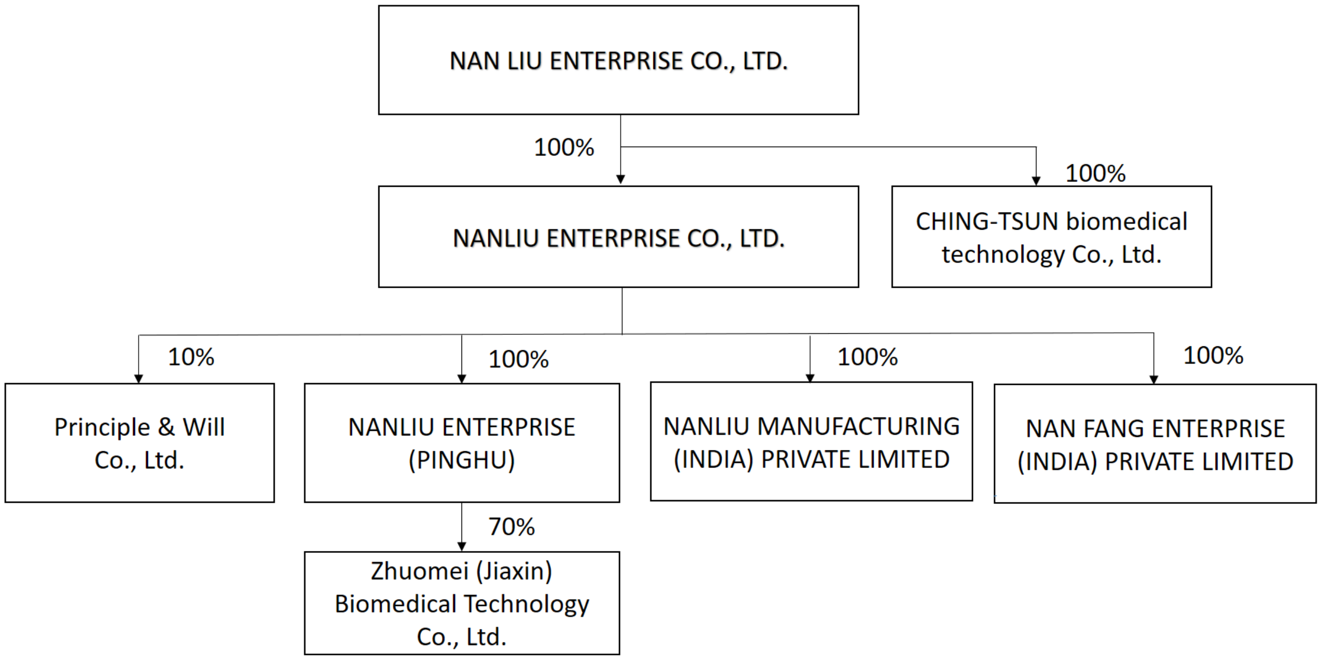
(13) Other important risks and response measures: None.

7. Other important issues: None

VIII. Special items to be included:

1. Relevant data on affiliated businesses:

A. Organization structure of affiliated businesses



B. Relationship with affiliated companies and mutual holding of shares

December 31, 2023 Units: 1000 NT$; 1000 shares

Name of affiliated company	Relationship with The Company	The Company's holding of affiliated company shares			Affiliated company's holding of The Company's shares		
		Percentage of shares	Number of shares	Actual investment amount	Percentage of shares	Number of shares	Actual investment amount
NANLIU ENTERPRISE CO., LTD (SAMOA)	The Company's subsidiary company	100%	52,948	1,643,224	0	0	0
Nanliu Enterprises (Pinghu) Ltd.	Subsidiary company of the Company's subsidiary company	100%	–	1,846,701	0	0	0
NANLIU MANUFACTURING(INDIA) PRIVATE LIMITED	Subsidiary company of the Company's subsidiary company	100%	170,000	666,698	0	0	0
NAN FANG ENTERPRISE (INDIA) PRIVATE LIMITED	Subsidiary company of the Company's subsidiary company	100%	75,000	284,350	0	0	0
CHING-TSUN Biomedical Technology Co., Ltd	Subsidiary company of the Company's subsidiary company	100%	4,000	40,000	0	0	0
Zhuomei (Jiaxin) Biomedical Technology Co., Ltd.	Subsidiary company of the Company's subsidiary company	70%	–	–	0	0	0

C. Affiliated company consolidated financial statements:

For 2023 (January 1 to December 31, 2023), affiliated businesses of The Company that shall be included according to the rules prescribed by the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those companies that shall be included into the parent and subsidiary consolidated financial statement as prescribed by International Financial Reporting Standards No. 7. All information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statement of the parent company and subsidiaries. Hence, consolidated financial statements of affiliated businesses were not generated separately.

2. Privately placed securities handling status in the past year through the printing of this annual report shall disclose the date and amount passed by the shareholders' meeting or the Board of Directors, price setting basis and rationale, selection method for specific people, necessary reason for organizing private placement, and the completion of the fund application plan after monies and proceeds are fully collected. Fund application status in privately placed securities and plan implementation progress: no such situation.

3. Holding or disposal of subsidiary company shares in the last year through the publication date of this report. None

4. Legal penalization of The Company, penalization of internal personnel by The Company, major deficiencies, and improved situation within the last year through the printing of this annual report: none

5. Other supplemental items that must clarified: None.

IX. Any event that resulted in substantial impact upon the shareholders’ equity or prices of the Company’s securities as prescribed by Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the most recent year through the printing date of this report: None.

Nan Liu Enterprise Co., Ltd.
Audit Committee's Review Report
(Translation)

The board of directors submitted the Company's 2023 business report, financial report and earnings distribution proposal, among which the individual and consolidated financial reports were reviewed by accountants Chung-Yu Tien and Tzu-Shu Lin of PricewaterhouseCoopers Taiwan, and an review report was issued. The above-mentioned operating report, financial report and profit distribution proposal have been completed by the Audit Committee. All members believe that they are in compliance with relevant legal requirements and are prepared in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

, I hereby submit this report.

Submitted to：
The Company’s 2023 Annual Shareholders’ Meeting

Nan Liu Enterprise Co., Ltd.
Chairman of the Audit Committee：Huang, Tung-Rung
On the Date of March 14, 2024

NAN LIU ENTERPRISE CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

NAN LIU ENTERPRISE CO., LTD.

March 14, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nan Liu Enterprise Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Nan Liu Enterprise Co., Ltd. and subsidiaries (the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Appropriateness of inventory valuation

Description

Refer to Note 4(9) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2023, the carrying amount of inventories and allowance for inventory valuation loss are NT$870,493 thousand and NT$75,583 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the net realisable value of its inventories fluctuate based on market demand and sales strategy, there is a higher risk of incurring inventory valuation loss or having obsolete inventories. The Group's inventories are stated at the lower of cost and net realisable value. The Group also individually identifies the net realisable value of inventories that are over a certain age, obsolete or damaged and recognises related loss if any. As the amount of inventories is significant, the types of inventories are various and the valuation of the net realisable value involves a high degree of estimation uncertainty, the appropriateness of inventory valuation has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Verified the appropriateness of the net realisable value of inventories and the logic in inventory ageing report which was used for valuation and discussed and checked the related supporting documents with the management to assess the adequacy of allowance for inventory valuation loss.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Nan Liu Enterprise Co., Ltd. as of and for the years ended December 31, 2023 and 2022.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Tien, Chung-Yu

Independent Auditors

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 14, 2024

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

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,089,012	11	$ 1,522,409	15
1136	Financial assets at amortised cost - current	6(1)(2) and 8	659,874	6	230,667	2
1150	Notes receivable, net	6(3) and 12	32,339	-	40,075	1
1170	Accounts receivable, net	6(3) and 12	1,438,963	14	1,185,421	11
1200	Other receivables		21,226	-	22,996	-
1220	Current income tax assets	6(26)	3,359	-	1,626	-
130X	Inventories	5(2) and 6(4)	794,910	8	866,654	8
1410	Prepayments	6(5)	422,118	4	357,571	4
11XX	**Total current assets**		4,461,801	43	4,227,419	41
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	97,314	1	84,130	1
1600	Property, plant and equipment	6(7)(10) and 8	4,978,861	48	4,880,167	47
1755	Right-of-use assets	6(8)	503,454	5	525,475	5
1760	Investment property, net	6(9)	27,644	-	29,814	-
1780	Intangible assets		1,834	-	1,415	-
1840	Deferred income tax assets	6(26)	98,645	1	91,008	1
1915	Prepayments for equipment	6(7)	100,174	1	446,061	4
1920	Guarantee deposits paid		48,641	-	47,539	-
1990	Other non-current assets	6(11)	65,888	1	86,530	1
15XX	**Total non-current assets**		5,922,455	57	6,192,139	59
1XXX	**Total assets**		$ 10,384,256	100	$ 10,419,558	100

(Continued)

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12) and 8	$ 2,802,157	27	$ 2,717,512	26
2110	Short-term notes and bills payable	6(13)	99,937	1	49,967	1
2130	Contract liabilities - current	6(19)	10,874	-	6,495	-
2150	Notes payable		317,266	3	340,958	3
2170	Accounts payable		516,616	5	523,381	5
2200	Other payables		204,265	2	187,213	2
2230	Current income tax liabilities	6(26)	14,064	-	21,158	-
2280	Lease liabilities - current	6(8)	8,904	-	10,487	-
2320	Long-term liabilities, current portion	6(14), 7 and 8	422,257	4	415,633	4
21XX	**Total current liabilities**		4,396,340	42	4,272,804	41
	Non-current liabilities					
2540	Long-term borrowings	6(14), 7 and 8	2,038,340	20	2,185,517	21
2570	Deferred income tax liabilities	6(26)	57,431	1	63,361	1
2580	Lease liabilities - non-current	6(8)	356,028	3	367,118	3
2640	Net defined benefit liabilities - non-current	6(15)	32,712	-	27,530	-
2645	Guarantee deposits received		1,383	-	1,457	-
25XX	**Total non-current liabilities**		2,485,894	24	2,644,983	25
2XXX	**Total liabilities**		6,882,234	66	6,917,787	66
	Equity attributable to owners of parent					
	Share capital					
3110	Common stock	6(16)	726,000	7	726,000	7
3200	Capital surplus	6(17)	453,467	5	453,467	4
	Retained earnings	6(18)				
3310	Legal reserve		647,961	6	641,211	6
3320	Special reserve		343,422	3	382,531	4
3350	Unappropriated retained earnings		1,718,012	17	1,641,984	16
3400	Other equity interest	6(6)	(386,975)	(4)	(343,422)	(3)
31XX	**Equity attributable to owners of parent**		3,501,887	34	3,501,771	34
36XX	**Non-controlling interests**		135	-	-	-
3XXX	**Total Equity**		3,502,022	34	3,501,771	34
	Contingent Liabilities and Commitments	7 and 9				
3X2X	**Total liabilities and equity**		$ 10,384,256	100	$ 10,419,558	100

The accompanying notes are an integral part of these consolidated financial statements.

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

	Items	Notes	Year ended December 31 2023 AMOUNT	%	2022 AMOUNT	%
4000	Operating revenue	6(19)	$ 6,179,040	100	$ 5,986,346	100
5000	Operating costs	6(4)(15)(24)(25)	(5,441,109)	(88)	(5,358,782)	(90)
5900	Net operating margin		737,931	12	627,564	10
	Operating expenses	6(15)(24)(25), 7 and 12				
6100	Selling expenses		(219,870)	(4)	(284,588)	(5)
6200	General and administrative expenses		(261,999)	(4)	(255,219)	(4)
6300	Research and development expenses		(74,037)	(1)	(39,643)	-
6450	Expected credit gains		2,190	-	10,711	-
6000	Total operating expenses		(553,716)	(9)	(568,739)	(9)
6900	Operating profit		184,215	3	58,825	1
	Non-operating income and expenses					
7100	Interest income	6(2)(20)	64,093	1	28,970	-
7010	Other income	6(6)(21)	38,465	1	31,967	1
7020	Other gains and losses	6(8)(9)(22) and 12	6,574	-	123,428	2
7050	Finance costs	6(7)(8)(23)	(90,061)	(2)	(54,356)	(1)
7000	Total non-operating income and expenses		19,071	-	130,009	2
7900	**Profit before income tax**		203,286	3	188,834	3
7950	Income tax expense	6(26)	(83,415)	(1)	(131,099)	(2)
8200	**Profit for the year**		$ 119,871	2	$ 57,735	1
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plans	6(15)	($ 4,496)	-	$ 12,206	-
8316	Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)	13,184	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	899	-	(2,441)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(56,737)	(1)	32,407	1
8300	**Other comprehensive (loss) income for the year**		($ 47,150)	(1)	$ 42,172	1
8500	**Total comprehensive income for the year**		$ 72,721	1	$ 99,907	2
	Profit attributable to:					
8610	Owners of the parent		$ 119,866	2	$ 57,735	1
8620	Non-controlling interest		5	-	-	-
			$ 119,871	2	$ 57,735	1
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 72,716	1	$ 99,907	2
8720	Non-controlling interest		5	-	-	-
			$ 72,721	1	$ 99,907	2
	Earnings per share (in dollars)	6(27)				
9750	Basic		$	1.65	$	0.80
9850	Diluted		$	1.65	$	0.80

The accompanying notes are an integral part of these consolidated financial statements.

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
				Retained Earnings			Other Equity Interest				
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
For the year ended December 31, 2022											
Balance at January 1, 2022		$ 726,000	$ 453,467	$ 629,412	$ 382,531	$1,673,403	($ 375,829)	$ -	$3,488,984	$ -	$3,488,984
Profit for the year		-	-	-	-	57,735	-	-	57,735	-	57,735
Other comprehensive income for the year		-	-	-	-	9,765	32,407	-	42,172	-	42,172
Total comprehensive income		-	-	-	-	67,500	32,407	-	99,907	-	99,907
Distribution of 2021 net income											
Legal reserve		-	-	11,799	-	(11,799)	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	(87,120)	-	-	(87,120)	-	(87,120)
Balance at December 31, 2022		$ 726,000	$ 453,467	$ 641,211	$ 382,531	$1,641,984	($ 343,422)	$ -	$3,501,771	$ -	$3,501,771
For the year ended December 31, 2023											
Balance at January 1, 2023		$ 726,000	$ 453,467	$ 641,211	$ 382,531	$1,641,984	($ 343,422)	$ -	$3,501,771	$ -	$3,501,771
Profit for the year		-	-	-	-	119,866	-	-	119,866	5	119,871
Other comprehensive (loss) income for the year	6(6)	-	-	-	-	(3,597)	(56,737)	13,184	(47,150)	-	(47,150)
Total comprehensive income (loss)		-	-	-	-	116,269	(56,737)	13,184	72,716	5	72,721
Distribution of 2022 net income											
Legal reserve		-	-	6,750	-	(6,750)	-	-	-	-	-
Special reserve		-	-	-	(39,109)	39,109	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	(72,600)	-	-	(72,600)	-	(72,600)
Increase in non-controlling interests		-	-	-	-	-	-	-	-	130	130
Balance at December 31, 2023		$ 726,000	$ 453,467	$ 647,961	$ 343,422	$1,718,012	($ 400,159)	$ 13,184	$3,501,887	$ 135	$3,502,022

The accompanying notes are an integral part of these consolidated financial statements.

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2023	For the years ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 203,286	$ 188,834
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gains	12	(2,190)	(10,711)
Provision for inventory market price decline	6(4)	17,422	836
Depreciation	6(7)(8)(9)	507,760	508,761
Loss (gain) on disposal of property, plant and equipment	6(22)	3,696	(7,463)
Gain from lease modification	6(8)(22)	(39)	-
Amortisation	6(24)	845	263
Amortisation of other non-current assets		34,066	32,953
Unrealised exchange gains on long-term borrowings	6(29)	(2,755)	-
Interest income	6(20)	(64,093)	(28,970)
Dividend income	6(6)(21)	(3,066)	-
Interest expense	6(23)	90,061	54,356
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		7,732	19,588
Accounts receivable		(251,184)	166,481
Other receivables		(1,616)	(3,280)
Inventories		54,716	(5,746)
Prepayments		(64,547)	(92,954)
Changes in operating liabilities			
Contract liabilities - current		4,379	(13,656)
Notes payable		(16,863)	(218,318)
Accounts payable		(6,765)	(33,453)
Other payables		22,023	(55,046)
Net defined benefit liabilities - non-current		686	(5,779)
Cash inflow generated from operations		533,554	496,696
Interest received		57,579	24,294
Dividend received	6(6)	3,066	-
Income tax paid		(104,910)	(124,231)
Net cash flows from operating activities		489,289	396,759

(Continued)

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost - current		($ 673,811)	($ 680,375)
Repayment of principal at maturity from financial assets at amortised cost - current		244,604	449,708
Cash paid for acquisition of property, plant and equipment	6(28)	(104,050)	(115,440)
Interest paid for acquisition of property, plant and equipment	6(7)(23)(28)	(10,835)	-
Proceeds from disposal of property, plant and equipment	6(28)	22,769	49,956
Acquisition of investment property	6(9)	-	(467)
Acquisition of intangible assets		(1,269)	(1,510)
Increase in prepayment for equipment		(175,572)	(466,816)
(Increase) decrease in guarantee deposit paid		(1,102)	24,350
Increase in other non-current assets		(13,950)	(17,398)
Net cash flows used in investing activities		(713,216)	(757,992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(89,831)	(51,483)
Increase in short-term borrowings	6(29)	88,740	768,612
Increase (decrease) in short-term notes and bills payable	6(29)	49,970	(40,017)
Payments of lease liabilities	6(29)	(11,952)	(11,366)
Increase in long-term borrowings	6(29)	2,366,990	2,479,429
Decrease in long-term borrowings	6(29)	(2,504,788)	(2,996,500)
(Decrease) increase in guarantee deposits received	6(29)	(44)	441
Payment of cash dividends	6(18)	(72,600)	(87,120)
Increase in non-controlling interests		130	-
Net cash flows (used in) from financing activities		(173,385)	61,996
Effect of foreign exchange rate changes		(36,085)	44,284
Net decrease in cash and cash equivalents		(433,397)	(254,953)
Cash and cash equivalents at beginning of year	6(1)	1,522,409	1,777,362
Cash and cash equivalents at end of year	6(1)	$ 1,089,012	$ 1,522,409

The accompanying notes are an integral part of these consolidated financial statements.

NAN LIU ENTERPRISE CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Nan Liu Enterprise Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 1, 1978. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. For the subsidiaries' scope of business, refer to Note 4(3), 'Basis of consolidation'.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since May 2013.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the financial assets at fair value through other comprehensive income and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) 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 recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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.

B. Subsidiaries included in the consolidated financial statements:

			Percentage owned by the Group (%)		
Name of investors	Name of subsidiaries	Main business activities	December 31, 2023	December 31, 2022	Note
Nan Liu Enterprise Co., Ltd.	Nanliu Enterprise (Samoa) Co., Ltd.	General investment	100.00	100.00	—
	Ching-Tsun Biomedical Technology Co., Ltd.	Research and development of health care and hygiene products as well as sales of skin care products	100.00	100.00	—
Nanliu Enterprise (Samoa) Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
	Nanliu Manufacturing (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
	Nan Fang Enterprise (India) Private Limited	Manufacturing and sales of special textiles, hair care, skin care, cosmetics and hygiene products	100.00	100.00	—
Nanliu Enterprises (Pinghu) Ltd.	Zhuomei (Jiaxin) Biomedical Technology Co., Ltd.	Sales of knitted textiles, medical and hygiene products	70.00	—	(Note)

(Note) The subsidiary was newly established in August 2023.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

B. Translation of foreign operations

The financial performance and financial position of all the group entities 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 recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

A. 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.

B. 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 amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

A. Notes and accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable 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.When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Property, plant and equipment

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

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

C. 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.

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

Asset	Useful lives
Buildings (including auxiliary equipment)	2 ～ 50 years
Machinery	2 ～ 15 years
Utility equipment	2 ～ 15 years
Transportation equipment	2 ～ 5 years
Office equipment	2 ～ 5 years
Other equipment	2 ～ 15 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between the remeasured lease liability in profit or loss.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. It is depreciated on a straight-line basis over its estimated useful life of 20 years.

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the lifetime using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(20) Derecognition of financial liabilities

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. 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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

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

(22) Income taxes

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from 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 and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells nonwoven, wet napkins and facial mask. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

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

(27) Operating segments

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

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

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

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the change in market demand and sales strategy, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2023, the carrying amount of inventories was $794,910.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash:		
Cash on hand and petty cash	$ 3,618	$ 2,415
Checking accounts and demand deposits	929,173	809,190
	932,791	811,605
Cash equivalents:		
Time deposits	156,221	710,804
	$ 1,089,012	$ 1,522,409

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2023 and 2022, the Group's time deposits maturing between three months and one year and pledged to others as collateral were reclassified as 'Financial assets at amortised cost - current' in the amount of $659,874 and $230,667, respectively.

C. As of December 31, 2023 and 2022, the Group's cash and cash equivalents pledged to others as collateral are described in Note 8, 'Pledged assets'.

(2) Financial assets at amortised cost - current

Items	December 31, 2023	December 31, 2022
Pledged time deposits	$ 371,530	$ -
Time deposits maturing over three months	288,344	230,667
	$ 659,874	$ 230,667

A. The Group recognised interest income in profit or loss on financial assets at amortised cost amounting to $17,498 and $6,215 (listed as "Interest income") for the years ended December 31, 2023 and 2022, respectively.

B. As of December 31, 2023 and 2022, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was approximately its book value.

C. For more information regarding the Group's financial assets pledged to others as of December 31, 2023, refer to Note 8, 'Pledged assets'. There was no such situation for the year ended December 31, 2022.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Notes receivable	$ 32,879	$ 40,611
Less: Allowance for uncollectible accounts	(540)	(536)
	$ 32,339	$ 40,075
Accounts receivable	$ 1,457,082	$ 1,205,898
Less: Allowance for uncollectible accounts	(18,119)	(20,477)
	$ 1,438,963	$ 1,185,421

A. The ageing analysis of notes receivable, accounts receivable and long-term receivables that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 30,515	$ 1,309,771	$ 38,660	$ 1,079,181
Up to 60 days	2,364	139,677	1,951	121,351
61 to 90 days	-	1,938	-	150
91 to 180 days	-	1,767	-	1,246
Over 181 days	-	8,424	-	8,465
	$ 32,879	$ 1,461,577	$ 40,611	$ 1,210,393

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $1,437,073.

C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was approximately its book value.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), ‘Financial instruments’.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 11,389	($ 1,226)	$ 10,163
Raw materials	331,368	(20,518)	310,850
Raw materials in transit	11,784	-	11,784
Supplies	51,377	(4,992)	46,385
Work in progress	4,270	(1,760)	2,510
Finished goods	460,305	(47,087)	413,218
	$ 870,493	($ 75,583)	$ 794,910

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 5,870	($ 1,761)	$ 4,109
Raw materials	364,324	(8,103)	356,221
Raw materials in transit	22,560	-	22,560
Supplies	56,317	(2,063)	54,254
Work in progress	5,351	(2,054)	3,297
Finished goods	470,787	(44,574)	426,213
	$ 925,209	($ 58,555)	$ 866,654

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	$ 5,263,558	$ 5,223,135
Under-applied fixed manufacturing overhead	188,996	184,088
Provision for inventory market price decline	17,422	836
Loss on scrapped inventories	9,191	15,577
Gain on physical inventory	(1,081)	(14,044)
Income from sale of scraps	(36,977)	(50,810)
	$ 5,441,109	$ 5,358,782

(5) Prepayments

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 154,228	$ 150,344
Input tax	104,439	77,817
Prepayment for purchases	99,078	103,883
Other prepayments	64,373	25,527
	$ 422,118	$ 357,571

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

Items	December 31, 2023	December 31, 2022
Equity instruments		
Unlisted stocks	$ 84,130	$ 84,130
Valuation adjustment	13,184	-
	$ 97,314	$ 84,130

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $97,314 and $93,756 as of December 31, 2023 and 2022, respectively.

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

	For the years ended December 31,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ 13,184	$ -
Dividend income recognized in profit or loss held at end of year	$ 3,066	$ -

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as of December 31, 2023 and 2022.

(7) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1, 2023									
Cost	$ 61,490	$ 1,980,613	$ 5,152,862	$ 576,153	$ 87,878	$ 22,878	$ 310,129	$ 669,448	$ 8,861,451
Accumulated depreciation	-	(520,644)	(2,989,962)	(235,078)	(61,049)	(20,191)	(144,547)	-	(3,971,471)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	$ 61,490	$ 1,450,156	$ 2,162,900	$ 341,075	$ 26,829	$ 2,687	$ 165,582	$ 669,448	$ 4,880,167
For the year ended December 31, 2023									
At January 1	$ 61,490	$ 1,450,156	$ 2,162,900	$ 341,075	$ 26,829	$ 2,687	$ 165,582	$ 669,448	$ 4,880,167
Additions-cost	-	2,320	54,244	4,700	180	436	19,810	21,165	102,855
Transfers from prepayments for equipment	-	1,078	457,917	5,906	1,081	-	19,055	36,422	521,459
Depreciation	-	(68,829)	(330,724)	(47,961)	(8,842)	(1,054)	(29,358)	-	(486,768)
Disposals-cost	-	-	(33,928)	-	(1,110)	(207)	(98)	(15,093)	(50,436)
-accumulated depreciation	-	-	32,471	-	1,110	197	93	-	33,871
Net exchange differences	-	(9,032)	(11,005)	(870)	(63)	(20)	(623)	(674)	(22,287)
At December 31	$ 61,490	$ 1,375,693	$ 2,331,875	$ 302,850	$ 19,185	$ 2,039	$ 174,461	$ 711,268	$ 4,978,861
December 31, 2023									
Cost	$ 61,490	$ 1,968,931	$ 5,521,071	$ 583,279	$ 87,301	$ 22,933	$ 344,241	$ 711,268	$ 9,300,514
Accumulated depreciation	-	(583,425)	(3,189,196)	(280,429)	(68,116)	(20,894)	(169,780)	-	(4,311,840)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	$ 61,490	$ 1,375,693	$ 2,331,875	$ 302,850	$ 19,185	$ 2,039	$ 174,461	$ 711,268	$ 4,978,861

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1, 2022									
Cost	$ 61,490	$ 1,625,700	$ 4,834,255	$ 426,361	$ 83,489	$ 22,857	$ 266,253	$ 1,130,340	$ 8,450,745
Accumulated depreciation	-	(448,765)	(2,632,811)	(195,578)	(50,679)	(19,638)	(117,787)	-	(3,465,258)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	$ 61,490	$ 1,167,122	$ 2,201,444	$ 230,783	$ 32,810	$ 3,219	$ 148,466	$ 1,130,340	$ 4,975,674
For the year ended December 31, 2022									
At January 1	$ 61,490	$ 1,167,122	$ 2,201,444	$ 230,783	$ 32,810	$ 3,219	$ 148,466	$ 1,130,340	$ 4,975,674
Additions-cost	-	3,299	20,018	17,843	547	418	7,925	10,538	60,588
Transfers from prepayments for equipment	-	359,198	295,317	129,376	4,386	-	33,299	(424,236)	397,340
Depreciation	-	(68,080)	(343,965)	(37,834)	(10,783)	(960)	(26,154)	-	(487,776)
Disposals-cost	-	-	(10,780)	(24)	(869)	(536)	(99)	(47,274)	(59,582)
-accumulated depreciation	-	-	5,689	23	869	514	94	-	7,189
Net exchange differences	-	(11,383)	(4,823)	908	(131)	32	2,051	80	(13,266)
At December 31	$ 61,490	$ 1,450,156	$ 2,162,900	$ 341,075	$ 26,829	$ 2,687	$ 165,582	$ 669,448	$ 4,880,167
December 31, 2022									
Cost	$ 61,490	$ 1,980,613	$ 5,152,862	$ 576,153	$ 87,878	$ 22,878	$ 310,129	$ 669,448	$ 8,861,451
Accumulated depreciation	-	(520,644)	(2,989,962)	(235,078)	(61,049)	(20,191)	(144,547)	-	(3,971,471)
Accumulated impairment	-	(9,813)	-	-	-	-	-	-	(9,813)
	$ 61,490	$ 1,450,156	$ 2,162,900	$ 341,075	$ 26,829	$ 2,687	$ 165,582	$ 669,448	$ 4,880,167

A.As of December 31, 2023 and 2022, the Group's property, plant and equipment are all for own use.

B.Amount of borrowing costs capitalised and the range of the interest rates for such capitalisation are as follows:

	For the year ended December 31,
	2023
Amount capitalised	
Property, plant and equipment	$ 10,835
Range of the interest rates for capitalisation	1.45%～1.68%

There was no such situation for the year ended December 31, 2022.

C.For more information regarding the Group's property, plant and equipment pledged to others as of December 31, 2023 and 2022, refer to Note 8, 'Pledged assets'.

D.Impairment information about the property, plant and equipment is provided in Note 6(10), 'Impairment of non-financial assets'.

(8) Leasing arrangements－lessee

A. The Group leases various assets including land and transportation equipment. Rental contracts are typically made for periods of 3 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but the Group may not sublease or transfer leased assets in whole or in part without permission from a lessor.

B. Short-term leases with a lease term of 12 months or less comprise trucks and warehouses. Low-value assets comprise pallets and air coolers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2023	December 31, 2022
Land	$ 503,454	$ 524,500
Transportation equipment	-	975
	$ 503,454	$ 525,475

	Depreciation charge	
	For the years ended December 31,	
	2023	2022
Land	$ 19,139	$ 19,127
Transportation equipment	278	279
	$ 19,417	$ 19,406

D. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,344	$ 1,443
Expense on short-term lease contracts	8,942	3,679
Expense on leases of low-value assets	747	406
Gain from lease modification	(39)	-
	$ 10,994	$ 5,528

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were $22,985 and $16,894, respectively.

(9) Investment property, net

	For the years ended December 31,	
	2023	2022
	Buildings	Buildings
Opening book amount as at January 1		
Cost	$ 33,268	$ 32,276
Accumulated depreciation	(3,454)	(1,849)
	$ 29,814	$ 30,427
At January 1	$ 29,814	$ 30,427
Additions	-	467
Depreciation	(1,575)	(1,579)
Net exchange differences	(595)	499
At December 31	$ 27,644	$ 29,814
Closing book amount as at December 31		
Cost	$ 32,574	$ 33,268
Accumulated depreciation	(4,930)	(3,454)
	$ 27,644	$ 29,814

A. Direct operating expenses arising from investment property are shown below:

	For the years ended December 31,	
	2023	2022
Direct operating expenses arising from the investment property that did not generate rental income (shown as 'Other gains and losses')	$ 1,575	$ 1,579

B. The fair value of the investment property held by the Group as of December 31, 2023 and 2022 were $40,607 and $42,878, respectively, which was valued based on the latest transaction price of similar objects in the location. Valuations were made based on most recent transaction prices of similar properties, considering factors such as location, scale and purpose of use, etc., which were categorised within Level 3 in the fair value hierarchy.

C. No borrowing costs were capitalised as part of investment property for the years ended December 31, 2023 and 2022.

D. As of December 31, 2023 and 2022, no investment property held by the Group was pledged to others.

(10) Impairment of non-financial assets

A. Certain buildings and structures of the Group were located in the special district of Kaohsiung New Town where building permits are currently not being issued. Except for the plant in the first floor, the building permits of the second and third floors cannot yet be obtained which resulted to an impairment in the Group's property, plant and equipment. The Group wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly in previous year. No impairment loss or gain on reversal of impairment loss on certain property, plant and equipment was recognised for the years ended December 31, 2023 and 2022.

B. As of December 31, 2023 and 2022, the balance for accumulated impairment of property, plant and equipment was $9,813.

(11) Long-term receivable

	December 31, 2023	December 31, 2022
Long-term receivable	$ 4,495	$ 4,495
Less: Allowance for uncollectible accounts	(4,495)	(4,495)
	$ -	$ -

A. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's long-term receivable was approximately its book value.

B. Information relating to credit risk of long-term receivable is provided in Note 12(2), 'Financial instruments'.

(12) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Unsecured bank borrowings	$ 2,461,157	1.68%～7.95%	None
Secured bank borrowings	341,000	1.47%～1.55%	Time deposits
	$ 2,802,157		

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	$ 2,717,512	1.22%～5.91%	None

For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(23), 'Finance costs'.

(13) Short-term notes and bills payable

	December 31, 2023	Interest rate	Collateral
Commercial paper payable	$ 100,000	1.90%	None
Less: Unamortised discount	(63)		
	$ 99,937		

	December 31, 2022	Interest rate	Collateral
Commercial paper payable	$ 50,000	1.89%	None
Less: Unamortised discount	(33)		
	$ 49,967		

A. The above commercial papers were issued and secured by China Bills Finance Corporation.

B. For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(23), 'Finance costs'.

(14) Long-term borrowings

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2023
Unsecured bank borrowings	3.2024～10.2026	1.78%～5.95%	None	$ 1,757,525
Secured borrowings	1.2024～5.2030	0.60%	Machinery and transportation equipment (Note)	703,072
				2,460,597
Less: Current portion				(422,257)
				$ 2,038,340

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2022
Unsecured bank borrowings	3.2023～12.2025	1.40%～2.03%	None	$ 1,815,500
Secured borrowings	1.2023～5.2030	0.47%	Machinery and transportation equipment (Note)	785,650
				2,601,150
Less: Current portion				(415,633)
				$ 2,185,517

(Note) Jointly guaranteed by Huang Chin-San.

For more information on interest expense recognized in profit or loss by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(23), 'Finance costs'.

(15) Pensions

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

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	($ 63,748)	($ 59,385)
Fair value of plan assets	31,036	31,855
Net defined benefit liability	($ 32,712)	($ 27,530)

(b) Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 59,385)	$ 31,855	($ 27,530)
Current service cost	(515)	-	(515)
Interest (expense) income	(731)	391	(340)
	(60,631)	32,246	(28,385)
Remeasurements:			
Return on plan assets	-	303	303
Change in financial assumptions	(265)	-	(265)
Experience adjustments	(4,534)	-	(4,534)
	(4,799)	303	(4,496)
Pension fund contribution	-	169	169
Paid pension	1,682	(1,682)	-
At December 31	($ 63,748)	$ 31,036	($ 32,712)

	For the year ended December 31, 2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 86,561)	$ 41,046	($ 45,515)
Current service cost	(766)	-	(766)
Interest (expense) income	(585)	270	(315)
Effect of plan curtailment	-	(1,178)	(1,178)
	(87,912)	40,138	(47,774)
Remeasurements:			
Return on plan assets	-	3,037	3,037
Change in financial assumptions	2,882	-	2,882
Experience adjustments	6,287	-	6,287
	9,169	3,037	12,206
Pension fund contribution	-	254	254
Paid pension	19,358	(11,574)	7,784
At December 31	($ 59,385)	$ 31,855	($ 27,530)

(c) 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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.25%
Future salary increase rate	3.00%	3.00%

Future mortality rate was both estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2023 and 2022.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 1,307)	\$ 1,352	\$ 1,325	(\$ 1,288)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 1,241)	\$ 1,283	\$ 1,258	(\$ 1,223)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to $723.

(f) As of December 31, 2023, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 2,049
2～5 years	21,066
Over 6 years	46,992
	\$ 70,107

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group’s subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on a certain percentage of the employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $22,666 and $22,768, respectively.

(16) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	For the years ended December 31,	
	2023	2022
Beginning and ending number of shares	72,600	72,600

B. As of December 31, 2023, the Company's authorised capital was $1,000,000 and the paid-in capital was $726,000, consisting of 72,600 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(17) Capital surplus

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

(18) Retained earnings

A. 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 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.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside if needed. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

The Company's business is in the growth stage and it will continue to invest in order to stabilise market competition position. In order to meet future capital needs and long-term financial plan, the residual dividend policy is adopted for the distribution of dividends. The Company measures future capital requirements in accordance with the Company's future capital budget and finances it with retained earnings. The remainder is distributed in the form of cash dividends and share dividends. However, cash dividends shall account for at least 10% of the total dividends.

C. Special reserve

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

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, was $44,348 and shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners in 2023 and 2022 amounting to $72,600 ($1 (in dollars) per share) and $87,120 ($1.2 (in dollars) per share), respectively. On March 14, 2024, the Board of Directors proposed for the distribution of dividends from 2023 earnings in the amount of $79,860 ($1.1 (in dollars) per share).

(19) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	$ 6, 179, 040	$ 5, 986, 346

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from providing nonwoven goods in the following major product lines:

	For the year ended December 31, 2023				
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Nanliu Manufacturing (India) Private Limited	Others	Total
Air-through nonwovens	$ 353, 195	$ 1, 202, 365	$ 406, 835	$ -	$ 1, 962, 395
Biotechnology	926, 670	926, 507	45	69	1, 853, 291
Spunlace nonwovens	897, 561	841, 790	-	-	1, 739, 351
Disposable surgical gowns	388, 102	235, 901	-	-	624, 003
	$ 2, 565, 528	$ 3, 206, 563	$ 406, 880	$ 69	$ 6, 179, 040

	For the year ended December 31, 2022			
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Nanliu Manufacturing (India) Private Limited	Total
Air-through nonwovens	$ 385, 784	$ 1, 178, 319	$ 197, 621	$ 1, 761, 724
Biotechnology	958, 148	929, 337	40	1, 887, 525
Spunlace nonwovens	1, 054, 895	787, 353	-	1, 842, 248
Disposable surgical gowns	322, 369	172, 480	-	494, 849
	$ 2, 721, 196	$ 3, 067, 489	$ 197, 661	$ 5, 986, 346

B. The Group has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities - current	$ 10, 874	$ 6, 495	$ 20, 151

Revenue recognised that was included in the contract liability balance at the beginning of the year were $4,579 and $17,763 for the years ended December 31, 2023 and 2022, respectively.

(20) Interest income

	For the years ended December 31,	
	2023	2022
Bank deposits	$ 46, 595	$ 22, 755
Financial assets at amortised cost	17, 498	6, 215
	$ 64, 093	$ 28, 970

(21) Other income

	For the years ended December 31,	
	2023	2022
Income from renewable energy sold	$ 16, 611	$ 13, 968
Grant income	9, 230	3, 870
Compensation income	1, 948	6, 451
Dividend income	3, 066	-
Miscellaneous income	7, 610	7, 678
	$ 38, 465	$ 31, 967

(22) Other gains and losses

	For the years ended December 31,	
	2023	2022
Net (loss) gain on disposal of property, plant and equipment	($ 3,696)	$ 7,463
Net currency exchange gain	16,065	120,036
Gain from lease modification	39	-
Other losses	(5,834)	(4,071)
	$ 6,574	$ 123,428

(23) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Bank borrowings	$ 99,552	$ 52,913
Interest expense on lease liabilities	1,344	1,443
	100,896	54,356
Less: Capitalisation of qualifying assets	(10,835)	-
	$ 90,061	$ 54,356

(24) Expenses by nature

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 371,868	$ 177,303	$ 549,171
Depreciation charges	468,655	37,530	506,185
Amortisation charges	126	719	845

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 386,748	$ 150,425	$ 537,173
Depreciation charges	474,139	33,043	507,182
Amortisation charges	32	231	263

(25) Employee benefit expense

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Wages and salaries	$ 305,925	$ 149,243	$ 455,168
Labor and health insurance expense	23,125	10,068	33,193
Pension costs	16,123	7,398	23,521
Other personnel expenses	26,695	10,594	37,289
	$ 371,868	$ 177,303	$ 549,171

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	$ 315,349	$ 122,127	$ 437,476
Labor and health insurance expense	23,655	9,588	33,243
Pension costs	18,058	6,969	25,027
Other personnel expenses	29,686	11,741	41,427
	$ 386,748	$ 150,425	$ 537,173

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Employees' compensation will be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive aforementioned share or cash. Directors' remuneration will be distributed in the form of cash. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $1,425 and $826, respectively; while directors' remuneration was accrued at $986 and $572, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the profit of current period distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same as the estimated amount of $826 and $572 recognised in the 2022 financial statements, respectively. On March 14, 2024, the amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were $1,425 and $986, respectively. The employees' compensation will be distributed in the form of cash.

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

(26) Income tax

A. Components of income tax expense:

(a) Components of income tax expense:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Current tax:		
Current tax on profits for the year	$ 100,586	$ 128,026
Prior year income tax overestimation	(4,503)	(11,193)
	96,083	116,833
Deferred tax:		
Origination and reversal of temporary differences	(12,668)	14,266
Income tax expense	$ 83,415	$ 131,099

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Remeasurement of defined benefit obligations	($ 899)	$ 2,441

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Tax calculated based on profit before tax and statutory tax rate	$ 120,496	$ 93,825
Effect from items disallowed by tax regulation	(9,439)	(694)
Temporary differences between finance report and income tax report	(35,595)	2,321
Prior year income tax overestimation	(4,503)	(11,193)
Separate taxation	12,456	46,840
Income tax expense	$ 83,415	$ 131,099

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	For the year ended December 31, 2023			
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	$ 2,468	($ 408)	$ -	$ 2,060
Loss on inventories from market decline	8,288	2,916	-	11,204
Pensions	5,506	137	899	6,542
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	232	10	-	242
Unrealised losses	817	-	-	817
Tax difference in depreciation	-	1,311	-	1,311
Unrealised profit	278	-	-	278
Tax losses	71,456	2,772	-	74,228
	$ 91,008	$ 6,738	$ 899	$ 98,645
Deferred income tax liabilities				
Temporary differences:				
Gains on foreign investment accounted for under equity method	($ 49,144)	$ 5,250	$ -	($ 43,894)
Unrealised exchange gain	(6,831)	680	-	(6,151)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	($ 63,361)	$ 5,930	$ -	($ 57,431)
	$ 27,647	$ 12,668	$ 899	$ 41,214

	For the year ended December 31, 2022			
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	$ 2,468	$ -	$ -	$ 2,468
Loss on inventories from market decline	5,339	2,949	-	8,288
Pensions	9,103	(1,156)	(2,441)	5,506
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	666	(434)	-	232
Unrealised losses	817	-	-	817
Unrealised profit	278	-	-	278
Tax losses	34,684	36,772	-	71,456
	$ 55,318	$ 38,131	($ 2,441)	$ 91,008
Deferred income tax liabilities				
Temporary differences:				
Gains on foreign investment accounted for under equity method	$ -	($ 49,144)	$ -	($ 49,144)
Unrealised exchange gain	($ 3,578)	($ 3,253)	$ -	($ 6,831)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	($ 10,964)	($ 52,397)	$ -	($ 63,361)
	$ 44,354	($ 14,266)	($ 2,441)	$ 27,647

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2023	$ 20,983	$ 20,983	$ -	2033
2022	188,346	188,346	-	2032
2021	161,811	161,811	-	2031
	$ 371,140	$ 371,140	$ -	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2022	$ 195,466	$ 195,466	$ -	2032
2021	161,811	161,811	-	2031
	$ 357,277	$ 357,277	$ -	

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Loss on inventories from market decline	$ 19,561	$ 17,113

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred income tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognised as deferred income tax liabilities were $708,523 and $668,492, respectively.

G. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. As of March 14, 2024, there was no administrative lawsuit.

(27) Earnings per share

	For the year ended December 31, 2023		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 119,866	72,600	$ 1.65
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 119,866	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	21	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 119,866	72,621	$ 1.65

	For the year ended December 31, 2022		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 57,735	72,600	$ 0.80
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 57,735	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	14	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 57,735	72,614	$ 0.80

(28) Supplemental cash flow information

A. Investing activities with partial cash receipts and payments:

	For the years ended December 31,	
	2023	2022
(a) Acquisition of property, plant and equipment	$ 102,855	$ 60,588
Add: Opening balance of notes payable	6,829	2,627
Opening balance of other payables	24,380	83,434
Less: Ending balance of notes payable	-	(6,829)
Ending balance of other payables	(19,179)	(24,380)
Capitalisation of interest	(10,835)	-
Cash paid for aquisition of property, plant and equipment	$ 104,050	$ 115,440

	For the years ended December 31,	
	2023	2022
(b) Disposal of property, plant and equipment	$ 12,869	$ 59,856
Add: Opening balance of other receivables	9,900	-
Less: Ending balance of other receivables	-	(9,900)
Cash inflow from disposal of property, plant and equipment	$ 22,769	$ 49,956

B. Investing activities with no cash flow effect:

	For the years ended December 31,	
	2023	2022
Prepayments for equipment transferred to property, plant and equipment	$ 521,459	$ 397,340

(29) Changes in liabilities from financing activities

For the year ended December 31, 2023	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities - gross
At January 1	$ 2,717,512	$ 49,967	$ 377,605	$ 2,601,150	$ 1,457	$ 5,747,691
Changes in cash flow from financing activities	88,740	49,970	(11,952)	(137,798)	(44)	(11,084)
Changes in other non-cash items	-	-	(721)	(2,755)	-	(3,476)
Impact of changes in foreign exchange rate	(4,095)	-	-	-	(30)	(4,125)
At December 31	$ 2,802,157	$ 99,937	$ 364,932	$ 2,460,597	$ 1,383	$ 5,729,006

For the year ended December 31, 2022	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposit received	Liabilities from financing activities - gross
At January 1	$ 1,948,900	$ 89,984	$ 388,971	$ 3,118,221	$ 999	$ 5,547,075
Changes in cash flow from financing activities	768,612	(40,017)	(11,366)	(517,071)	441	200,599
Impact of changes in foreign exchange rate	-	-	-	-	17	17
At December 31	$ 2,717,512	$ 49,967	$ 377,605	$ 2,601,150	$ 1,457	$ 5,747,691

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Huang Chin-San	Second-degree relative of consanguinity to the key management personnel

(2) Significant related party transactions

Secured bank borrowings that the Group borrowed from the banks as of December 31, 2023 and 2022 were guaranteed by Huang Chin-San. For more information, refer to Note 6(14), 'Long-term borrowings'.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 13, 114	$ 14, 245
Service allowance	580	810
	$ 13, 694	$ 15, 055

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Pledged time deposits (Note 1)	$ 371, 530	$ -	Short-term borrowings
Machinery-net and transportation equipment-net (Note 2)	952, 940	1, 112, 652	Long-term borrowings
	$ 1, 324, 470	$ 1, 112, 652	

(Note 1) Shown as 'Financial assets at amortized cost - current'.

(Note 2) Shown as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of December 31, 2023 and 2022, the balances for contracts that the Group entered into but not yet incurred are $411,794 and $517,471, respectively.

(2) As of December 31, 2023 and 2022, the unused letters of credit amounted to $— and $1,425, respectively.

(3) The details of endorsement and guarantees provided to others are described in Note 13(1)B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, maintain an optimal capital structure to both reduce the cost of capital and meet the monetary needs of improving productivity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR, RMB and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.

(iii) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB and INR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
USD : NTD	$ 23,172	30.71	$ 711,612
USD : RMB	13,916	7.08	427,360
USD : INR	387	83.22	11,885
RMB : NTD	1,885	4.327	8,156
EUR : RMB	38	7.86	1,291
Financial liabilities			
Monetary items			
USD : NTD	6,405	30.71	196,698
USD : RMB	1,048	7.08	32,184
USD : INR	1,275	83.22	39,155
EUR : NTD	79	33.98	2,684

	December 31, 2022		
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
USD : NTD	$ 27,737	30.71	$ 851,803
USD : RMB	7,465	6.96	229,250
RMB : NTD	2,074	4.408	9,142
Financial liabilities			
Monetary items			
USD : NTD	1,977	30.71	60,714
USD : RMB	918	6.96	28,192
USD : INR	5,108	82.73	156,867
JPY : INR	45,115	0.6315	10,485
EUR : INR	34	88.79	1,112

(iv) As of December 31, 2023 and 2022, if the Group's functional currency exchange rate to foreign currencies had appreciated/depreciated by 1% with all other factors remaining constant, the post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $8,896 and $8,328, respectively.

(v) The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to $16,065 and $120,036, respectively.

ii. Price risk

(i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(ii) The Group's investments in equity securities comprise shares issued by the foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2023 and 2022 would have increased/decreased by $973 and $841, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

(i) The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. During the years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were denominated in New Taiwan dollars, US dollars and INR dollars.

(ii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by $887 and $529, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

iii. In line with the credit risk management procedure, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv.In line with the credit risk management procedure, the default occurs when the contract payments are past due over 180 days.

v.The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vi.The Group classifies customer's receivables in accordance with the credit rating of the customer. The Group applies the modified approach using the provision matrix to estimate expected credit loss. The Group used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranging from 0.56% to 100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

	For the year ended December 31, 2023		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	$ 536	$ 20,477	$ 4,495
Expected credit losses (gains)	4	(2,194)	-
Effect of foreign exchange	-	(164)	-
At December 31	$ 540	$ 18,119	$ 4,495

	For the year ended December 31, 2022		
	Notes receivable	Accounts receivable	Long-term receivables
At January 1	$ 1,777	$ 29,621	$ 4,495
Expected credit gains	(1,241)	(9,470)	-
Effect of foreign exchange	-	326	-
At December 31	$ 536	$ 20,477	$ 4,495

(c) Liquidity risk

i.Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii.The Group has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 2,812,515	$ 1,928,378
Expiring beyond one year	1,825,189	2,867,150
	$ 4,637,704	$ 4,795,528

iv.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. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2023	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 2,811,472	$ -	$ -	$ -
Short-term notes and bills payable	100,000	-	-	-
Notes payable	317,266	-	-	-
Accounts payable	516,616	-	-	-
Other payables	204,265	-	-	-
Lease liabilities (including current portion)	11,309	22,364	22,364	208,318
Long-term borrowings (including current portion)	464,326	1,882,167	119,778	83,991
Guarantee deposits received	-	-	-	1,383

December 31, 2022	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 2,728,502	$ -	$ -	$ -
Short-term notes and bills payable	50,000	-	-	-
Notes payable	340,958	-	-	-
Accounts payable	523,381	-	-	-
Other payables	187,213	-	-	-
Lease liabilities (including current portion)	13,012	32,450	31,856	387,548
Long-term borrowings (including current portion)	448,800	1,937,927	163,099	120,155
Guarantee deposits received	-	-	-	1,457

v. The Group does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of financial assets and financial liabilities not measured at fair value including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 97,314	$ 97,314

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 84,130	$ 84,130

E. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

For the year ended December 31, 2023	Equity securities
Beginning balance	$ 84,130
Gain recognized in other comprehensive income	13,184
Ending balance	$ 97,314

For the year ended December 31, 2022	Equity securities (Note)
Beginning and ending balance	$ 84,130

(Note) For the year ended December 31, 2022, there was no adjustment to the Level 3 equity securities at fair value, because the movement was not immaterial.

G. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model to the fair value.

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

	December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 97,314	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 93,756	Market comparable companies	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorised within Level 3, if the inputs used to valuation models have changed by 1%, the effect on other comprehensive income would have been by $973 and $1,052 for the years ended December 31, 2023 and 2022, respectively.

13. Supplementary Disclosures

In accordance with the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2023.

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: Refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 9.

(4) Major shareholders information

Refer to table 10.

14. Segment Information

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The Group's organization basis of identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on segment pre-tax income.

(3) Information about segment profit or loss and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2023				
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Nanliu Manufacturing (India) Private Limited	Others	Total
Segment revenue	$2,586,475	$3,734,283	$ 415,489	$ 69	$ 6,736,316
Inter-segment revenue	(20,947)	(527,720)	(8,609)	-	(557,276)
Revenue from external customers, net	$2,565,528	$3,206,563	$ 406,880	$ 69	$ 6,179,040
Segment (loss) profit	($ 177,157)	$ 396,443	($ 43,548)	$ 36,505	$ 212,243
Segment assets	$5,192,113	$3,143,961	$ 1,578,356	$ 469,826	$10,384,256

	For the year ended December 31, 2022				
	Nan Liu Enterprise Co., Ltd.	Nanliu Enterprises (Pinghu) Ltd.	Nanliu Manufacturing (India) Private Limited	Others	Total
Segment revenue	$2,734,889	$3,608,149	$ 197,661	$ -	$ 6,540,699
Inter-segment revenue	(13,693)	(540,660)	-	-	(554,353)
Revenue from external customers, net	$2,721,196	$3,067,489	$ 197,661	$ -	$ 5,986,346
Segment (loss) profit	($ 187,134)	$ 325,591	($ 120,934)	$ 189,786	$ 207,309
Segment assets	$5,607,651	$3,015,231	$ 1,322,972	$ 473,704	$10,419,558

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income before income tax is provided as follows:

	For the years ended December 31,	
	2023	2022
Reportable segment income before income tax	$ 175,738	$ 17,523
Other segments income before income tax	36,505	189,786
Inter-segment loss	(8,957)	(18,475)
Profit before income tax	$ 203,286	$ 188,834

(5) Information on products and services

Refer to Note 6(19) for the information on products for the years ended December 31, 2023 and 2022.

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	For the years ended December 31,			
	2023		2022	
	Revenue (note)	Non-current assets	Revenue (note)	Non-current assets
Taiwan	$ 1,207,866	$ 3,516,695	$ 1,299,009	$ 3,812,356
Mainland China	2,781,843	1,065,556	2,679,385	1,108,431
Japan	958,058	-	947,944	-
India	403,556	1,095,604	243,590	1,048,675
Others	827,717	-	816,418	-
	$ 6,179,040	$ 5,677,855	$ 5,986,346	$ 5,969,462

(Note) Revenue is categorised based on the locations of customers.

(7) Major customer information

Major customer (net revenue from the customer constituting more than 10% of net consolidated operating revenue) information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	For the years ended December 31,	
	2023	2022
Company A	$ 841,472	$ 937,704
Company B	732,866	759,034
	$ 1,574,338	$ 1,696,738

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nan Liu Enterprise Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Nan Liu Enterprise Co., Ltd. (the "Company") as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

Appropriateness of inventory valuation

<u>Description</u>

Refer to Note 4(8) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2023, the carrying amount of inventories and allowance for inventory valuation loss are NT$365,893 thousand and NT$56,022 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products. As the net realisable value of inventories fluctuate based on market demand and sales strategy, there is a higher risk of incurring inventory valuation loss or having obsolete inventories. The Company's inventories are stated at the lower of cost and net realisable value. The Company also individually identifies the net realisable value of inventories that are over a certain age, obsolete or damaged and recognises related loss if any. As the amount of inventories is significant, the types of inventories are various and the valuation of the net realisable value involves a high degree of estimation uncertainty, the appropriateness of inventory valuation has been identified as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of policies and procedures on allowance for inventory valuation loss.
2. Assessed the effectiveness of the management's inventory control, based on our understanding of the operations of the warehouse management, inspected the annual inventory taking plan and performed our observation.
3. Verified the appropriateness of the net realisable value of inventories and the logic in inventory ageing report which was used for valuation and discussed and checked the related supporting documents with the management to assess the adequacy of allowance for inventory valuation loss.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Tien, Chung-Yu

Independent Auditors

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 14 2024

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

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

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 186,339	2	$ 698,447	7
1136	Financial assets at amortised cost-current	6(1)(2) and 8	378,886	4	8,067	-
1150	Notes receivable, net	6(3) and 12	32,339	-	38,594	-
1170	Accounts receivable, net	6(3), 7 and 12	512,410	5	432,599	4
1200	Other receivables		11,399	-	18,978	-
1220	Current income tax assets	6(24)	2,737	-	533	-
130X	Inventories	5 and 6(4)	309,871	3	356,861	3
1410	Prepayments		147,986	1	157,630	2
11XX	**Total current assets**		1,581,967	15	1,711,709	16
	Non-current assets					
1550	Investments accounted for using equity method	6(5) and 7	5,060,299	50	4,926,389	47
1600	Property, plant and equipment	6(6)(8), 7 and 8	3,004,202	29	3,251,049	31
1755	Right-of-use assets	6(7)	368,551	4	384,982	4
1780	Intangible assets		1,550	-	1,068	-
1840	Deferred income tax assets	6(24)	98,367	1	90,730	1
1915	Prepayments for equipment	6(6)	84,682	1	83,445	1
1920	Guarantee deposits paid		24,670	-	23,925	-
1990	Other non-current assets	6(9)	29,875	-	47,300	-
15XX	**Total non-current assets**		8,672,196	85	8,808,888	84
1XXX	**Total assets**		$ 10,254,163	100	$ 10,520,597	100

(Continued)

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10) and 8	$ 2,761,000	27	$ 2,560,000	24
2110	Short-term notes and bills payable	6(11)	99,937	1	49,967	1
2130	Contract liabilities - current	6(17)	3,523	-	745	-
2150	Notes payable		41,139	-	91,735	1
2170	Accounts payable		115,561	1	128,661	1
2180	Accounts payable - related parties	7	149,933	2	98,749	1
2200	Other payables		109,246	1	98,006	1
2220	Other payables - related parties	7	709,790	7	922,324	9
2280	Lease liabilities - current	6(7)	8,904	-	10,216	-
2320	Long-term liabilities, current portion	6(12), 7 and 8	422,257	4	415,633	4
21XX	**Total current liabilities**		4,421,290	43	4,376,036	42
	Non-current liabilities					
2540	Long-term borrowings	6(12), 7 and 8	1,884,815	18	2,185,517	21
2570	Deferred income tax liabilities	6(24)	57,431	1	63,361	1
2580	Lease liabilities - non-current	6(7)	356,028	4	366,382	3
2640	Net defined benefit liability - non-current	6(13)	32,712	-	27,530	-
25XX	**Total non-current liabilities**		2,330,986	23	2,642,790	25
2XXX	**Total liabilities**		6,752,276	66	7,018,826	67
	Equity attributable to owners of parent					
	Share capital					
3110	Commom stock	6(14)	726,000	7	726,000	7
3200	Capital surplus	6(15)	453,467	4	453,467	4
	Retained earnings	6(16)				
3310	Legal reserve		647,961	6	641,211	6
3320	Special reserve		343,422	4	382,531	4
3350	Unappropriated retained earnings		1,718,012	17	1,641,984	15
3400	Other equity interest	6(5)	(386,975)	(4)	(343,422)	(3)
3XXX	**Total equity**		3,501,887	34	3,501,771	33
	Contingent Liabilities and Commitments	7 and 9				
3X2X	**Total liabilities and equity**		$ 10,254,163	100	$ 10,520,597	100

The accompanying notes are an integral part of these parent company only financial statements.

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31 2023 AMOUNT	%	2022 AMOUNT	%
4000	Operating revenue	6(17) and 7	$ 2,586,475	100	$ 2,734,889	100
5000	Operating costs	6(4)(13)(22)(23) and 7	(2,514,173)	(97)	(2,635,705)	(96)
5900	Net operating margin		72,302	3	99,184	4
	Operating expenses	6(13)(22)(23) and 12				
6100	Selling expenses		(90,321)	(4)	(114,836)	(4)
6200	General and administrative expenses		(114,275)	(4)	(124,609)	(5)
6300	Research and development expenses		(17,443)	(1)	(23,215)	(1)
6450	Expected credit (losses) gains		(526)	-	1,941	-
6000	Total operating expenses		(222,565)	(9)	(260,719)	(10)
6900	Operating loss		(150,263)	(6)	(161,535)	(6)
	Non-operating income and expenses					
7100	Interest income	6(2)(18)	22,678	1	7,173	-
7010	Other income	6(19)	30,456	1	20,639	1
7020	Other gains and losses	6(20), 7 and 12	12,963	1	13,631	-
7050	Finance costs	6(6)(7)(21) and 7	(92,991)	(4)	(67,042)	(2)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	284,355	11	249,258	9
7000	Total non-operating income and expenses		257,461	10	223,659	8
7900	**Profit before income tax**		107,198	4	62,124	2
7950	Income tax benefit (expense)	6(24)	12,668	1	(4,389)	-
8200	**Profit for the year**		$ 119,866	5	$ 57,735	2
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Losses) gains on remeasurements of defined benefit plan	6(13)	($ 4,496)	-	$ 12,206	1
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method - will not be reclassified to profit or loss	6(5)	13,184	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	899	-	(2,441)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(5)	(56,737)	(2)	32,407	1
8300	**Other comprehensive (loss) income for the year**		($ 47,150)	(2)	$ 42,172	2
8500	**Total comprehensive income for the year**		$ 72,716	3	$ 99,907	4
	Earnings per share (in dollars)	6(25)				
9750	Basic		$	1.65	$	0.80
9850	Diluted		$	1.65	$	0.80

The accompanying notes are an integral part of these parent company only financial statements.

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity Interest		
	Notes	Share capital – common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains from financial assets measured at fair value through other comprehensive income	Total equity
For the year ended December 31, 2022									
Balance at January 1, 2022		$ 726,000	$ 453,467	$ 629,412	$ 382,531	$ 1,673,403	($ 375,829)	$ -	$ 3,488,984
Profit for the year		-	-	-	-	57,735	-	-	57,735
Other comprehensive income for the year	6(5)(13)	-	-	-	-	9,765	32,407	-	42,172
Total comprehensive income		-	-	-	-	67,500	32,407	-	99,907
Distribution of 2021 net income									
Legal reserve		-	-	11,799	-	(11,799)	-	-	-
Cash dividends	6(16)	-	-	-	-	(87,120)	-	-	(87,120)
Balance at December 31, 2022		$ 726,000	$ 453,467	$ 641,211	$ 382,531	$ 1,641,984	($ 343,422)	$ -	$ 3,501,771
For the year ended December 31, 2023									
Balance at January 1, 2023		$ 726,000	$ 453,467	$ 641,211	$ 382,531	$ 1,641,984	($ 343,422)	$ -	$ 3,501,771
Profit for the year		-	-	-	-	119,866	-	-	119,866
Other comprehensive (loss) income for the year	6(5)(13)	-	-	-	-	(3,597)	(56,737)	13,184	(47,150)
Total comprehensive income (loss)		-	-	-	-	116,269	(56,737)	13,184	72,716
Distribution of 2022 net income									
Legal reserve		-	-	6,750	-	(6,750)	-	-	-
Special reserve		-	-	-	(39,109)	39,109	-	-	-
Cash dividends	6(16)	-	-	-	-	(72,600)	-	-	(72,600)
Balance at December 31, 2023		$ 726,000	$ 453,467	$ 647,961	$ 343,422	$ 1,718,012	($ 400,159)	$ 13,184	$ 3,501,887

The accompanying notes are an integral part of these parent company only financial statements.

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 107,198	$ 62,124
Adjustments			
Adjustments to reconcile profit (loss)			
Excepted credit losses (gains)	12	526	(1,941)
Provision for inventory market price decline	6(4)	14,580	14,747
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	(284,355)	(249,258)
Depreciation	6(6)(7)(22)	309,433	298,210
Gain on disposal of property, plant and equipment	6(20)	(12,563)	(29,155)
Amortisation	6(22)	711	62
Amortisation of other non-current assets		17,425	15,607
Interest income	6(18)	(22,678)	(7,173)
Interest expense	6(21)	92,991	67,042
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,251	7,555
Accounts receivable		(80,333)	3,843
Other receivables		(1,935)	(2,972)
Inventories		32,410	(27,757)
Prepayments		9,644	38,052
Changes in operating liabilities			
Contract liabilities - current		2,778	(2,761)
Notes payable		(43,767)	27,111
Accounts payable		(13,100)	9,164
Accounts payable - related parties		51,184	(13,990)
Other payables		9,082	(27,913)
Net defined benefit liabilities - non-current		686	(5,779)
Cash inflow generated from operations		196,168	174,818
Interest received		22,292	5,560
Dividends received	6(5)	116,892	-
Income tax paid		(2,204)	(1,326)
Net cash flows from operating activities		333,148	179,052

(Continued)

NAN LIU ENTERPRISE CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31, 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost - current		($ 394,022)	($ 20,227)
Repayment of principal at maturity from financial assets at amortised cost - current		23,203	12,160
Acquisition of investments accounted for using equity method - subsidiaries	6(5) and 7	(10,000)	-
Cash paid for acquisition of property, plant and equipment	6(26)	(63,604)	(80,996)
Interest paid for acquisition of property, plant and equipment	6(6)(21)(26)	(10,835)	-
Proceeds from disposal of property, plant and equipment	6(26)	143,194	98,609
Acquisition of intangible assets		(1,193)	(1,130)
Increase in prepayments for equipment		(101,841)	(103,743)
(Increase) decrease in guarantee deposits paid		(745)	19,455
Net cash flows used in investing activities		(415,843)	(75,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(89,505)	(65,198)
Increase in short-term borrowings	6(27)	201,000	611,100
Increase (decrease) in short-term notes and bills payable	6(27)	49,970	(40,017)
(Decrease) increase in other payables to related parties	6(27)	(212,534)	229,594
Payments of lease liabilities	6(27)	(11,666)	(11,127)
Increase in long-term borrowings	6(27)	2,087,670	2,479,429
Decrease in long-term borrowings	6(27)	(2,381,748)	(2,996,500)
Payment of cash dividends	6(16)	(72,600)	(87,120)
Net cash flows (used in) from financing activities		(429,413)	120,161
Net (decrease) increase in cash and cash equivalents		(512,108)	223,341
Cash and cash equivalents at beginning of year	6(1)	698,447	475,106
Cash and cash equivalents at end of year	6(1)	$ 186,339	$ 698,447

The accompanying notes are an integral part of these parent company only financial statements.

NAN LIU ENTERPRISE CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Nan Liu Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 1, 1978. The Company is primarily engaged in the manufacture and sales of air-through nonwoven, spunlace nonwoven, wet napkins, facial mask and skin care products.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since May 2013.

2. The Date of Authorisation for Issuance of the Parent Company Only Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 14, 2024.

3. Application of New Standards, Amendments and Interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Foreign currency translation

Items included in the Company’s parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and the presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

A. 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.

B. 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 amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Notes and accounts receivable

A. Notes and accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(8) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories is recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

(9) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss in a subsidiary equals or exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.

D. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, "Profit for the year" and "Total other comprehensive income for the year" reported in the parent company only statement of comprehensive income, shall equal to "Profit for the year" and "Total other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in the parent company only financial statements shall equal to equity attributable to owners of parent reported in the consolidated financial statements.

(12) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. 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.

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

Asset	Useful lives
Buildings (including auxiliary equipment)	2 ～ 50 years
Machinery	2 ～ 15 years
Utility equipment	2 ～ 15 years
Transportation equipment	2 ～ 5 years
Office equipment	2 ～ 5 years
Other equipment	2 ～ 15 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between the remeasured lease liability in profit or loss.

(14) Intangible assets

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

(15) Impairment of non-financial assets

The Company 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the lifetime using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(18) Derecognition of financial liabilities

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

ii. Remeasurements arising on the defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

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

(20) Income taxes

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from 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 and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(21) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(22) Dividends

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

(23) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells nonwoven, wet napkins and facial mask. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns and discounts. Accumulated experience is used to estimate and provide for the sales returns and discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

(24) Government grants

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

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

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

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the change in market demand and sales strategy, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2023, the carrying amount of inventories was $309,871.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash:		
Cash on hand and petty cash	$ 1,035	$ 1,621
Checking accounts and demand deposits	156,134	228,498
	157,169	230,119
Cash equivalents:		
Time deposits	29,170	468,328
	$ 186,339	$ 698,447

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2023 and 2022, the Company's time deposits maturing between three months and one year and pledged to others as collateral were reclassified as 'Financial assets at amortised cost - current' in the amount of $378,886 and $8,067, respectively.

C. As of December 31, 2023 and 2022, the Company's cash and cash equivalents pledged to others as collateral are described in Note 8, 'Pledged assets'.

(2) Financial assets at amortised cost - current

Items	December 31, 2023	December 31, 2022
Pledged time deposits	$ 371,530	$ -
Time deposits maturing over three months	7,356	8,067
	$ 378,886	$ 8,067

A. The Company recognised interest income in profit or loss on financial assets at amortised cost amounting to $5,200 and $59 (listed as "Interest income") for the years ended December 31, 2023 and 2022, respectively.

B. As of December 31, 2023 and 2022, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was approximately its book value.

C. For more information regarding the Company's financial assets pledged to others as of December 31, 2023, refer to Note 8, 'Pledged assets'. There was no such situation for the year ended December 31, 2022.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	December 31, 2023	December 31, 2022
Notes receivable	$ 32,879	$ 39,130
Less: Allowance for uncollectible accounts	(540)	(536)
	$ 32,339	$ 38,594
Accounts receivable	$ 523,282	$ 442,949
Less: Allowance for uncollectible accounts	(10,872)	(10,350)
	$ 512,410	$ 432,599

A. The ageing analysis of notes receivable, accounts receivable and long-term receivables that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 30,515	$ 501,096	$ 37,179	$ 417,404
Up to 60 days	2,364	15,378	1,951	20,960
61 to 90 days	-	1,800	-	150
91 to 180 days	-	1,119	-	1,186
Over 181 days	-	8,384	-	7,744
	$ 32,879	$ 527,777	$ 39,130	$ 447,444

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to $497,972.

C. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was approximately its book value.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 7,978	($ 681)	$ 7,297
Raw materials	135,741	(16,620)	119,121
Raw materials in transit	11,784	-	11,784
Supplies	37,198	(3,455)	33,743
Work in progress	2,176	(495)	1,681
Finished goods	171,016	(34,771)	136,245
	$ 365,893	($ 56,022)	$ 309,871

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 2,675	($ 1,205)	$ 1,470
Raw materials	158,891	(6,349)	152,542
Raw materials in transit	22,560	-	22,560
Supplies	35,499	(552)	34,947
Work in progress	3,109	(763)	2,346
Finished goods	175,569	(32,573)	142,996
	$ 398,303	($ 41,442)	$ 356,861

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	$ 2,342,349	$ 2,498,807
Under-applied fixed manufacturing overhead	169,524	155,165
Provision for inventory market price decline	14,580	14,747
Loss on scrapped inventories	5,482	3,973
Gain on physical inventory	(415)	(14,159)
Income from sale of scraps	(17,347)	(22,828)
	$ 2,514,173	$ 2,635,705

(5) Investments accounted for under equity method

A. Movements of investments accounted for under equity method are as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Balance, beginning of year	$ 4,926,389	$ 4,644,724
Addition on investments accounted for using the equity method	10,000	-
Share of profit or loss of investments accounted for using the equity method	284,355	249,258
Earnings distribution of investments accounted for using equity method	(116,892)	-
Changes in other equity items —Unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	13,184	-
Changes in other equity items — Exchange differences on translation of foreign financial financial statements	(56,737)	32,407
Balance, end of year	$ 5,060,299	$ 4,926,389

B. Details of investments accounted for under the equity method are as follows:

Investee	December 31, 2023	December 31, 2022
Subsidiary:		
Nanliu Enterprise (Samoa) Co., Ltd.	$ 5,018,332	$ 4,887,984
Ching-Tsun Biomedical Technology Co., Ltd.	41,967	38,405
	$ 5,060,299	$ 4,926,389

C. For more information about the subsidiary, refer to Note 4(3) ‘Basis of consolidation’ on the consolidated financial statements.

D. As of December 31, 2023 and 2022, the Company has no investments accounted for using equity method pledged to others.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1, 2023									
Cost	$ 57,310	$ 987,722	$ 2,812,931	$ 394,248	$ 49,472	$ 14,223	$ 217,201	$ 621,869	$ 5,154,976
Accumulated depreciation	–	(255,271)	(1,381,224)	(118,968)	(29,950)	(13,353)	(95,348)	–	(1,894,114)
Accumulated impairment	–	(9,813)	–	–	–	–	–	–	(9,813)
	$ 57,310	$ 722,638	$ 1,431,707	$ 275,280	$ 19,522	$ 870	$ 121,853	$ 621,869	$ 3,251,049
For the year ended December 31, 2023									
At January 1	$ 57,310	$ 722,638	$ 1,431,707	$ 275,280	$ 19,522	$ 870	$ 121,853	$ 621,869	$ 3,251,049
Additions-cost	–	–	39,442	4,375	–	–	11,630	10,835	66,282
Transfers from prepayments for equipment	–	–	287,290	5,310	–	–	13,193	(205,189)	100,604
Depreciation	–	(25,809)	(204,208)	(35,053)	(7,324)	(256)	(20,352)	–	(293,002)
Disposals-cost	–	–	(87,053)	–	(1,110)	–	(6,047)	(75,159)	(169,369)
-accumulated depreciation	–	–	44,642	–	1,110	–	2,886	–	48,638
At December 31	$ 57,310	$ 696,829	$ 1,511,820	$ 249,912	$ 12,198	$ 614	$ 123,163	$ 352,356	$ 3,004,202
December 31, 2023									
Cost	$ 57,310	$ 987,722	$ 3,052,610	$ 403,933	$ 48,362	$ 14,223	$ 235,977	$ 352,356	$ 5,152,493
Accumulated depreciation	–	(281,080)	(1,540,790)	(154,021)	(36,164)	(13,609)	(112,814)	–	(2,138,478)
Accumulated impairment	–	(9,813)	–	–	–	–	–	–	(9,813)
	$ 57,310	$ 696,829	$ 1,511,820	$ 249,912	$ 12,198	$ 614	$ 123,163	$ 352,356	$ 3,004,202

	Land	Buildings	Machinery	Utility equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
January 1, 2022									
Cost	$ 57, 310	$ 987, 722	$ 2, 844, 142	$ 267, 532	$ 49, 981	$ 14, 298	$ 188, 440	$ 710, 202	$ 5, 119, 627
Accumulated depreciation	-	(227, 885)	(1, 196, 229)	(93, 455)	(23, 143)	(13, 171)	(77, 030)	-	(1, 630, 913)
Accumulated impairment	-	(9, 813)	-	-	-	-	-	-	(9, 813)
	$ 57, 310	$ 750, 024	$ 1, 647, 913	$ 174, 077	$ 26, 838	$ 1, 127	$ 111, 410	$ 710, 202	$ 3, 478, 901
For the year ended December 31, 2022									
At January 1	$ 57, 310	$ 750, 024	$ 1, 647, 913	$ 174, 077	$ 26, 838	$ 1, 127	$ 111, 410	$ 710, 202	$ 3, 478, 901
Additions-cost	-	-	5, 719	17, 484	252	-	6, 563	-	30, 018
Transfers from prepayments for equipment	-	-	12, 783	109, 232	108	-	22, 198	(41, 059)	103, 262
Depreciation	-	(27, 386)	(202, 628)	(25, 513)	(7, 676)	(257)	(18, 318)	-	(281, 778)
Disposals-cost	-	-	(49, 713)	-	(869)	(75)	-	(47, 274)	(97, 931)
-accumulated depreciation	-	-	17, 633	-	869	75	-	-	18, 577
At December 31	$ 57, 310	$ 722, 638	$ 1, 431, 707	$ 275, 280	$ 19, 522	$ 870	$ 121, 853	$ 621, 869	$ 3, 251, 049
December 31, 2023									
Cost	$ 57, 310	$ 987, 722	$ 2, 812, 931	$ 394, 248	$ 49, 472	$ 14, 223	$ 217, 201	$ 621, 869	$ 5, 154, 976
Accumulated depreciation	-	(255, 271)	(1, 381, 224)	(118, 968)	(29, 950)	(13, 353)	(95, 348)	-	(1, 894, 114)
Accumulated impairment	-	(9, 813)	-	-	-	-	-	-	(9, 813)
	$ 57, 310	$ 722, 638	$ 1, 431, 707	$ 275, 280	$ 19, 522	$ 870	$ 121, 853	$ 621, 869	$ 3, 251, 049

A. As of December 31, 2023 and 2022, the Company's property, plant and equipment are all for own use.

B. Amount of borrowing costs capitalised and the range of the interest rates for such capitalisation are as follows:

	For the year ended December 31, 2023
Amount capitalised	
Property, plant and equipment	$ 10,835
Range of the interest rates for capitalisation	1.45%～1.68%

There was no such situation for the year ended December 31, 2022.

C. For more information regarding the Company's property, plant and equipment pledged to others as of December 31, 2023 and 2022, refer to Note 8, 'Pledged assets'.

D. Impairment information about the property, plant and equipment is provided in Note 6(8), 'Impairment of non-financial assets.

(7) Leasing arrangements－lessee

A. The Company leases various assets including land. Rental contracts are typically made for periods of 10 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but the Company may not sublease or transfer leased assets in whole or in part without permissions from a lessor.

B. Short-term leases with a lease term of 12 months or less comprise trucks. Low-value assets comprise pallets and air coolers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2023	December 31, 2022
Land	$ 368,551	$ 384,982

	Depreciation charge	
	For the years ended December 31,	
	2023	2022
Land	$ 16,431	$ 16,432

D. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,304	$ 1,391
Expense on short-term lease contracts	2,453	2,468
Expense on leases of low-value assets	578	259
	$ 4,335	$ 4,118

F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were $16,001 and $15,245, respectively.

(8) Impairment of non-financial assets

A. Certain buildings and structures of the Company were located in the special district of Kaohsiung New Town where building permits are currently not being issued. Except for the plant in the first floor, the building permits of the second and third floors cannot yet be obtained which resulted to an impairment in the Company's property, plant and equipment. The Company wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss accordingly in previous year. The Company did not recognise both impairment loss and gain on reversal of impairment loss on certain property, plant and equipment for the years ended December 31, 2023 and 2022.

B. As of December 31, 2023 and 2022, the accumulated impairment of property, plant and equipment was $9,813.

(9) Long-term receivables

	December 31, 2023	December 31, 2022
Long-term receivable	$ 4,495	$ 4,495
Less: Allowance for uncollectible accounts	(4,495)	(4,495)
	$ -	$ -

A. Without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's long-term receivable was approximately its book value.

B. Information relating to credit risk of long-term receivable is provided in Note 12(2), 'Financial instruments'.

(10) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Unsecured bank borrowings	$ 2,420,000	1.68%～2.02%	None
Secured bank borrowings	341,000	1.47%～1.55%	Time deposits
	$ 2,761,000		

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	$ 2,560,000	1.22%～2.06%	None

For more information on interest expense recognised in profit or loss by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(21), 'Finance costs'.

(11) Short-term notes and bills payable

	December 31, 2023	Interest rate	Collateral
Commercial papers payable	$ 100,000	1.90%	None
Less: Unamortised discount	(63)		
	$ 99,937		

	December 31, 2022	Interest rate	Collateral
Commercial papers payable	$ 50,000	1.89%	None
Less: Unamortised discount	(33)		
	$ 49,967		

A. The above commercial papers were issued and secured by China Bills Finance Corporation.

B. For more information on interest expense recognised in profit or loss by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(21), 'Finance costs'.

(12) Long-term borrowings

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2023
Unsecured borrowings	3.2024～10.2026	1.78%～2.16%	None	$ 1,604,000
Secured borrowings	1.2024～5.2030	0.60%	Machinery and transportation equipment (Note)	703,072
				2,307,072
Less: Current portion				(422,257)
				$ 1,884,815

Type of borrowings	Range of maturity dates	Range of interest rates	Collateral	December 31, 2022
Unsecured borrowings	3.2023～12.2025	1.40%～2.03%	None	$ 1,815,500
Secured borrowings	1.2023～5.2030	0.47%	Machinery and transportation equipment (Note)	785,650
				2,601,150
Less: Current portion				(415,633)
				$ 2,185,517

(Note) Jointly guaranteed by Huang Chin-San.

For more information on interest expense recognised in profit or loss by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(21), 'Finance costs'.

(13) Pensions

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

(a) The amounts recognised in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	($ 63,748)	($ 59,385)
Fair value of plan assets	31,036	31,855
Net defined benefit liability	($ 32,712)	($ 27,530)

(b) Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 59,385)	$ 31,855	($ 27,530)
Current service cost	(515)	-	(515)
Interest (expense) income	(731)	391	(340)
	(60,631)	32,246	(28,385)
Remeasurements:			
Return on plan assets	-	303	303
Change in financial assumptions	(265)	-	(265)
Experience adjustments	(4,534)	-	(4,534)
	(4,799)	303	(4,496)
Pension fund contribution	-	169	169
Paid pensions	1,682	(1,682)	-
At December 31	($ 63,748)	$ 31,036	($ 32,712)

	For the year ended December 31, 2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 86,561)	$ 41,046	($ 45,515)
Current service cost	(766)	-	(766)
Interest (expense) income	(585)	270	(315)
Effect of plan curtailment	-	(1,178)	(1,178)
	(87,912)	40,138	(47,774)
Remeasurements:			
Return on plan assets	-	3,037	3,037
Change in financial assumptions	2,882	-	2,882
Experience adjustments	6,287	-	6,287
	9,169	3,037	12,206
Pension fund contribution	-	254	254
Paid pensions	19,358	(11,574)	7,784
At December 31	($ 59,385)	$ 31,855	($ 27,530)

(c) 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.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.25%
Future salary increase rate	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2023 and 2022.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	($ 1,307)	$ 1,352	$ 1,325	$ 1,288
December 31, 2022				
Effect on present value of defined benefit obligation	($ 1,241)	$ 1,283	$ 1,258	($ 1,223)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to $723.

(f) As of December 31, 2023, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	2,049
2～5 years		21,066
Over 6 years		46,992
	$	70,107

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were $8,755 and $9,414, respectively.

(14) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (unit: shares in thousands):

	For the years ended December 31,	
	2023	2022
Beginning and ending number of shares	72,600	72,600

B. As of December 31, 2023, the Company's authorised capital was $1,000,000 and the paid-in capital was $726,000, consisting of 72,600 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

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

(16) Retained earnings

A. 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 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.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve shall be set aside if needed. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

The Company's business is in the growth stage and it will continue to invest in order to stabilise market competition position. In order to meet future capital needs and long-term financial plan, the residual dividend policy is adopted for the distribution of dividends. The Company measures future capital requirements in accordance with the Company's future capital budget and finances it with retained earnings. The remainder is distributed in the form of cash dividends and share dividends. However, cash dividends shall account for at least 10% of the total dividends.

C. Special reserve

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

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, was $44,348 and shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners in 2023 and 2022 amounting to $72,600 ($1 (in dollars) per share) and $87,120 ($1.2 (in dollars) per share), respectively. On March 14, 2024, the Board of Directors proposed for the distribution of dividends from 2023 earnings in the amount of $79,860 ($1.1 (in dollars) per share).

(17) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers	$ 2,586,475	$ 2,734,889

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from providing nonwoven goods in the following major product lines:

	For the years ended December 31,	
	2023	2022
Biotechnology	$ 926,670	$ 958,148
Spunlace nonwovens	918,026	1,068,083
Disposable surgical gowns	388,102	322,369
Air-through nonwovens	353,677	386,289
	$ 2,586,475	$ 2,734,889

B. The Company has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities - current	$ 3,523	$ 745	$ 3,506

Revenue recognised that was included in the contract liability balance at the beginning of the year were $608 and $3,485 for the years ended December 31, 2023 and 2022, respectively.

(18) Interest income

	For the years ended December 31,	
	2023	2022
Bank deposits	$ 17,478	$ 7,114
Financial assets at amortised cost	5,200	59
	$ 22,678	$ 7,173

(19) Other income

	For the years ended December 31,	
	2023	2022
Income from renewable energy sold	$ 16,611	$ 13,968
Grant income	8,427	721
Miscellaneous income	5,418	5,950
	$ 30,456	$ 20,639

(20) Other gains and losses

	For the years ended December 31,	
	2023	2022
Net gain on disposal of property, plant and equipment	$ 12,563	$ 29,155
Net currency exchange gain (loss)	3,065	(13,421)
Other losses	(2,665)	(2,103)
	$ 12,963	$ 13,631

(21) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Bank borrowings	$ 86,246	$ 50,354
Loans to related parties	16,276	15,297
Interest expense on lease liabilities	1,304	1,391
	103,826	67,042
Less: Capitalisation of qualifying assets	(10,835)	-
	$ 92,991	$ 67,042

(22) Expenses by nature

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 196,053	$ 63,671	$ 259,724
Depreciation charges	283,563	25,870	309,433
Amortisation charges	-	711	711

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 189,395	$ 73,728	$ 263,123
Depreciation charges	274,550	23,660	298,210
Amortisation charges	-	62	62

(23) Employee benefit expense

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Wages and salaries	$ 161,030	$ 49,520	$ 210,550
Directors' remuneration	-	1,386	1,386
Labor and health insurance expense	14,956	5,883	20,839
Pension costs	6,549	3,061	9,610
Other personnel expenses	13,518	3,821	17,339
	$ 196,053	$ 63,671	$ 259,724

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	$ 150,503	$ 57,531	$ 208,034
Directors' remuneration	-	1,232	1,232
Labor and health insurance expense	16,013	7,035	23,048
Pension costs	7,568	4,105	11,673
Other personnel expenses	15,311	3,825	19,136
	$ 189,395	$ 73,728	$ 263,123

A. For the years ended December 31, 2023 and 2022, the average number of employees were 293 and 340 employees, which included 6 and 7 non-employee directors, respectively. For the years ended December 31, 2023 and 2022, the average employee benefit expense were $900 and $786, respectively, while average wages and salaries were $734 and $625, respectively. The average wages and salaries decreased by 17.44% compared to prior year.

B. Salary policy is described below:

(a) Directors' remuneration:

The Company's salary policy is based on the result of performance assessment by the directors of the board, and its standards are mainly verified with reference in addition to the Company's operational performance, industrial business risk, the development of the future and the achievement of performance.

(b) Manager salary:

Managers are paid based on their participation and contribution to the Company (refer to the same trade concerned). Otherwise, bonus is paid based on the Company's net income, personal performance evaluation (refer to the same trade concerned).

(c) Employee salary:

Employee salary policy is based on personal ability, contribution to the Company, personal performance, and its position market value. The overall employee salary consists of basic salary, food allowance, and bonus ,etc.

In addition, the Company has set up the Audit Committee, so there is no supervisors' remuneration.

C. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Employees' compensation will be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of the Company meeting certain specific requirements, are entitled to receive aforementioned share or cash. Directors' remuneration will be distributed in the form of cash. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting.

D. For the years ended December 31, 2023 and 2022, employees' compensation were accrued at $1,425 and $826, respectively; while directors' remuneration were accrued at $986 and $572, respectively. The aforementioned amounts were recognised in salary expenses. The expenses recognised were accrued based on the profit of current year distributable and the percentage specified in the Articles of Incorporation of the Company. The amounts of employees' compensation and directors' remuneration as resolved by the Board of Directors were the same with the estimated amounts of $826 and $572 recognised in the 2023 financial statements, respectively. The employees' compensation and directors' remuneration as resolved by the Board of Directors for 2023 on March 14, 2024 were $1,425 and $986, respectively and the employees' compensation will be distributed in the form of cash.

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

(24) Income tax

A. Components of income tax (benefit) expense

(a) Components of income tax (benefit) expense:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Current tax:		
Prior year income tax overestimation	$ -	($ 9,877)
Deferred tax:		
Origination and reversal of temporary differences	(12,668)	14,266
Income tax (benefit) expense	($ 12,668)	$ 4,389

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Remeasurement of defined benefit obligations	($ 899)	$ 2,441

B. Reconciliation between income tax (benefit) expense and accounting profit:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Tax calculated based on profit before tax and statutory tax rate	$ 21,440	$ 12,425
Effect from items disallowed by tax regulation	1,487	(480)
Temporary differences between finance report and income tax report	(35,595)	2,321
Prior year income tax overestimation	-	(9,877)
Income tax (benefit) expense	($ 12,668)	$ 4,389

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	For the year ended December 31, 2023			
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	$ 2,468	($ 408)	$ -	$ 2,060
Loss on inventories from market decline	8,288	2,916	-	11,204
Pensions	5,506	137	899	6,542
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	232	10	-	242
Unrealised losses	817	-	-	817
Tax difference in depreciation	-	1,311	-	1,311
Tax losses	71,456	2,772	-	74,228
	$ 90,730	$ 6,738	$ 899	$ 98,367
Deferred income tax liabilities				
Temporary differences:				
Gains on foreign investment accounted for under equity method	($ 49,144)	$ 5,250	$ -	($ 43,894)
Unrealised exchange gain	(6,831)	680	-	(6,151)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	($ 63,361)	$ 5,930	$ -	($ 57,431)
	$ 27,369	$ 12,668	$ 899	$ 40,936

	For the year ended December 31, 2022			
	Balance, beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance, end of year
Deferred income tax assets				
Temporary differences:				
Loss on doubtful debts	$ 2,468	$ -	$ -	$ 2,468
Loss on inventories from market decline	5,339	2,949	-	8,288
Pensions	9,103	(1,156)	(2,441)	5,506
Impairment of assets	1,963	-	-	1,963
Unused compensated absences	666	(434)	-	232
Unrealised losses	817	-	-	817
Tax losses	34,684	36,772	-	71,456
	$ 55,040	$ 38,131	($ 2,441)	$ 90,730
Deferred income tax liabilities				
Temporary differences:				
Gains on foreign investment accounted for under equity method	$ -	($ 49,144)	$ -	($ 49,144)
Unrealised exchange gain	(3,578)	(3,253)	-	(6,831)
Increment tax on land revaluation	(7,386)	-	-	(7,386)
	($ 10,964)	($ 52,397)	$ -	($ 63,361)
	$ 44,076	($ 14,266)	($ 2,441)	$ 27,369

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2023	$ 20, 983	$ 20, 983	$ -	2033
2022	188, 346	188, 346	-	2032
2021	161, 811	161, 811	-	2031
	$ 371, 140	$ 371, 140	$ -	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2022	$ 195, 466	$ 195, 466	$ -	2032
2021	161, 811	161, 811	-	2031
	$ 357, 277	$ 357, 277	$ -	

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary differences unrecognised as deferred tax liabilities were $708,523 and $668,492, respectively.

F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. As of March 14, 2024, there was no administrative lawsuit.

(25) Earnings per share

	For the year ended December 31, 2023		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 119, 866	72, 600	$ 1. 65
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 119, 866	72, 600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	21	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 119, 866	72, 621	$ 1. 65

	For the year ended December 31, 2022		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 57,735	72,600	$ 0.80
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 57,735	72,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	14	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 57,735	72,614	$ 0.80

(26) Supplemental cash flow information

A. Investing activities with partial cash payments and receipts:

	For the years ended December 31,	
	2023	2022
(a)Acquisition of property, plant and equipment	$ 66,282	$ 30,018
Add: Opening balance of notes payable	6,829	2,627
Opening balance of other payables	17,358	72,538
Less: Ending balance of notes payable	-	(6,829)
Ending balance of other payables	(16,030)	(17,358)
Capitalisation of interest	(10,835)	-
Cash paid for acquisition of property, plant and equipment	$ 63,604	$ 80,996

	For the years ended December 31,	
	2023	2022
(b)Disposal of property, plant and equipment	$ 133,294	$ 108,509
Add: Opening balance of other receivables	9,900	-
Less: Ending balance of other receivables	-	(9,900)
Cash inflow from disposal of property, plant and equipment	$ 143,194	$ 98,609

B. Investing activities with no cash flow effect:

	For the years ended December 31,	
	2023	2022
Prepayments for equipment transferred to property, plant and equipment	$ 100,604	$ 103,262

(27) Changes in liabilities from financing activities

For the year ended December 31, 2023	Short-term borrowings	Short-term notes and bills payable	Other payables from related parties	Lease liabilities	Long-term borrowings	Liabilities from financing activities - gross
At January 1	$ 2,560,000	$ 49,967	$ 922,324	$ 376,598	$ 2,601,150	$ 6,510,039
Changes in cash flow from financing activities	201,000	49,970	(212,534)	(11,666)	(294,078)	(267,308)
At December 31	$ 2,761,000	$ 99,937	$ 709,790	$ 364,932	$ 2,307,072	$ 6,242,731

For the year ended December 31, 2022	Short-term borrowings	Short-term notes and bills payable	Other payables from related parties	Lease liabilities	Long-term borrowings	Liabilities from financing activities - gross
At January 1	$ 1,948,900	$ 89,984	$ 692,730	$ 387,725	$ 3,118,221	$ 6,237,560
Changes in cash flow from financing activities	611,100	(40,017)	229,594	(11,127)	(517,071)	272,479
At December 31	$ 2,560,000	$ 49,967	$ 922,324	$ 376,598	$ 2,601,150	$ 6,510,039

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Nanliu Enterprise (Samoa) Co., Ltd. (Nanliu (Samoa))	Subsidiary
Ching-Tsun Biomedical Technology Co., Ltd. (Ching-Tsun)	Subsidiary
Nanliu Enterprise (Pinghu) Ltd. (Nanliu (Pinghu))	Subsidiary
Nanliu Manufacturing (India) Private Limited (Nanliu (India))	Subsidiary
Huang Chin-San	Key management personnel of the Company

(2) Significant related party transactions

A. Sales

	For the years ended December 31,	
	2023	2022
Sales of goods:		
Subsidiary	$ 20,947	$ 13,693

The payment term of the related party which is similar with other parties is to close its accounts 60 days after the end of each month by T/T. The selling price is not comparable to others, because the Company mainly sells to related party.

B. Purchases

	For the years ended December 31,	
	2023	2022
Purchases of goods:		
Nanliu (Pinghu)	$ 527,720	$ 540,660
Nanliu (India)	8,609	-
	$ 536,329	$ 540,660

Purchase price from related party is similar from regular suppliers. The payment term is similar with other suppliers which is to close its accounts 60 days after invoice date.

C. Property transactions

(a) Acquisition of property, plant and equipment:

	For the years ended December 31,	
	2023	2022
Nanliu (Pinghu)	$ 18,362	$ -

(b) Disposal of property, plant and equipment

	For the year ended December 31, 2023	
	Disposal proceeds	Gain (loss) on disposal
Nanliu (Pinghu)	$ 124,385	$ 6,709

	For the year ended December 31, 2022	
	Disposal proceeds	Gain (loss) on disposal
Nanliu (India)	$ 35,250	$ 18,073
Nanliu (Pinghu)	13,725	3,600
	$ 48,975	$ 21,673

D. Equity transactions

The subsidiary of the Company, Ching-Tsun, increased its capital in June, 2023. The proceeds of $10,000 from the Company had already been paid.

E. Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable:		
Subsidiary	$ 8,405	$ -

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

F. Accounts payable

	December 31, 2023	December 31, 2022
Accounts payable:		
Nanliu (Pinghu)	$ 142,468	$ 98,749
Nanliu (India)	7,465	-
	$ 149,933	$ 98,749

The above arose mainly from purchases from related party, which are unsecured in nature and bear no interest.

G. Loans from related party (shown as "Other payables – related parties")

	For the year ended December 31, 2023				
	Maximum outstanding balance date	Maximum outstanding balance	Balance at December 31	Annual rate	Interest expense
Nanliu (Samoa)	2023.10	$ 968,100	$ 706,215	2.0%	$ 16,276

	For the year ended December 31, 2022				
	Maximum outstanding balance date	Maximum outstanding balance	Balance at December 31	Annual rate	Interest expense
Nanliu (Samoa)	2022.12	$ 921,300	$ 921,300	2.0%	$ 15,297

As of December 31, 2023 and 2022, the interest expense from loans of $3,575 and $1,024 has not yet been paid, respectively (shown as "Other payables – related parties").

H. Provision of endorsements and guarantees to related party

	December 31, 2023	December 31, 2022
Nanliu (India)	$ 786, 392	$ 312, 421

The provision of endorsement and guarantees provided to related parties for the years ended December 31, 2023 and 2022 were $47,364 and $100,797, respectively.

I. Secured bank borrowings that the Company borrowed from the banks as of December 31, 2023 and 2022 were guaranteed by Huang Chin-San. For more information, refer to Note 6(12),'Long-term borrowings'.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	$ 13, 114	$ 14, 245
Service allowance	580	810
	$ 13, 694	$ 15, 055

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Pledged time deposits (Note 1)	$ 371, 530	$ -	Short-term borrowings
Machinery-net and transportation equipment-net (Note 2)	952, 940	1, 112, 652	Long-term borrowings
	$ 1, 324, 470	$ 1, 112, 652	

(Note 1) Shown as "Financial assets at amortised cost - current".

(Note 2) Shown as "Property, plant and equipment".

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of December 31, 2023 and 2022, the balances for contracts that the Company entered into but not yet incurred are $360,288 and $443,463, respectively.

(2) As of December 31, 2023 and 2022, the unused letters of credit amounted to $－ and $1,425, respectively.

(3) The details of endorsement and guarantees provided to others are described in Note 13(1) B.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

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, maintain an optimal capital structure to both reduce the cost of capital and meet the monetary needs of improving productivity. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Company are described in Note 6.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR, RMB and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(ii) The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company's foreign opeations are considered strategic investments; thus, no hedging for the purpose is conducted.

(iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
USD : NTD	$ 22,838	30.71	$ 701,241
RMB : NTD	1,758	4.327	7,607
JPY : NTD	534	0.2172	116
Investments accounted for under equity method			
INR : NTD	1,848,015	0.37	681,582
RMB : NTD	572,553	4.32	2,474,574
Financial liabilities			
Monetary items			
USD : NTD	29,402	30.71	902,788
EUR : NTD	79	33.98	2,684

	December 31, 2022		
(foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
USD : NTD	$ 25,032	30.71	$ 768,773
RMB : NTD	1,937	4.408	8,538
EUR : NTD	13	32.72	425
Investments accounted for under equity method			
INR : NTD	1,929,296	0.37	715,769
RMB : NTD	530,057	4.41	2,339,673
Financial liabilities			
Monetary items			
USD : NTD	35,214	30.71	1,081,422
JPY : NTD	2,334	0.2324	542

(iv) As of December 31, 2023 and 2022, if the Company's functional currency exchange rate to foreign currencies had appreciated/ depreciated by 1% with all other factors remaining constant, the post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $1,965 and $3,043, respectively.

(v) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to $3,065 and ($13,421), respectively.

ii. Price risk

The Company is not engaged in any financial instruments with price variations, hence does not expect price risk arising from significant variations in the market prices.

iii. Cash flow and fair value interest rate risk

(i) The Company's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rate. During the years ended December 31, 2023 and 2022, the Company's borrowings at variable rate were denominated in New Taiwan dollars.

(ii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by $917 and $657, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. For banks and financial institutions, only those with high credit rating are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

iii. In line with the credit risk management procedure, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. In line with the credit risk management procedure, the default occurs when the contract payments are past due over 180 days.

v. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vi. The Company classifies customer's receivables in accordance with the credit rating of the customer. The Company applies the modified approach using the provision matrix to estimate expected credit loss. The Company used the forecastability of conditions to adjust historical and timely information to assess the default possibility of receivables, whereby rate ranges from 0.90% to 100% are applied to the provision matrix. Movements in relation to the Company applying the modified approach to provide loss allowance for receivables are as follows:

	For the year ended December 31, 2023		
	Notes receivable	Accounts receivable	Long-term receivable
At January 1	$ 536	$ 10,350	$ 4,495
Expected credit losses	4	522	-
At December 31	$ 540	$ 10,872	$ 4,495

	For the year ended December 31, 2022		
	Notes receivable	Accounts receivable	Long-term receivable
At January 1	$ 1,777	$ 11,050	$ 4,495
Expected credit gains	(1,241)	(700)	-
At December 31	$ 536	$ 10,350	$ 4,495

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. The Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 885,622	$ 1,663,550
Expiring beyond one year	1,825,189	2,867,150
	$ 2,710,811	$ 4,530,700

iv. 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. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2023	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 2,769,441	$ -	$ -	$ -
Short-term notes and bills payale	100,000	-	-	-
Notes payable	41,139	-	-	-
Accounts payable (including related party)	265,494	-	-	-
Other payables (including related party)	819,036	-	-	-
Lease liabilities (including current portion)	11,309	22,364	22,364	208,318
Long-term borrowings (including current	455,191	1,717,430	119,778	83,991

December 31, 2022	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 2,569,147	$ -	$ -	$ -
Short-term notes and bills payale	50,000	-	-	-
Notes payable	91,735	-	-	-
Accounts payable (including related party)	227,410	-	-	-
Other payables (including related party)	1,020,330	-	-	-
Lease liabilities (including current portion)	12,701	31,827	31,700	387,548
Long-term borrowings (including current portion)	448,800	1,937,927	163,099	120,155

v. The Company does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

A. The Company had no fair value financial instruments as of December 31, 2023 and 2022.

B. The fair value of the Company’s financial assets and liabilities not measured at fair value including the carrying amounts of cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related party), other payables (including related party) and long-term borrowings (including current portion) are approximate to their fair values.

13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2023.

(1) Significant transactions information

A. Loans to others: Refer to table 1.

B. Provision of endorsements and guarantees to others: Refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 9.

(4) Major shareholders information

Refer to table 10.

14. Segment Information

Not applicable.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Items	Description	Amount
Cash:		
Cash on hand		$ 1,035
Checking accounts		101
Demand Deposits－New Taiwan Dollar		87,518
－Foreign Currency	USD 2,230 (in thousands), exchange rate: 30.71;	68,515
	RMB 6 (in thousands), exchange rate: 4.327;	
	EUR 1 (in thousands), exchange rate: 33.98;	
Cash equivalents		
Time Deposits－Foreign Currency	USD 950 (in thousands), exchange rate: 30.71;	
	due on 2024/1/27～2024/2/21, interest rate at 5.55%	29,170
		$ 186,339

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST-CURRENT
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Name	Description	Shares	Face Value	Total Amount	Interest Rate	Carrying Amount	Accumulated Impairment	Note
Time deposits-USD	USD 12,000 (in thousands), due on 2024/1/10～	-	$ －	$ 371,530	5.45%～5.55%	$ 371,530	$ －	Secured short-term borrowings
-RMB	RMB 1,700 (in thousands), due on 2024/2/18	-	－	7,356	1.70%	7,356	－	—
				$ 378,886		$ 378,886		

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
CORPORATION A	Receivables from the client	$ 140,268	—
ZENNO & Co., Ltd.	Receivables from the client	40,315	—
BAAN INTERNATIONAL CORP.	Receivables from the client	32,984	—
CORPORATION C	Receivables from the client	30,145	—
Marubeni Intex Co., Ltd.	Receivables from the client	28,370	—
Others (less than 5%)	Receivables from the client	251,200	—
		523,282	
Less：Allowance for uncollectible accounts		(10,872)	
		$ 512,410	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Note
		Cost	Net Realisable Value	
Merchandise	—	$ 7,978	$ 9,162	(Note)
Raw materials	—	135,741	230,222	(Note)
Raw materials in transit	—	11,784	11,784	(Note)
Supplies	—	37,198	34,910	(Note)
Work in progress	—	2,176	2,020	(Note)
Finished goods	—	171,016	201,731	(Note)
		365,893	$ 489,829	
Less: Allowance for valuation loss		(56,022)		
		$ 309,871		

Note: Refer to Note 4(8) for the method to determine the net realisable value.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Prepaid expenses	—	$ 101,454	—
Office supplies	—	28,035	—
Input tax	—	9,197	—
Prepayment for purchases	—	8,456	—
Others (less than 5%)	—	844	—
		$ 147,986	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Beginning Balance		Additions		Decrease		Ending Balance			Market Value or Net Assets Value			
The Name of the Company	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral	Note
Nanliu Enterprise (Samoa) Co., Ltd.	52,948	$ 4,887,984	-	$ 303,977	-	($ 173,629)	52,948	100.00%	$ 5,018,332	$ 95.32	$ 5,047,248	None	—
Ching-Tsun Biomedical Technology Co., Ltd.	4,000	38,405	1,000	10,000	-	(6,438)	5,000	100.00%	41,967	8.39	41,967	None	—
	56,948	$ 4,926,389	1,000	$ 313,977	-	($ 180,067)	57,948		$ 5,060,299		$ 5,089,215		

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(6) for the information related to property, plant and equipment.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(6) for the information related to property, plant and equipment and Note 4(12) for the method to determine depreciation and useful lives for assets.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - COST
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Land
At January 1 and December 31	$ 447,927

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS - ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

	Land	
At January 1	$	62, 945
Additions		16, 431
At December 31	$	79, 376

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Type of Loan	Descriptions	Ending Balance	Contract period	Range of Interest Rate	Credit Facility	Collateral	Note
Unsecured bank borrowings	First Commercial Bank	$ 350,000	2022.10.31～2024.10.31	1.68%	$ 350,000	None	—
	Taishin International Bank	300,000	2023.1.31～2024.1.31	1.99%	300,000	None	—
	HSBC Bank (Taiwan) Company Limited	300,000	2023.1.10～2024.1.10	1.88%	600,000	None	—
	Yuanta Commercial Bank	190,000	2023.2.8～2024.2.8	1.85%	300,000	None	—
	Cathay United Bank	230,000	2023.5.31～2024.5.31	1.78%	300,000	None	—
	The Export-Import Bank of the Republic of China	200,000	2023.3.27～2024.3.27	1.71%	200,000	None	—
	Taipei Fubon Bank	200,000	2023.4.7～2024.4.7	1.94%	200,000	None	—
	Mega International Commercial Bank	200,000	2023.2.18～2024.2.17	1.91%	200,000	None	—
	Bank of Taiwan	150,000	2023.12.1～2024.12.1	1.80%	200,000	None	—
	Land Bank of Taiwan	100,000	2023.4.21～2024.4.21	2.02%	200,000	None	—
	Bank SinoPac	100,000	2022.2.16～2024.2.29	1.90%	200,000	None	—
	Chang Hwa Commercial Bank	50,000	2023.10.25～2024.10.25	2.00%	100,000	None	—
	DBS Bank	50,000	2023.9.14～2024.9.14	1.78%	USD 10,000	None	—
Secured bank borrowings	E.SUN Commercial Bank	286,000	2023.10.6～2024.10.6	1.47%	300,000	Time deposits	—
	Chinatrust Commercial Bank	55,000	2023.10.30～2024.5.31	1.55%	200,000	Time deposits	—
		$ 2,761,000					

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Suppliers Name	Description	Amount	Note
SUN A Enterprise Co., Ltd.	Accounts payable	$ 22,670	—
Sateri (Fujian) Co., Ltd.	Accounts payable	19,286	—
Tainan Spinning Co., Ltd.	Accounts payable	15,697	—
P.T South Pacific Viscise	Accounts payable	14,735	—
ZHE TAI Enterprise Co., Ltd.	Accounts payable	11,767	—
In Chang Technic Print Co., Ltd.	Accounts payable	10,481	—
Others (less than 5%)	Accounts payable	20,925	—
		$ 115,561	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE - RELATED PARTIES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Suppliers Name	Description	Amount	Note
Nanliu Enterprise (Pinghu) Ltd.	Accounts payable	$142,468	—
Nanliu Manufacturing (India) Private Limited	Accounts payable	7,465	—
		$149,933	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and bonus payable	—	$ 28,188	—
Payables on equipment	—	16,030	—
Utilities payable	—	9,115	—
Freight payable	—	7,953	—
Others (less than 5%)	—	47,960	—
		$ 109,246	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OTHER PAYABLES - RELATED PARTIES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Accommodation of funds payable	Loans	$ 706,215	—
Interest payable	—	3,575	—
		$ 709,790	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LONG-TERM LIABILITIES, CURRENT PORTION
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Creditor	Description	Amount	Rate	Collateral	Note
Mega International Commercial Bamk	Secured borrowings	$ 188,757	0.60%	Machinery and transportation equipment (Note)	—
Chinatrust Commercial Bank	Unsecured bank borrowings	103,000	1.95%	None	—
Chang Hwa Commercial Bank	〃	100,000	1.90%	None	—
The Export-Import Bank of the Republic of China	〃	30,500	1.83%	None	—
		$ 422,257			

(Note) Jointly guaranteed by Hung Chin-San.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Creditor	Description	Amount	Expiry date	Rate	Collateral	Note
Mega International Commercial Bamk	Secured bank borrowings	$ 703,072	2019.7.12～2029.7.12	0.60%	Machinery and transportation equipment (Note 1)	Note 2
Mizuho Bank	Unsecured bank borrowings	400,000	2023.2.28～2025.2.28	2.01%	None	Note 3
Taipei Fubon Bank	〃	300,000	2022.4.7～2024.4.7	2.16%	〃	〃
Entie Commercial Bank	〃	300,000	2022.4.21～2024.4.21	1.93%	〃	〃
E.SUN Commercial Bank	〃	240,000	2023.11.16～2026.11.16	1.78%	〃	〃
Chang Hwa Commercial Bank	〃	200,000	2022.7.11～2025.7.11	1.90%	〃	Note 4
Chinatrust Commercial Bank	〃	103,000	2018.1.25～2025.1.24	1.95%	〃	Note 5
The Export-Import Bank of the Republic of China	〃	61,000	2018.9.26～2025.9.26	1.83%	〃	Note 6
		2,307,072				
	Less: Current portion	(422,257)				
		$ 1,884,815				

（Note 1）Jointly guaranteed by Hung Chin-San.
（Note 2）The amount of $317,081 is payable monthly, a total of 73 quarterly amortisation from June 15, 2020; and the remaining $385,991 is payable monthly, a total of 85 quarterly amortisation from May 15, 2023.
（Note 3）The Notes are repayable upon maturity.
（Note 4）Since December 23, 2022, payable every 6 months, a total of 6 semi-annually amortisation.
（Note 5）Since March 5, 2019, payable every 3 months, a total of 24 quarterly amortisation.
（Note 6）Since March 28, 2022, payable every 6 months, a total of 8 semi-annually amortisation.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF LEASE LIABILITIES - NON CURRENT
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Lease Period	Discount rate	Amount
Land	2019.1～2064.1	1%～1.1%	$ 364,932
		Less: Current portion	(8,904)
			$ 356,028

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Amount		Total	Note
Biotechnology	34,094,719	BAG	$ 939,994	—
	66	ROL		—
	12,446,497	CS		—
	12,556,022	PCS		—
	4,140	KG		—
Spunlace nonwovens	11,587,732	KG	924,951	—
Disposable surgical gowns	2,640,538	KG	391,908	—
Air-through nonwovens	3,042,049	KG	354,285	—
			2,611,138	
Less: Sales returns and allowances			(24,663)	
			$ 2,586,475	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1	$ 2,675
Add：Merchandise purchased	545,063
Less：Transferred to expense	(24)
Merchandise at December 31	(7,978)
Merchandise sold during the year	539,736
Raw materials and materials in transit at January 1	181,451
Add：Raw materials purchased	979,176
Gain on raw materials	85
Less：Raw materials sold	(2,173)
Transferred to expense	(4,861)
Raw materials and material in transit at December 31	(147,525)
Raw materials used during the year	1,006,153
Supplies at January 1	35,499
Add：Supplies purchased	167,594
Gain on supplies	37
Less：Supplies sold	(676)
Transferred to expense	(10,386)
Disposal	(1,537)
Supplies at December 31	(37,198)
Supplies used during the year	153,333
Direct labor	120,828
Manufacturing overhead	687,945
Less: Under-applied fixed manufacturing overhead	(169,524)
Manufacturing cost	1,798,735
Work in process at January 1	3,109
Add：Work in process purchased	2,211
Gain on work in process	4
Less：Transferred to expense	(24)
Disposal	(28)
Work in process at December 31	(2,176)
Cost of finished goods	1,801,831

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OPERATING COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Finished goods at January 1	$ 175,569
Add：Finished goods purchased	10,027
Gain on finished goods	289
Less：Transferred to expense	(12,988)
Transferred to office suplies	(31)
Disposal	(3,917)
Finished goods at December 31	(171,016)
Cost of production and marketing	1,799,764
Cost of raw materials sold	2,173
Cost of supplies sold	676
Cost of inventory sold	2,342,349
Under-applied fixed manufacturing overhead	169,524
Loss on decline in market value	14,580
Loss on scrapped inventories	5,482
Gain on physical inventory	(415)
Income from sale of scraps	(17,347)
	$ 2,514,173

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Depreciation	—	$ 283,563	—
Utilities	—	114,492	—
Repairs and maintenance	—	83,382	—
Wages and salaries	—	46,751	—
Others (less than 5%)	—	159,757	—
		$ 687,945	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Export charges	—	$ 28,685	—
Shipping	—	27,972	—
Advertisement	—	12,668	—
Wages and salaries	—	10,589	—
Others (less than 5%)	—	10,407	—
		$ 90,321	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	$ 35,998	—
Depreciation	—	25,294	—
Entertainment	—	8,180	—
Charges for services	—	6,458	—
Others (less than 5%)	—	38,345	—
		$ 114,275	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries	—	$ 7,380	—
Research requisition	—	5,498	—
Charges for services	—	2,623	—
Others (less than 5%)	—	1,942	—
		$ 17,443	

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20) for the information related to other gains or losses.

NAN LIU ENTERPRISE CO., LTD.
STATEMENT OF FINANCE COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(21) for the information related to finance costs.

NAN LIU ENTERPRISE CO., LTD.

STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES IN THE CURRENT PERIOD

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(22) for the additional information related to expenses and Note 6(23) for the information related to employee benefits.