



太平洋醫材股份有限公司  
Pacific Hospital Supply Co.,Ltd

## 2023 Annual Report

Annual Report is available at:

Company Website: <http://www.pahsco.com.tw>

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

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## ◎Board Member List:

Title	Name	Experience	Nationality
Chairperson	An-Ting Chung	1. General Manager of Pacific Hospital Supply Co., Ltd. 2. Vice President of Master King Corporation 3. Vice President of Apac Machinery Co., Ltd	R.O.C.
Director	Stanley Chen	1. Accounting and Financial Officer of Catcher Technology Co., Ltd. 2. Financial Manager of Control Technology Co., Ltd	R.O.C.
Director	Tim Chiang	Senior Manager of Administration Dept. and General Manager of Pacific Hospital Supply Co., Ltd.	R.O.C.
Independent Director	Vance Chin	1. Chairman of Taiwan Association of Certified Valuators and Analysts 2. President and Managing Director of China Bills Finance Corporation	R.O.C.
Independent Director	Adrian Chang	1. Adjunct Associate Professor of National Taipei University of Education 2. VP and GM of Healthcare Business Group of BenQ Materials	R.O.C.
Independent Director	Zhi-Jun Zhan	Chairman of Medical Intubation Technology Corporation	R.O.C.
Independent Director	Cherie Lin	Vice President of General Biologicals Corporation	R.O.C.

## ◎Designated Agent within the R.O.C.

Name: An-Ting Chung Title: Chairperson

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**2023 Annual Report**  
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## I. Letter to Shareholders

Dear Shareholders,

Even though the COVID-19 pandemic has subsided, the expansion of economic sanctions between China and the United States, the ongoing war between Russia and Ukraine and other geopolitical conflicts have increased the risks of supply chain interruptions. Climate change has also pushed up energy and materials prices, resulting in a significant reduction in global trade levels. In addition, the impact of high inflation and high interest rates has led to a global economic slowdown in 2023. Despite the ongoing uncertainties in the economic and trade environment, the Company not only cautiously responds to external changes and concentrates resources to improve operational efficiency, but also actively grasps market opportunities. With the collective efforts of all colleagues, we have achieved our performance targets and the revenue of 2023 has hit a historical peak. The following is a summary report of the recent annual operating results, business plans, future company development strategies, and the impact of the external competitive environment, regulatory environment, and overall operating environment:

### 【Operating Results】

#### 1. Implementation of the Business Plan

The result of business operation of the Company in 2023 is shown below:

Unit: NT\$ thousand (except EPS: NT\$)			
Item	2022	2023	Variance
Operating Revenue	2,184,934	2,320,209	6.2%
Gross Profit	587,970	739,745	25.8%
Operating Expenses	233,475	241,731	3.5%
Operating Income	354,495	498,014	40.5%
Profit before Income Tax	413,480	525,492	27.1%
Net Profit for the Period	331,397	420,792	27.0%
Earnings Per Share	4.56	5.80	

In 2023, the Company continued the sales strategy of last year. By optimizing product sales portfolio, adjusting reasonable selling prices, and improving production efficiency, etc., the annual gross profit margin was restored to the level, which in turn led to a significant increase in operating income and net profit after tax.

#### 2. Budget Implementation

Our budgets for 2023 were appropriately allocated and effectively utilized. The Company will continue taking proper control of various costs and improving business performances for the maximization of shareholders' equity.

#### 3. Analysis of Receipts and Expenditures

In 2023, the Company's operating revenue amounting to NT\$2,320,209 thousand, cost of operation amounting to NT\$1,580,464 thousand, gross profit amounting to NT\$739,745 thousand, operating expenses amounting to NT\$241,731 thousand, non-operating expenses amounting to NT\$ 27,478 thousand, and profit before income tax amounting to NT\$525,492 thousand. The income tax expenses amounted to NT\$104,700 thousand and net profit for the period in 2023 amounted to NT\$420,792 thousand.

#### 4. Analysis of Profitability

The company's 2023 profitability is considered robust and healthy.

Category	Item	2022	2023
Profitability (%)	Return on assets	9.06	11.48
	Return on shareholders' equity	12.22	15.16
	Pre-tax income to paid-in capital	56.95	72.38
	Profit ratio	15.17	18.14
	Earnings Per Share (NT\$)	4.56	5.80

## 5. Research and Development Work

R&D investment is a key indicator to enhance corporate competitiveness. In response to the development of high-value added products and the expansion of market territories, the Company continues to recruit professionals in R&D and quality management. A Quality Management Department was established in 2023 to implement quality awareness across all units, improve quality control processes such as development, production and traceability, thereby achieving comprehensive quality improvements, and ensuring product safety and effectiveness. In the future, we will strengthen both R&D and manufacturing, promote innovative application capabilities, upgrade production technology levels, and create differentiated advantages by increasing the potential value of products with professional certification. In 2023, the total number of projects developed by the R&D team is 1,009, including new product development proposals, existing product derivative proposals, improvement proposals, changes and new materials, accreditation relevant to mold making and evidence obtainment, among which 888 pieces have been completed, with the remaining projects still under development according to the progress.

### 【Business Plan】

#### 1. Business Policy

Since the establishment, PAHSCO has always been cautious and conscientious in laying a solid foundation in the field of medical materials by adhering to the commission of "Your health, Our mission." Based on the core of the implementation of quality management, we have devoted all the strength to providing better products and high-quality services that satisfy customer needs. In addition to actively expanding marketing channels and enhancing the visibility of our own brand "PAHSCO", we also continue to improve the production and sales management process, enhance the flexible production model, and build a friendly talent retention environment to create a solid and robust operating constitution.

#### 2. Sales Volume Forecast and the Basis

The COVID-19 pandemic has affected the supply and demand of the global medical equipment industry over the past few years. As countries gradually lift the state of emergency for the pandemic, the demand for various industrial fields of the medical equipment returns to pre-pandemic levels. However, the widespread spread of the pandemic has stimulated the medical equipment industry to accelerate its transformation. The growth of the aging population continues to support the steady expansion of the global medical equipment market. The Company is also actively seizing market opportunities by investing resources to enter the field of intelligent medical materials and deploy smart products.

#### 3. Important Production and Sales Policy

In addition to implementing lean production through the process improvement team, the Company has introduced a number of digital management tools, including customer relationship and production management systems, to construct a comprehensive marketing analysis and program planning process. At the same time, by optimizing the product portfolio, adjusting reasonable selling prices, improving production efficiency, and increasing the competitiveness of products to achieve good operating profit. In the future, we will diversify into different product fields and regions, continue to connect with international markets, and expand the sales of high-quality products.

【Company’s Future Development Strategy】

The global pandemic and the increasing elderly population have put a strain on healthcare resources. Countries are committed to using digital technology to develop precision medicine to improve medical efficiency and reduce the burden of national healthcare expenditure. PAHSCO continues to review the breach and gaps in the existing product line and evaluates suitable development targets, strengthens the clinical application level while dedicating itself to providing more complete product choices for front-line nursing staff, and improving nursing and caring efficiency and quality to ensure that all medical staff are properly protected during medical treatment. In addition to persisting in developing various kinds of disposable infection control products, the Company has also initiated the development project for smart medical devices, aiming to establish product differentiation and consolidate competitive advantages.

【The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions】

In the past, the medical devices industry mainly utilized mature technologies. In recent years, the advancement of innovative technologies has attracted competitors from industries such as ICT to join. Moreover, the impact of the pandemic has also driven the expansion of product applications, incorporating new demands for digitalization and precision. With the development of various medical products and service models, it brings about changes in relevant laws and regulations and regulatory standards, which directly affect the research and development and sales layout of medical supplies. In addition to the constant evolution of medical materials regulations, in response to recent global sustainability actions and national net zero emission targets, the Financial Supervisory Commission has issued sustainable development action plans for listed companies. Sustainability issues have become a focus of attention in all industries. PAHSCO has transformed sustainable development from a slogan into practice. In 2023, not only did we pass the external verification of the greenhouse gas inventory and sustainability report, but we also received the 7th Taiwan Mittleland Enterprise Award from the Ministry of Economic Affairs. This honor recognizes PAHSCO's long-term outstanding business performance, and it also highlights PAHSCO's corporate spirit of "focusing on its main business, deeply cultivating technology, and global deployment", and the benchmark status in industry leadership. In the ever-changing future, the Company will insist on being the backing of medical staff, a partner of our employees, and a backbone of society. On the path of sustainable management, we hope to create greater corporate value for the Company with all stakeholders.

Chairperson	An-Ting Chung	
General Manager	Tim Chiang	
Accounting Head	Yu-Shiu Huang	

February 26, 2024

## II. Company Profile

### 2.1 Date of Incorporation: August 6, 1977

### 2.2 Company History

Year	Milestones
1977	Registration for incorporation with authorized capital amounting to NT\$1 million. The principal business engagement was the manufacturing, processing and trading of different kinds of medical supplies
1985	Establishment of the supplies factory at Tongluo and started the production of rubber medical supplies
1987	Beginning the engineering of gases for medical use and the manufacturing and trading of related instrument and equipment
1992	Capitalization amounted to NT\$35,550 thousand, and proceeded to the upgrade of factory automation
2000	Capitalization amounted to NT\$156,310 thousand with the establishment of the Tongluo equipment plant
2001	<ol style="list-style-type: none"> <li>1. Approved by Securities and Futures Commission of Ministry of Finance for public offering of stocks</li> <li>2. The supplies plant at Tongluo was accredited with the ISO9001 and CE standard</li> <li>3. Capitalization of retained earnings amounting to NT\$35,690 thousand, with subsequent capitalization amounted to NT\$192,000 thousand</li> </ol>
2002	<ol style="list-style-type: none"> <li>1. Capitalization amounted to NT\$230,000 thousand</li> <li>2. The supplies plant at Tongluo was accredited with GMP standard, and the equipment plant at Tongluo was accredited with the ISO 9001 standard</li> <li>3. Applied for listing the stocks at the emerging stock market with Taipei Exchange</li> </ol>
2003	<ol style="list-style-type: none"> <li>1. The equipment plant at Tongluo was accredited with GMP standard and the UL standard</li> <li>2. Applied for listing the stocks at TPEX with Taipei Exchange</li> <li>3. Capitalization of retained earnings amounting to NT\$13,500 thousand, with subsequent paid-in capital amounting to NT\$243,500 thousand after the capitalization</li> </ol>
2004	<ol style="list-style-type: none"> <li>1. The stocks listed at TPEX for trading</li> <li>2. Offering the 1st issue of domestic unsecured convertible bonds</li> <li>3. Capitalization of retained earnings and employee bonus amounting to NT\$36,300 thousand, with subsequent capitalization amounted to NT\$279,800 thousand</li> <li>4. Conversion of ESO into common shares amounting to NT\$8,374 thousand in 2004 and conversion of convertible bonds into new shares amounting to NT\$13,141 thousand. The paid-in capital amounted to NT\$301,315 thousand after the conversion</li> </ol>
2005	<ol style="list-style-type: none"> <li>1. The new production building at Tongluo supplies plant was completed and opened to service</li> <li>2. Capitalization of additional paid-in capital amounting to NT\$7,488 thousand in 2005. The paid-in capital amounted to NT\$308,803 thousand after the capitalization</li> <li>3. Conversion of ESO in 2005 into common shares amounting to NT\$9,179 thousand and conversion of convertible bonds into common shares amounting to NT\$73,077 thousand, with subsequent paid-in capital amounting to NT\$391,059 thousand after the conversion</li> </ol>
2006	<ol style="list-style-type: none"> <li>1. The conversion of ESO into common shares amounting to NT\$2,987 thousand in Q1 2006. The paid-in capital amounted to NT\$394,046 thousand after the conversion</li> <li>2. Cancellation of treasury shares amounting to NT\$18,000 thousand for the 1st time in 2006. The paid-in capital of the Company amounted to NT\$376,046 thousand after the cancellation</li> <li>3. Conversion of ESO into common shares amounting to NT\$8,361 thousand and conversion of convertible bonds amounting to NT\$30,023 thousand in Q3 &amp; Q4 2006. The paid-in capital amounted to NT\$414,431 thousand after the conversion</li> <li>4. The 1st issue of domestic unsecured convertible bonds ceased to be traded at TPEX</li> </ol>
2007	<ol style="list-style-type: none"> <li>1. The conversion of ESO into common shares amounting to NT\$3,723 thousand with paid-in capital amounted to NT\$418,153 thousand after the conversion</li> <li>2. The automated warehousing system at Tongluo supplies plant launched to service in June</li> </ol>
2008	<ol style="list-style-type: none"> <li>1. The conversion of ESO into common shares amounting to NT\$136 thousand with paid-in capital amounted to NT\$418,289 thousand after the conversion</li> <li>2. Capitalization of retained earnings and employee bonus amounting to NT\$61,711 thousand, with subsequent paid-in capital amounting to NT\$480,000 thousand</li> <li>3. Offering of the 2nd issue of domestic unsecured convertible bonds</li> </ol>
2009	<ol style="list-style-type: none"> <li>1. Ranked among the Top 10 of Grade A+ in the 6th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> <li>2. Conversion of convertible bonds into common shares amounting to NT\$28,933 thousand in the first 3 quarters. The paid-in capital amounted to NT\$508,933 thousand after the conversion</li> <li>3. Capitalization of retained earnings amounting to NT\$34,533 thousand with paid-in capital amounted to NT\$543,466 thousand after the capitalization</li> <li>4. Conversion of convertible bonds into common shares amounting to NT\$64,514 thousand in Q4. The paid-in capital amounted to NT\$607,980 thousand after the conversion</li> <li>5. The completion of Phase I of Tongluo Plant 1 and automated warehousing</li> </ol>



Year	Milestones
2010	<ol style="list-style-type: none"> <li>1. Conversion of convertible bonds into new shares in the first 2 quarters amounting to NT\$5,825 thousand, with subsequent paid-in capital amounting to NT\$613,086 thousand after the conversion</li> <li>2. Full conversion of shares into the depository system for replacement of physical certificates in April 29 2010</li> <li>3. Refund of investment amounted to NT\$122,761 thousand in decapitalization. The paid-in capital after the decapitalization amounted to NT\$491,045 thousand</li> <li>4. Capitalizations of additional paid-in capital amounting to NT\$48,648 thousand. The paid-in capital after the capitalization amounted to NT\$539,693 thousand</li> <li>5. Procurement of the lands and building for Tongluo Plant 3</li> <li>6. Ranked among the Top 10 of Grade A+ in the 7th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> </ol>
2011	<ol style="list-style-type: none"> <li>1. Ranked among the Top 10 of Grade A+ in the 8th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> <li>2. Capitalization of retained earnings amounting to NT\$60,445 thousand, with subsequent paid-in capital amounting to NT\$600,138 thousand after the capitalization.</li> <li>3. "Curtain-type medical gas cabinet" products won the 2011 Taiwan Golden Point Design Award for product design category label</li> </ol>
2012	<ol style="list-style-type: none"> <li>1. Ranked among the Top 10 of Grade A++ in the 9th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> <li>2. Capitalization of retained earnings amounting to NT\$60,014 thousand, with subsequent paid-in capital amounting to NT\$660,152 thousand after the capitalization</li> </ol>
2013	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5 of Grade A++ in the 10th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> <li>2. Establishment of subsidiary "Pacific Precision Technology Co., Ltd."</li> <li>3. Ranked by the Common Wealth Magazine at the 25th place in the Survey of the Top 2000 Manufacturing Enterprises in Taiwan in 2013</li> <li>4. Ranked among the TOP 500 Enterprises of Taiwan by China Credit Information Services, and at the 518th place in overall performance and 248th place in manufacturing performance</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. Accredited with the CG6009 corporate governance system evaluation</li> <li>2. Ranked among the Top 5 of Grade A++ in the 11th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> <li>3. The Hsinchu Science-Based Industrial Park Administration approved the company to establish the "Pacific Hospital Supply Co., Ltd. Tongke Branch" at Miaoli Science-Based Industrial Park</li> <li>4. The soil breaking for the construction of the plant for Science Park Branch</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 1st Corporate Governance Evaluation</li> <li>2. Ranked at Grade A++ in the 12th Information Disclosure of TWSE Listed and TPEX Listed Companies Evaluation</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 2nd Corporate Governance Evaluation</li> <li>2. Cited as a Green Purchase Enterprise by Executive Yuan Environmental Protection Administration in 2015</li> <li>3. Accredited to ISO 14001 Environmental Management System</li> <li>4. Completion of the Science Park Plant</li> <li>5. Purchase of the office space in Kaohsiung</li> </ol>
2017	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 3rd Corporate Governance Evaluation</li> <li>2. Cited as a Green Purchase Enterprise by Executive Yuan Environmental Protection Administration in 2016</li> <li>3. Accredited to the Badge of Healthy Workplace in 2017</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 4th Corporate Governance Evaluation</li> <li>2. Presented the 2017 Outstanding Performance of Private Enterprises and Organizations in Green Purchase by the Environmental Protection Bureau of Miaoli County Government</li> <li>3. Short-form merger with subsidiary "Pacific Precision Technology Co., Ltd."</li> <li>4. Accredited to ISO13485:2016 for Medical device-Quality management system-requirements for regulatory</li> </ol>
2019	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 5th Corporate Governance Evaluation</li> <li>2. Presented the 2018 Outstanding Performance of Private Enterprises and Organizations in Green Purchase by the Environmental Protection Bureau of Miaoli County Government</li> <li>3. Establishment of subsidiary "Pacific Hospital Supply (Changzhou) Co., Ltd."</li> <li>4. Accredited to ISO45001:2018 Occupational Health and Safety Management Systems</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 6th Corporate Governance Evaluation</li> <li>2. Presented the 2019 Outstanding Performance of Private Enterprises and Organizations in Green Purchase by the Environmental Protection Bureau of Miaoli County Government</li> <li>3. Capital surplus NT\$65,848 thousand transferred to capital. The paid-in capital amounted to NT\$726,000 thousand after the capitalization</li> </ol>
2021	<ol style="list-style-type: none"> <li>1. Relocation of headquarters to Tongluo Science Park</li> <li>2. Ranked among the Top 5% in the 7th Corporate Governance Evaluation</li> <li>3. Awarded the 18th Taiwan Golden Root Award</li> <li>4. Awarded the HPA 2021 Outstanding Health Workplace - Maternal Health Friendly Award</li> <li>5. Obtained EU MDR CE Certification</li> </ol>

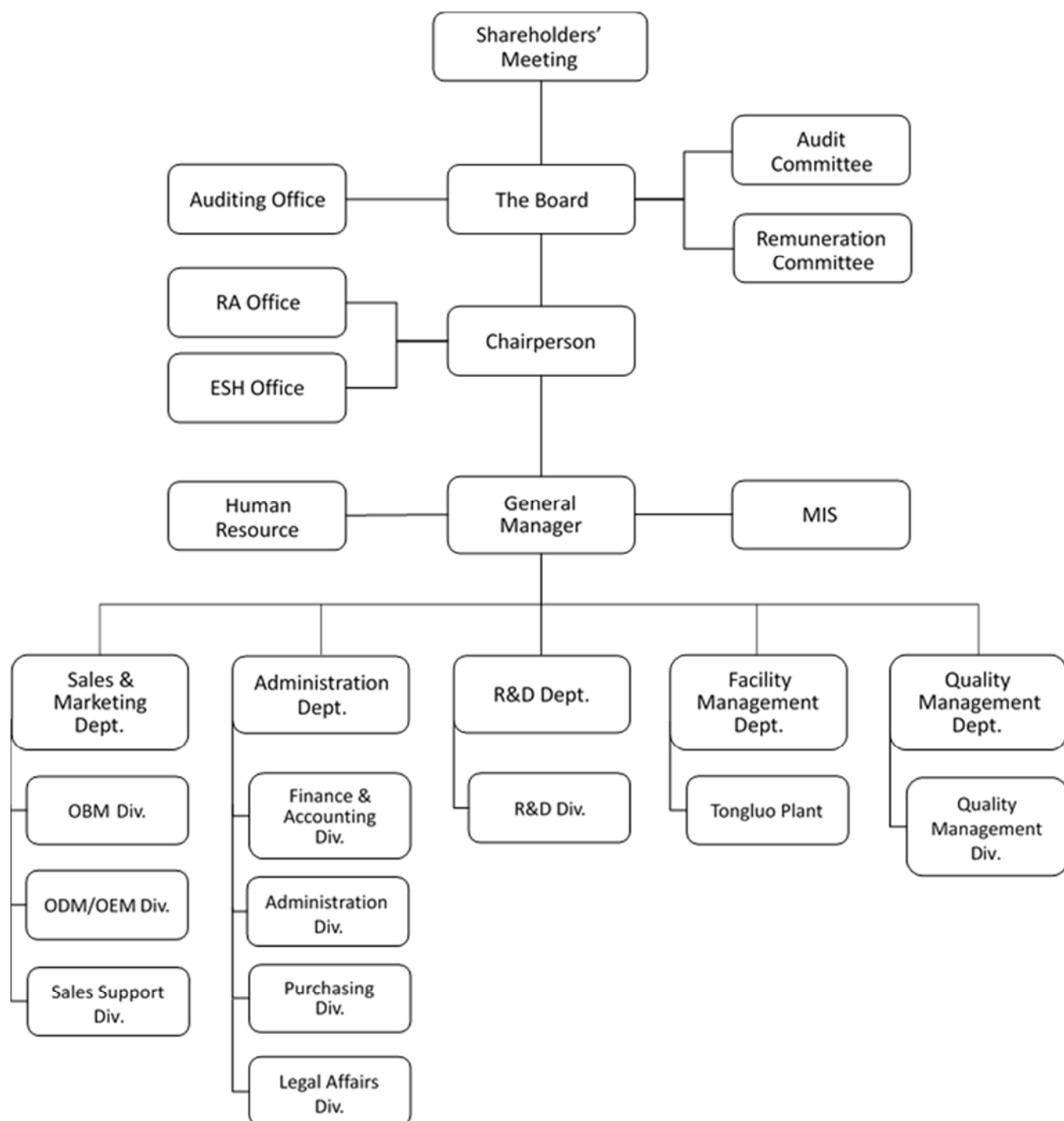
Year	Milestones
2022	<ol style="list-style-type: none"> <li>1. Ranked among the Top 5% in the 8th Corporate Governance Evaluation</li> <li>2. Awarded the Nomination Award of the 4th National Enterprise Environmental Protection Awards</li> </ol>
2023	<ol style="list-style-type: none"> <li>1. Received the 7th Taiwan Mittelstand Award</li> <li>2. Received the first age-friendly enterprise certification by Taipei City</li> <li>3. Ranked among 6%-20% in the 9th Corporate Governance Evaluation</li> </ol>

2.3 In 2023 as well as the current fiscal year up to the date of publication of the annual report, the Company had no merger and acquisition activities; strategic investments in affiliated enterprises; corporate reorganization; instances in which a major quantity of shares belonging to directors or shareholders holding greater than a 10 percent stake in the Company is transferred or otherwise changes hands; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity.

### III. Corporate Governance Report

#### 3.1 Organization System

##### 3.1.1 Organizational Structure



### 3.1.2 Tasks of Principal Departments

Department	Functions
Chairperson's Office	<ul style="list-style-type: none"> <li>◆ Design the corporate goal and strategy and assure the attainment of the goal</li> </ul>
General Manager's Office	<ul style="list-style-type: none"> <li>◆ Project planning and supervision</li> <li>◆ Supervision of operation and planning for related policies for decision-making</li> <li>◆ The planning and study on the corporate strategy in the mid to long-term</li> </ul>
Auditing Office	<ul style="list-style-type: none"> <li>◆ The establishment, revision and review of the internal audit system</li> <li>◆ Execution of the internal audits of the Company</li> <li>◆ Review and evaluation the internal control system of the Company for assurance of integrity and effectiveness</li> </ul>
RA Office	<ul style="list-style-type: none"> <li>◆ Application for permission of selling medical devices at home and abroad</li> <li>◆ Registration of changes and extension in product permits</li> <li>◆ Supervision and execution of product quality accreditation procedure</li> <li>◆ Gathering of information and consultation of applicable laws and standards in other countries</li> <li>◆ Application and maintenance of patent registration</li> </ul>
ESH Office	<ul style="list-style-type: none"> <li>◆ Design, plan, supervise and implement occupational safety and health, environmental protection, and fire safety management of the Company</li> <li>◆ Planning of labor health examination, healthcare and management of medical room (breast feeding room)</li> <li>◆ Assistance to related functional departments to implement health and safety in compliance with applicable laws</li> <li>◆ Establishment of the occupational disaster prevention plan and self-examination plan, emergency response plan, and supervision of related departments in the implementation of the plans</li> </ul>
MIS	<ul style="list-style-type: none"> <li>◆ Planning and management of information development and security</li> <li>◆ The planning and maintenance of information equipment and Internet system, and proceeding to digitization in operation</li> <li>◆ Enforcement of the rules and regulations governing electronic data storage</li> </ul>
Human Resource	<ul style="list-style-type: none"> <li>◆ Human resources management, organizational development and employee care</li> <li>◆ Establishment of the systems for recruitment of talents, learning and development, performance management, payroll management, and fringe benefits</li> </ul>
R&D Div.	<ul style="list-style-type: none"> <li>◆ The assessment, planning, simulation, and execution of new products, new materials, new processing technologies, and new inspection technologies</li> <li>◆ The assessment, planning, simulation, and execution of production lines related production technology, production equipment, and the materials</li> <li>◆ The planning and execution of the control of project design, review, verification, validation and change</li> <li>◆ Operating and maintaining of Innovation Lab, ensuring effectiveness of Laboratory Management System, independent stipulation for tests of accreditation items and signing and issuing reports</li> <li>◆ The establishment, update, maintenance, and nullification and retention of technical data</li> </ul>
Tongluo Plant	<ul style="list-style-type: none"> <li>◆ Manufacturing of medical supplies &amp; devices and construction of medical gas system</li> <li>◆ Planning and establishment of quality system</li> <li>◆ Planning and execution of production management and production quality inspection</li> <li>◆ Inventory Planning and Execution</li> </ul>
Quality Management Div.	<ul style="list-style-type: none"> <li>◆ Responsible for and ensure the effectiveness of establishment, implementation, and maintenance of the quality system</li> <li>◆ Responsible for and ensure the planning and execution of quality system audit procedures</li> <li>◆ Responsible for and ensure the planning and execution of quality system verification</li> </ul>
Purchasing Div.	<ul style="list-style-type: none"> <li>◆ The planning and execution of procurement management and supplier management</li> <li>◆ The coordination between the plant and the suppliers in delivery deadline and quality status</li> <li>◆ The procurement and management of tooling</li> </ul>

Department	Functions
Administration Div.	<ul style="list-style-type: none"> <li>◆ The planning and execution of general administrative affairs</li> <li>◆ Assisting in the collection and record keeping of the management review meeting minutes</li> </ul>
Finance & Accounting Div.	<ul style="list-style-type: none"> <li>◆ Cash budgeting, cashier service and wealth management of the Company</li> <li>◆ The design of the accounting system and tax planning</li> <li>◆ The review and custody of bookkeeping documents, registration of assets</li> <li>◆ Cost analysis, accounting and statistics, supply of timely accounting information and financial planning to the management as reference for corporate strategy</li> </ul>
Legal Affairs Div.	<ul style="list-style-type: none"> <li>◆ The planning and execution of legal affairs</li> <li>◆ The planning and execution of trademark application and maintenance</li> <li>◆ Stock affairs</li> <li>◆ The planning and implementation of the corporate governance system and corporate sustainability policies</li> </ul>
OBM Div.	<ul style="list-style-type: none"> <li>◆ The planning and execution of marketing of medical supplies, regulators, and medical equipment systems in areas of OBM</li> <li>◆ Customer credit information, accounting and collection of receivables, customer service and customer complaints processing</li> <li>◆ Reporting and follow-up with customer complaints on products</li> </ul>
ODM/OEM Div.	<ul style="list-style-type: none"> <li>◆ The planning and execution of marketing of medical supplies and regulators in areas of ODM/OEM</li> <li>◆ Customer credit information, accounting and collection of receivables, customer service and customer complaints processing</li> <li>◆ Reporting and follow-up with customer complaints on products</li> </ul>
Sales Support Div.	<ul style="list-style-type: none"> <li>◆ The implementation of shipping and customs declaration operations</li> <li>◆ The planning and maintenance operation of the company's visual design and website</li> </ul>

## 3.2 Directors and Management Team

### 3.2.1 Directors

As of February 29, 2024

Title (Note 1)	Nationality/ Country of Origin	Name	Gender / Age	Date Elected (Taking Office)	Term (Years)	Date First Taking Office (Note 2)	Shareholding when Elected (Note 4)		Current Shareholding (Note 4)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Major Experiences (Note 3)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	R.O.C.	An-Ting Chung	F 40-49	Jul.1, 2022	3	Jul. 1, 2007	4,709,678	6.49%	4,709,678	6.49%	0	0.00%	776,829	1.07%	B.Com., University of Auckland General Manager of Pacific Hospital Supply Co., Ltd. Vice President of Master King Corporation Vice President of Apac Machinery Co., Ltd.	Regulatory Affairs Supervisor of Pacific Hospital Supply Co., Ltd. Chairperson of AWA Investment Ltd.	General Manager	Tim Chiang	Spouse	(Note 5)
Director	R.O.C.	Yi De Co., Ltd.	-	Jul.1, 2022	3	Jul.1, 2022	4,047,000	5.57%	4,047,000	5.57%	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Stanley Chen	M 40-49	Oct. 7, 2022	3	Oct. 7, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	B.S.A., National Chengchi University Audit Manager of Deloitte Financial Manager of Control Technology Co., Ltd	Accounting and Financial Officer of Catcher Technology Co., Ltd. Director of Bioteque Corporation	None	None	None	The representative was replaced on Oct. 7, 2022
Director	R.O.C.	Yi Sheng Co., Ltd.	-	Jul.1, 2022	3	Jul.1, 2022	3,254,000	4.48%	3,254,000	4.48%	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Tim Chiang	M 40-49	Jul.1, 2022	3	Jul.1, 2022	0	0.00%	0	0.00%	4,709,678	6.49%	0	0.00%	B.Com., University of Auckland Spokesman and Senior Manager of Administration Dept. of Pacific Hospital Supply Co., Ltd.	General Manager of Pacific Hospital Supply Co., Ltd.	Chairperson	An-Ting Chung	Spouse	(Note 5)
Independent Director	R.O.C.	Vance Chin	M 70-79	Jul.1, 2022	3	Jul.1, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.B.A., Saint Mary's University President and Managing Director of China Bills Finance Corporation Deputy President of Industrial Bank of Taiwan	Independent Director of Bioteque Corporation	None	None	None	None
Independent Director	R.O.C.	Adrian Chang	M 50-59	Jul.1, 2022	3	Jul.1, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.B.A., National Taiwan University Adjunct Associate Professor of National Yang-Ming University VP and GM of Healthcare Business Group of BenQ Materials VP and GM of Mobile Products Group of Qisda Corporation	Adjunct Associate Professor of National Taipei University of Education Independent Director of Thai Kin Co., Ltd. Independent Director of M- Power Information Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Zhi-Jun Zhan	M 40-49	Jul.1, 2022	3	Jul.1, 2013	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.S., National Cheng Kung University Executive Specialist of Engineer of National Chung-Shan Institute of Science & Technology	Chairman of Medical Intubation Technology Corp.	None	None	None	None
Independent Director	R.O.C.	Cherie Lin	F 40-49	Jul.1, 2022	3	Jul.1, 2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Business Education, New York University Information Manager, Business Development Manager and Marketing Manager of General Biologicals Corporation	Vice President of General Biologicals Corporation	None	None	None	None

Note 1: Institutional shareholders should list out the name of the institution and the names of the representatives separately (for representatives of institutional shareholders, specify the name of the institutional shareholders), and fill in Table 1 below.

Note 2: Put down the date on which the directors assumed office in PAHSCO for the first time. Explain if there was interruption. Independent Director Zhi-Jun Zhan served as the Company's director from July 1, 2013 to June 30, 2016.

Note 3: Experience related to current position. If the person has been working with the CPA firm retained for audit services or its affiliates in the aforementioned period, explain the title and the assigned duties: None.

Note 4: At the time of the election in the 2022 Shareholders Meeting and as of February 29, 2024, the Company has 72,600,000 outstanding shares.

Note 5: If the Chairperson of the company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st degree of kinship, it is necessary to explain the reason, rationality, necessity, and corresponding measure (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information: For the operational needs and the company's long-term development and vision, the board of directors has appointed the former assistant manager of the administration department, Tim Chiang, as the general manager since 2022. His job responsibilities mainly include the decision implementation and operation of our company, which can clearly differentiate the duties of the chairperson and general manager and strengthen the balance function of supervision the directors. For the time being, there is no such thing as more than half of the directors of the company concurrently serving as employees or managers, and after the election of the 2022 shareholders meeting, the number of independent directors has exceeded half of all directors, ensuring the independence of the board of directors while put into effect corporate governance.

Table 1: Major Shareholders of the Institutional Shareholders

February 29, 2024

Name of Institutional Shareholders (Note 1)	Major Shareholders of the Institutional Shareholders (Note 2)
Yi De Co., Ltd.	Catcher Technology Co., Ltd. (100%)
Yi Sheng Co., Ltd.	Catcher Technology Co., Ltd. (100%)

Note 1: For directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders.

Note 2: This section shall indicate the names of institutional shareholders' 10 largest shareholders and the holding percentage of each. If any of those 10 largest shareholders is a juridical person, shall further fill in Table 2.

Note 3: If the institutional shareholder is not a corporate organization, the name of the shareholder and the percentage of shareholding disclosed in the aforesaid shall be the name of the contributor or donor (please refer to the announcement of the Judicial Yuan) and the percentage of contribution or donation. If the donor is deceased, a note of "deceased" shall be added.

Table 2: Major Shareholders of the Institutional Shareholders in Table 1

July 6, 2023

Name of Juridical Persons (Note 1)	Major Shareholders of the Juridical Persons (Note 2)
Catcher Technology Co., Ltd.	Taishin International Bank Co., Ltd. is entrusted with the Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Special Account for the Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund (5.28%), Yuanta/P-shares Taiwan Dividend Plus ETF (3.89%), Cathay Life Insurance Co., Ltd. (3.45%), Kai Li Investment Co., Ltd. (2.74%), Su-Mei Kuo (2.26%), Chen-Mei Lin (2.12%), Tien-Szu Hung (1.57%), YungYu Investment Co., Ltd. (1.51%), Citibank Taiwan acting as the custodian of the investment account of the Singapore government (1.40%) and Vanguard Emerging Markets Stock Index Fund under custody of JP Morgan Chase Bank N.A. Taipei Branch (1.37%)

Note 1: If any of those major shareholders in Table 1 is a juridical person, this section shall indicate the names of the juridical persons.

Note 2: This section shall indicate the names of juridical persons' 10 largest shareholders and the holding percentage of each.

Note 3: If the institutional shareholder is not a corporate organization, the name of the shareholder and the percentage of shareholding disclosed in the aforesaid shall be the name of the contributor or donor (please refer to the announcement of the Judicial Yuan) and the percentage of contribution or donation. If the donor is deceased, a note of "deceased" shall be added.

### 3.2.2 Information on the company's directors

#### 1. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Requirements Name	Professional Qualifications and Experience (Note 1)	Independent Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
An-Ting Chung (Chairperson)	Served as the sales manager and general manager of the Company, with professional capabilities such as operational judgment, business management, leadership decision-making, and crisis management, and has accumulated years of industry-related knowledge and experience in international marketing.	A natural person shareholder has more than 1% shareholdings and ranks in the top 10 in shareholding percentage. The general manager's spouse.	0
Stanley Chen (Director)	Qualified accountant, and has more than 5 years of financial executive experience of listed companies, with professional capabilities in accounting, auditing, financial planning, and financial analysis.	Representative of the company's institutional shareholder.	0

Requirements Name	Professional Qualifications and Experience (Note 1)	Independent Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tim Chiang (Director)	Served as the executive assistant of the company and the senior manager of the administration department. He is familiar with the company's marketing business and administrative management and has practical experience in sales management such as operation management and marketing.	The general manager of the company and the representative of the institutional shareholder. The chairperson's spouse.	0
Vance Chin (Independent Director)	Certified valuation analyst for enterprise and intangible asset. He used to be the director of China Bills Finance Corporation (CBF) and the department head of many domestic banks and enterprises. He has practical experience in enterprise operation management and financial investment, and specializes in financial management, asset evaluation and risk evaluation. As the convener of the company's audit committee, he does not involve with anything mentioned in Article 30 of the Company Act.	Since July 2022, he has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	1
Adrian Chang (Independent Director)	Used to be the general manager of the business group of Qisda and BenQ-related companies, and an associate professor in public and private universities. He has experience in the management of international companies and biotechnology and medical businesses, and specializes in brand marketing, cultural and creative management, and corporate innovation. He does not involve with anything mentioned in Article 30 of the Company Act.	Since July 2022, he has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	2
Zhi-Jun Zhan (Independent Director)	Served as the responsible person of Mitcorp, a Taiwanese industrial endoscope manufacturer, specializing in mechanical engineering, technology research and development, and product design innovation. He is the convener of the company's remuneration committee and does not involve with anything mentioned in Article 30 of the Company Act.	Since July 2022, he has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Cherie Lin (Independent Director)	Served as the vice president of General Biologicals Corporation, a manufacturer of testing reagents in Taiwan. She has many years of experience in the management of market development and marketing departments and specializes in medical care and digital medical services. She does not involve with anything mentioned in Article 30 of the Company Act.	Since July 2022, she has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

Note 1: Professional Qualifications and Experience: The professional qualifications and experience of the individual directors and supervisors shall be described. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience shall be described, and whether they have any of the circumstances described in Article 30 of the Company Act.

Note2: The independent director shall state the circumstances that qualify him/her to be independent, including but not limited to whether he/she, his/her spouse or relatives within the second degree are directors, supervisors or employees of the Company or its affiliates; the number and proportion of shares held by him/her, his/her spouse or relatives within the second degree (or using the names of others); whether he/she is a director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 3, Paragraphs 1, Sub-Paragraphs 5 to 8 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies); and the amount of remuneration received for the provision of business, legal, financial and accounting services to the Company or its affiliates in the last two years.



## 2. Diversity and Independence of the Board Members

- (1) Diversity of the Board of Directors: Describe the Board's diversity policy, objectives and achievements. The Diversity Policy includes, but is not limited to, the criteria for selection of directors, the professional qualifications and experience, gender, age, nationality and culture of the Board of Directors, and the composition or proportion of the Board of Directors, and describes the Company's specific objectives and their achievement in relation to the foregoing policy.

According to the "Corporate Governance Best-Practice Principles" of the Company, the composition of the board of directors shall implement the diversification policy to meet the Company's operating style and development needs, aside from requiring professional background (such as accounting, industry, finance, marketing, etc.) and special skills (such as marketing ability, operational judgment ability, accounting and financial analysis ability, management ability, industry knowledge, international market outlook, leadership ability, etc.), we also take into account the diverse background, regardless of gender, age, nationality and culture in the hope of promoting the operation of the board of directors through the diverse perspectives and fulfilling the supervisory role of the board of directors. The Company elected all directors at the 2022 annual shareholders meeting. The average age of the current 7 directors is 51 years old, of which 5 directors are between 40 to 49 years old, 1 director is between 50 to 59 years old, and 1 director is over 70 years old, spanning different age groups. The proportion of female directors is 29%, which is higher than the average proportion of listed companies. In response to the gender equality policy promoted by the Financial Supervisory Commission, the goal of female director seats is set to be more than 1/3. When nominating director candidates in the future, professional experience, qualifications and the principle of gender equality will also be the primary considerations.

- (2) Independence of the Board of Directors: Specify the number and proportion of independent directors, and state that the board of directors is independent, and state whether there are no circumstances specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, including a description of spousal and second degree of kinship relationships between directors, supervisors, or directors and supervisors.

Among the seven directors, two directors are spouses, and there is no circumstance such as that of stipulated in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. To strengthen the supervisory function of the board of directors, the number of independent directors has increased by 1 person compared with the previous term. There are 4 independent directors in office, accounting for 57% of the total. Furthermore, all four independent directors have not served as independent directors for three consecutive terms or more to maintain the independence of the board.

### 3.2.3 Information Regarding General Manager, Vice President, Senior Managers, and Chiefs of Divisions and Branch Units:

Date of Shareholding: February 29, 2024

Title (Note 1)	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Major Experiences (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Notes
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson & RA Supervisor	R.O.C.	An-Ting Chung	F	Apr. 9, 2020	4,709,678	6.49%	0	0.00%	776,829	1.07%	B.Com., University of Auckland General Manager of Pacific Hospital Supply Co., Ltd. Vice President of Master King Corporation Vice President of Apac Machinery Co., Ltd.	Chairperson of AWA Investment Ltd.	General Manager	Tim Chiang	Spouse	(Note 3)
General Manager	R.O.C.	Tim Chiang	M	Jan. 1, 2022	0	0.00%	4,709,678	6.49%	0	0.00%	B.Com., University of Auckland Executive Assistant, Spokesman, and Senior Manager of Administration Dept. of Pacific Hospital Supply Co., Ltd.	None	Chairperson	An-Ting Chung	Spouse	(Note 3)
Vice President of Manufacture Dept.	R.O.C.	Chin-Hui Liao	M	Jul. 4, 1984	47,510	0.07%	2,782	0.00%	0	0.00%	Graduated from Dept. of Mechanical Engineering, Chung Hwa Senior High School Section Manage of Yung Yu Cheng Plastics Co., Ltd.	None	None	None	None	None
Senior Director of ODM/OEM Div.	R.O.C.	Li-Mei Chen	F	Jul. 1, 2010	197	0.00%	0	0.00%	0	0.00%	Graduated from Dept. of Business Management, Ming Chuan College of Business Manager of Chief Up International Corp.	None	None	None	None	None
Director of GM office	R.O.C.	Hsuan-Chiao Ho	M	Feb. 1, 2024	0	0.00%	0	0.00%	0	0.00%	M.Des. of Tatung University R&D Manager of Gentec Shanghai Corporation R&D Assistant Manager of Pacific Hospital Supply Co., Ltd.	None	None	None	None	None
Senior Financial Manager	R.O.C.	Yu-Hsiu Huang	F	Aug. 23, 2011	9,897	0.01%	0	0.00%	0	0.00%	B. A., Dept. of Economics, Tamkang University Accountant of Delpha Construction Co., Ltd.	None	None	None	None	None
Spokesperson & Special Assistant	R.O.C.	Tina Wang	F	Jun. 10, 2015	0	0.00%	0	0.00%	0	0.00%	MBA, Purdue University Executive Assistant of the Hilton Hotel Executive Secretary of Air Sea Group Executive Assistant of Universal Investment Consulting	None	None	None	None	None

Note 1: The profiles of the general manager, vice presidents, assistant vice presidents, and heads of the departments and branches should be included. The position equivalent to president, vice presidents, assistant vice presidents, and heads of the departments and branches should also be disclosed irrespective of the title. Chin-Hui Liao and Yu-Hsiu Huang were promoted to Vice President of Manufacture Dept. and Senior Financial Manager respectively, on January 26, 2024.

Note 2: Experience related to current position. Specify the title and the duties if working with the CPA office retained by the Company or its affiliates in the aforementioned period.

Note 3: If the Chairperson of the company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other, such as, spouse or the relative in the 1st degree of kinship, it is necessary to explain the reason, rationality, necessity, and corresponding measure (such as, increasing the number of independent directors, and there should be more than half of the directors who are not an employee or managerial officer, etc.) related information: For the operational needs and the company's long-term development and vision, the board of directors has appointed the former assistant manager of the administration department, Tim Chiang, as the general manager since 2022. His job responsibilities mainly include the decision implementation and operation of our company, which can clearly differentiate the duties of the chairperson and general manager and strengthen the balance function of supervision the directors. For the time being, there is no such thing as more than half of the directors of the company concurrently serving as employees or managers, and after the election of the 2022 shareholders meeting, the number of independent directors has exceeded half of all directors, ensuring the independence of the board of directors while put into effect corporate governance.

Note4: As of February 29, 2024, the Company has 72,600,000 outstanding shares.

### 3.2.4 Remuneration of Directors, General Manager, and Vice President

#### 1. Remuneration of Directors and Independent Directors

Unit: NT\$ thousand, as of December 31, 2023

Title	Name (Note 1)	Remuneration								Ratio and Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)				Relevant Remuneration Received by Directors Who are Also Employees								Ratio and Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 8)				Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary or from Parent Company (Note 9)
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B) (Note 10)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)						Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F) (Note 11)		Employee Compensation (G) (Note 6)								
		The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company		All companies in the consolidated financial statements (Note 7)		The company	All companies in the consolidated financial statements (Note 7)	The company	All companies in the consolidated financial statements (Note 7)	The company		All companies in the consolidated financial statements (Note 7)						
										Total	%	Total	%					Total	%	Total	%	Total	%	Total	%	
Chairperson	An-Ting Chung	0	0	0	0	800	800	40	40	840	0.20%	840	0.20%	11,765	11,765	108	108	800	0	800	0	13,513	3.21%	13,513	3.21%	None
Director	Yi De Co., Ltd.	0	0	0	0	320	320	30	30	350	0.08%	350	0.08%	0	0	0	0	0	0	0	0	350	0.08%	350	0.08%	None
	Rep.: Stanley Chen	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	None
Director	Yi Sheng Co., Ltd.	0	0	0	0	320	320	0	0	320	0.08%	320	0.08%	0	0	0	0	0	0	0	0	320	0.08%	320	0.08%	None
	Rep.: Tim Chiang	0	0	0	0	0	0	40	40	40	0.01%	40	0.01%	6,071	6,071	108	108	2,200	0	2,200	0	8,419	2.00%	8,419	2.00%	None
Independent Director	Vance Chin	0	0	0	0	640	640	40	40	680	0.16%	680	0.16%	0	0	0	0	0	0	0	0	680	0.16%	680	0.16%	None
Independent Director	Adrian Chang	0	0	0	0	640	640	40	40	680	0.16%	680	0.16%	0	0	0	0	0	0	0	0	680	0.16%	680	0.16%	None
Independent Director	Zhi-Jun Zhan	0	0	0	0	800	800	40	40	840	0.20%	840	0.20%	0	0	0	0	0	0	0	0	840	0.20%	840	0.20%	None
Independent Director	Cherie Lin	0	0	0	0	480	480	35	35	515	0.12%	515	0.12%	0	0	0	0	0	0	0	0	515	0.12%	515	0.12%	None

1. Please state the policy, system, standards, and structure of independent directors' remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, and other factors: According to the Company's Articles of Incorporation, the board of directors is authorized to determine the directors' remuneration or transportation expenses according to their participation in the Company's operations and the value of their contributions; also, by referring to the payment level of the industry. Moreover, according to the provisions of the "Rules Governing the Scope of Powers of Independent Directors," different but reasonable remuneration from that of other directors may be set forth for the independent directors. The Company's independent directors are also members of the functional committees who need to devote more time and energy than the general directors to the committees; therefore, more weights of compensation is distributed to the independent directors according to the "Regulations for Remuneration of Directors, Functional Committee Members and Managerial Officers."

2. Other than disclosure in the above table, directors' remunerations earned by providing services (e.g. providing consulting services as a non-employee) to PAHSCO and all consolidated entities in the most recent financial statements: None.

Note 1: The directors (including independent directors) listed in the table serve until June 30, 2025.

Note 2: This is the base compensation to the Directors in 2023 (including the salaries, occupational subsidy, severance payment, different bonuses and rewards): The Company has no payment under this title.

Note 3: The amount of 2023 compensation planned to pay to the Directors as resolved by the Board.

Note 4: The allowances of 2023 to the Directors for rendering business service: including transportation allowance, no payment for any other items.

Note 5: The salaries, occupational subsidies, different bonuses and company car received by the Directors in 2023 in the capacity as employees of the Company (including the positions of General Manager, Vice Presidents, other managers and employees).

Note 6: This refers to the compensation (including cash and stock) to the Directors who were also employees in 2023 (including the positions of General Manager, Vice Presidents, other managers and employees) estimated in proportion to the actual amount paid in 2022.

Note 7: Disclose the total amount of remuneration paid to the Directors of the Company by all companies included in the financial statements (including the Company).

Note 8: Net income refers to the net income presented in the individual financial statements in 2023.

Note 9: Fill in the amount of remuneration to the Directors from other investee companies other than the subsidiary or from parent company.

Note 10: Pension contained in the remuneration to the Directors of the Company: The Company has no payment under this title.

Note 11: Pension contained in the remuneration to the Directors who are also employees of the Company: The amount is the actual payment to Directors of the Company who performed the duties as employees at the same time in 2023.

## 2. Remuneration of the General Manager and Vice President

Unit: NT\$ thousand, as of December 31, 2023

Title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B) (Note 8)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio and total compensation (A+B+C+D) to net income (%) (Note 6)				Compensation paid to the General Manager and Vice President from an Invested Company Other Than the Company's Subsidiary or from Parent Company (Note 7)
		The company	All companies in the consolidated financial statements (Note 5)	The company	All companies in the consolidated financial statements (Note 5)	The company	All companies in the consolidated financial statements (Note 5)	The company		All companies in the consolidated financial statements (Note 5)		The company		All companies in the consolidated financial statements (Note 5)		
								Cash	Stock	Cash	Stock	Total	%	Total	%	
General Manager	Tim Chiang	6,071	6,071	108	108	0	0	2,200	0	2,200	0	8,379	1.99%	8,379	1.99%	None

Note 1: The name of General Manager and the name of Vice Presidents should be listed separately with the amount paid disclosed individually.

Note 2: Fill in the salaries of the General Manager in 2023.

Note 3: Fill in the remuneration amount of bonuses, rewards, transportation allowance, special allowance, various types of allowance, and the provision of housing and cars to the General Manager and Vice General Manager in 2023.

Note 4: Fill in the amount of employees' compensation (in cash) to the General Manager, which is proposed by the Board in 2023 and estimated in proportion to the actual amount paid in 2022.

Note 5: Disclose the total remuneration paid to the General Manager of the Company by all companies included in the financial statements (including the Company).

Note 6: Net income refers to the net income presented in the individual financial statements in 2023.

Note 7: Fill in the amount of compensation to the General Manager of the Company from the investee companies other than the subsidiary or from parent company.

Note 8: Pension to the General Manager of the Company: The amount is the actual payment to General Manager in 2023.

### 3.2.5 Remunerations Paid to Managers:

Unit: NT\$ thousand, as of December 31, 2023

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Chairperson and RA Supervisor	An-Ting Chung	0	5,855	5,855	1.39%
	General Manager	Tim Chiang				
	Senior Manager of Manufacture Dept.	Chin-Hui Liao				
	Senior Manager of ODM/OEM Div.	Li-Mei Chen				
	Accounting Head	Yu-Hsiu Huang				
	Special Assistant	Tina Wang				

Note 1: Fill in the amount of remuneration (in cash) to the employees in 2023 proposed by the Board, and is estimated in proportion of the actual amount of payment in 2022. Net income after tax refers to the financial statement of 2023.

Note 2: If the Directors, General Manager and Vice Presidents who have received payment as employees (including stock and cash), fill in this table in addition to Table 1-2.

### 3.2.6 Comparison of Remuneration for Directors, Supervisors, General Manager s and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy , Standards and Packages, the Procedure for Determining Remuneration, and Its Linkage to Operating Performance and Future Risk Exposure

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

Item \ Year	2022		2023	
	The company	All companies in the financial statements	The company	All companies in the financial statements
Ratio of total remuneration of directors and general manager to net profit after tax	7.40%	7.40%	6.02%	6.02%
Reasons for differences	The remuneration amount for directors and the general manager in 2023 increased compared to 2022. However, the ratio of remuneration for directors and the general manager to net income after tax declined in 2023 for the growth rate of remuneration being lower than the growth rate of net income after tax.			

## 2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

### (1) The policy, standard, and components of the remuneration

The policy of remuneration to the Directors of the Company was made pursuant to Article XV of the Articles of Incorporation of the Company, which specified that the remunerations or transportation allowance for the Directors shall be determined by the Board under authorization on the basis of the degree of participation in the operation process and contribution value to the Company of the Directors and with reference to industry standard. Article XXII of the Articles of Incorporation also specified that if the Company has profit in the year (the EBT before the deduction of remuneration to the employees and Directors), appropriate no less than 3% as remuneration to the employees and no more than 2% as remuneration to the Directors.

Within the scope specified in the Articles of Incorporation, the Company classified payment to the Directors as remuneration and fee for rendering services. In addition to the overall operation, future business risks and development of the company, the director's remuneration also takes into account the industry standard, as well as the management responsibility, time investment, and business performance of the directors. It is approved in accordance with the Articles of Incorporation and the "Regulations for Remuneration of Directors, Functional Committee Members and Managerial Officers." The amount of the year was determined in due procedure and presented to the Shareholders Meeting. The Company pays the Directors who also work in the capacity as employees, General Manager, and CEO in the forms of salaries, compensation to the employees and retirement benefits in the recent two years. The remuneration is determined and paid in accordance with the relevant regulations of the company after reviewed by the Remuneration Committee and approved by the Board of Directors. The remuneration policy was made in consideration of the overall results of operation and varied with the level of contribution to the performance of the Company.

### (2) Procedure for the determination of remuneration

The remuneration of the company's directors is handled in accordance with the Articles of Incorporation, considering the company's annual operating results and deliberating the performance evaluation results of individual directors to give reasonable remuneration. The remuneration calculation method is handled in accordance with the "Regulations for Remuneration of Directors, Functional Committee Members and Managerial Officers", which is also implemented after the resolution of the Remuneration Committee and the Board of Directors. The overall performance evaluation result of the board of directors in 2023 is excellent, and the evaluation items include: mastery of company targets and tasks, awareness of responsibilities, degree of participation in company businesses and operations, internal relationship management and communication, professional and continuing education, and internal control. The remuneration received by the general manager and other managers is not only evaluated based on the education background, experience, working experience, job characteristics and other items of the parties involved, but also based on the annual operating performance and contribution. All of these are implemented in accordance with the company's "Regulations for Remuneration of Directors, Functional Committee Members and Managerial Officers". The performance evaluation of managers in 2023 is all excellent or above. The evaluation items include: the operating performance of the company and department (including profit, quality objectives and non-financial performance, etc.) and personal performance (including work execution efficiency, integrity implementation, etc.). The remuneration of the company's directors and managers must be reviewed by the remuneration committee and submitted to the board of directors for approval.

(3) Association with operation performance and risks in the future

The remunerations to the Directors and managers will be determined on the basis of the operation of the Company, the operation risk and development in the future with reference to industry standard and the assigned duties and contribution, and the association with the operation performance at significant level. The management and the Remuneration Committee of the Company will review the remuneration level at regular intervals for appropriate adjustment for a proper balance between risk control and sustainable development of the Company.

(4) Policy on linking remuneration of senior managers to ESG performance evaluation

In order to ensure that ESG is implemented in daily operating decisions, the Company plans to include ESG goals in the annual performance evaluation items of senior managers, so as to strengthen the senior executive's responsibility and implement the link between performance and remuneration, encouraging the senior executive to actively execute corporate sustainability goals.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2023. The attendance of directors was as follows:

Title	Name	Required Attendances (A)	Actual Attendance (B)	By Proxy	Attendance Rate (%) (B/A)	Notes (Note 2)
Chairperson	An-Ting Chung	6	6	0	100%	
Director	Yi De Co., Ltd. Rep.: Stanley Chen	6	4	2	66.67%	
Director	Yi Sheng Co., Ltd. Rep.: Tim Chiang	6	6	0	100%	
Independent Director	Vance Chin	6	6	0	100%	
Independent Director	Adrian Chang	6	6	0	100%	
Independent Director	Zhi-Jun Zhan	6	6	0	100%	
Independent Director	Cherie Lin	6	6	0	100%	

Other mentionable items:

1. In any of the following circumstances, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response to independent directors' opinion should be specified:

(1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Date of Meeting/ Term of Board of Directors	Contents of Motion	Independent Director's Opinion	The Company's Response to Independent Director's Opinion
The 6th meeting of the 16th term Jan. 13, 2023	1. Proposal of distribution of 2022 employees' and directors' compensation 2. Proposal of 2022 performance evaluation, remuneration and year-end bonus of the Company's managers	None	Not applicable
The 7th meeting of the 16th term Feb. 22, 2023	1. Proposal of appointment and remuneration of CPA 2. Proposal of revision of the company's internal control system and internal audit system 3. Proposal to release the prohibition on directors from participation in competitive business	None	Not applicable
The 8th meeting of the 16th term May 3, 2023	1. Proposal of 2022 performance evaluation and compensation of the directors 2. Proposal of 2022 employees' compensation for managers	None	Not applicable
The 10th meeting of the 16th term Nov. 8, 2023	Proposal of revision of the company's internal control system and internal audit system	None	Not applicable

(2) In addition to said circumstances, any other matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

(1) The 2nd proposal of the 6th meeting of the 16th board of directors: The evaluation of the performance, salary

compensation and year-end bonus of the Company's managers for 2022 was reviewed by the Remuneration Committee and presented to the Board of Directors for discussion. The performance, remuneration and year-end bonus of the manager for 2022 were discussed and in accordance with the regulations, Director An-Ting Chung and Tim Chiang, who were the stakeholders, were recused from the discussion and did not participate in the voting.

- (2) The 7th proposal of the 7th meeting of the 16th board of directors: The proposal to release the prohibition on directors from participation in competitive business was approved by the Audit Committee and submitted to the Board of Directors for discussion. The proposal to release the prohibition on directors from participation in competitive business was discussed and in accordance with the regulations, Director Vance Chin, who was the stakeholder, was recused from the discussion and did not participate in the voting.
  - (3) The 3rd proposal of the 8th meeting of the 16th board of directors: The employees' compensation to the managers of the Company for 2022 was approved by the Remuneration Committee and submitted to the Board of Directors for discussion. The employees' compensation to the managers of the Company for 2022 was discussed and in accordance with the regulations, Director An-Ting Chung and Tim Chiang, who were the stakeholders, were recused from the discussion and did not participate in the voting.
3. TWSE/GTSM Listed Companies shall disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the self-evaluation or peer evaluation of the board of directors; also, shall fill out Table II (2) Conducting Evaluations of Board Performance.
4. An evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g. establishment of the Audit Committee, improvement of information disclosure transparency) and measures taken toward achievement:  
To improve the audit quality, the board of directors referred to audit quality indicators when appointing CPAs. Certified public accountants are invited to attend the relevant meetings of the board on a quarterly basis according to independent directors' suggestion to increase the frequency of communication between directors and CPAs, and to promote directors' understanding of the company's financial reports, finances, and business conditions, so as to facilitate directors to perform their duties.

Note 1: For institutional Directors and Supervisors, disclose the names of the institutional shareholders and the representatives.

Note 2: (1) If specific Director or Supervisor resigned before the end of the fiscal year, specify the date of resignation in the field of notes, the attendance (or as observer) rate (%) shall be based on the ratio between the number of sessions of the Board held in the year and the number of secessions attended (or as observer) by the Director or Supervisor.

(2) If there was an election of Directors and Supervisors held before the end of the fiscal year, put down the names of the former and the new Directors and Supervisors, and specify if the Directors or Supervisors are in preceding term or current term, or in a second term of office, and the date of the election. The attendance (or as observer) rate (%) shall be based on the ratio between the number of sessions of the Board held in the year and the number of secessions attended (or as observer) by the Director or Supervisor.

### 3.3.2 Conducting Evaluations of Board Performance

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)	Evaluation Results
Once a year	January 1, 2023 - December 31, 2023	Board of Directors, individual board member, and functional committees (including Remuneration Committee and Audit Committee)	Internal self-evaluation of the board of directors and self-evaluation of directors	<p>(1) Performance evaluation of the board of directors: Include the degree of participation in the company's operations, the decision-making quality of the board of directors, the composition and structure of the board of directors, the selection and continuous education of directors, internal control, etc.</p> <p>(2) Performance evaluation of individual directors: Include grasping the company's objectives and tasks, recognition of directors' responsibilities, level of participation in the company's operations, internal relationship management and communication, expertise and continuous education of directors, internal control, etc.</p> <p>(3) Performance evaluation of functional committees: the degree of participation in the company's operations, the recognition of functional committee's responsibilities, the decision-making quality of functional committees, the composition of functional committees and the selection of members, internal control, etc.</p>	The self-assessment results of the performance of the Company's Board of Directors are all above excellent. In order to comply with the requirements of the Corporate Governance 3.0 Roadmap and corporate governance evaluation indicators, we will regularly remind directors to continue participating in relevant education and disseminate new knowledge on various laws and regulations. This is to enhance the director's professionalism and the ability to assist the Board of Directors to operate effectively.

Note 1: Fill in the evaluation cycle of conducting the board performance.

Note 2: Fill in the covered period of evaluation.

Note 3: The evaluation scope includes the performance of Board of Directors, individual board member, and functional committees.

Note 4: The evaluation method includes internal self-evaluation of the board of directors and self-evaluation of directors.

Note 5: The evaluation content according to evaluation scope covers, at a minimum, the following aspects:

- (1) Performance evaluation of the board of directors: Include, at least, the degree of participation in the company's operations, the decision-making quality of the board of directors, the composition and structure of the board of directors, the selection and continuous education of directors, internal control, etc.
- (2) Performance evaluation of individual directors: Include, at least, grasping the company's objectives and tasks, recognition of directors' responsibilities, level of participation in the company's operations, internal relationship management and communication, expertise and continuous education of directors, internal control, etc.
- (3) Performance evaluation of functional committees: the degree of participation in the company's operations, the recognition of functional committee's responsibilities, the decision-making quality of functional committees, the composition of functional committees and the selection of members, internal control, etc.

### 3.3.3 Audit Committee

A total of 5 (A) meetings of the Audit Committee were held in 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note 1)	Notes (Note 2)	
Independent Director	Vance Chin	5	0	100%		
Independent Director	Adrian Chang	5	0	100%		
Independent Director	Zhi-Jun Zhan	5	0	100%		
Independent Director	Cherie Lin	5	0	100%		
Other mentionable items:						
1.The operation of the Audit Committee shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or material recommendations of the independent directors, the results of the Audit Committee resolution and the Company's handling of the Audit Committee's opinion if any of the following circumstances apply:						
(1)The circumstances referred to in Article 14-5 of the Securities and Exchange Act:						
Date of Meeting/ Term of Audit Committee	Contents of Motion			Independent director's opinions	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinion
The 5th meeting of the 2nd term Feb. 22, 2023	1. Proposal of 2022 consolidated financial statement, parent company only financial statement and business report 2. Proposal of appointment and remuneration of CPA 3. Proposal of issuing the company's "Declaration of Internal Control System" 4. Proposal of revision of the company's internal control system and internal audit system 5. Proposal to release the prohibition on directors from participation in competitive business			None	Approved by all Committee members present	Not applicable
The 8th meeting of the 2nd term Nov. 8, 2023	Proposal of revision of the company's internal control system and internal audit system			None	Approved by all Committee members present	Not applicable
(2) In addition to said circumstances, any matter that has not been approved with the consent of audit committee but undertaken upon the consent of two-thirds or more of all directors: None.						
2. If there are independent directors' recusal of motions in conflict of interest, the independent directors' names, contents of motion, reasons for recusal and voting should be specified: None.						
3. Communications between independent directors and the Company's chief internal auditor and CPA (e.g. main items, methods and results of the company's finance or operations, etc.):						
The auditing office regularly provides audit reports to the board of directors and the management for review, and also delivers or notifies each independent director in accordance with regulations to implement the supervision mechanism. The implementation of the Company's internal control system complies with regulations, and ongoing monitoring of the operation is conducted. When the Company holds a board meeting, directors and independent directors are free to communicate with one another and discuss any issues or opinions they have. In the event of discovering significant violations or potential significant harm to the Company, relevant personnel should immediately report and submit the findings to the independent directors in accordance with the applicable regulations.						



The Company convenes at least one communication meeting between the independent directors and the chief internal auditor and CPAs each year. In the communication meeting, the accountants shall report the audit status to the independent directors and give response to the independent directors' and chief internal auditor's questions asked and opinions. If necessary, communication can be conducted through telephone or email at any time. The independent directors, chief internal auditor and certified public accountants of the Company had already held a communication meeting where the agendas include the audit and review status of 2023, significant risks identified, key audit matters, CPA professional fees, etc., while introducing IFRS sustainability disclosure standards, and reporting audit quality indicators (AQI) information, etc., on December 20, 2023. Independent directors asked about the significant risks identified, and the accountants responded and provided explanations. The chief internal auditor also communicated with independent directors about providing audit papers and provided relevant documents as requested by the independent directors.

4. The main task of the 2023 Audit Committee includes the following matters:

- (1) Revision of internal control system: The establishment or revision of the internal control system should be approved by the Audit Committee and submitted to the Board of Directors for resolution in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies".
- (2) Review of the appointment, remuneration and independence of CPAs: According to "Securities and Exchange Act" and "Code of Practice on Corporate Governance Operation", to ensure the reliability of the Company's financial reports, the quality of internal accounting control and the independence of CPAs, the scope, cost, and independence of the CPAs' work shall be reviewed. Referring to the audit quality indicators provided by the accounting firm, objective indicators are used to evaluate the audit quality and capabilities of the auditors, in order to enhance the quality of information disclosure.
- (3) Review of financial statements: To supervise soundly the proper expression of financial statements and implement corporate governance, aside from the audit committee's reviewing the annual financial statement of the Company, the interim financial statement is also submitted to the audit committee for approval.
- (4) Communicate with the certified public accountants to discuss the governance matters of the annual financial statement: according to "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", to improve the implementation of the internal control system, we have established a communication mechanism between independent directors and CPAs. The certified public accountants had attended and explained the relevant matters of the annual financial statement review on December 20, 2023.

Note 1: If independent directors resigned before the end of the fiscal year, specify the date of resignation, the actual attendance rate (%) to the sessions of the Board as observers shall be based on the actual number of presence in the sessions of the Board as observers within the term of office in the field of notes.

Note 2: If there was an election of independent directors held before the end of the fiscal year, put down the names of the former and the new independent directors, and specify if the independent directors are in preceding term or current term, or in a second term of office, and the date of the election. The attendance rate (%) as an observer shall be based on the ratio between the number of sessions of the Committee held in the year and the number of secessions attended by the independent directors.

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

Evaluation Item	Implementation			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has instituted the “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE Listed or TPEX Listed Companies”, and has disclosed the information at MOPS and the official website of the Company.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
2. Shareholding Structure & Shareholders’ Rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1)The Company has established the system of Spokesperson and Acting Spokesperson for communication and liaison with the investors, and has appointed designated persons or share registration and investor service agent, “Grand Fortune Securities” to handle the suggestions, queries, and related questions of the shareholders. If legal issue is concerned or legal action is instituted, the legal affairs personnel or a lawyer will be retained to handle the problem. The protection of the rights of the shareholders is the top priority of the Company.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2)The Company has appointed designated personnel to understand and control the list of institutional shareholders, dominant shareholders, or the ultimate parties in control of the dominant shareholders, and make declaration and disclosure at regular intervals as required.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3)The Company and the affiliates are independent of one another in asset holding and finance. The Company has also instituted the “Regulations Governing the Supervision of Subsidiaries”, “Procedures for the Acquisition and Disposal of Assets”, the “Operational Procedures for Endorsements/Guarantees”, the “Procedures for Lending Funds to Other Parties” as the guidelines for operation. In addition, the policy of transfer pricing and risk management of the group are also in place, which will be sufficient for risk control and firewall mechanism between the Company and the affiliates.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4)The Company has formulated regulations such as “Procedures for the Prevention of Insider Trading” and “Procedures for Ethical Management and Guidelines for Conduct”, which are disclosed on both the internal and external official websites of the Company, and regularly publicize and implement to Company employees that they are prohibited from using unpublished information on the market to buy and sell securities. In 2022, the rule of directors is not allowed to trade Company stocks during the closed period of 30 days before the announcement of the annual financial statement and 15 days before the announcement of the quarterly financial statement is included in the “Procedures for the Prevention of Insider Trading”. In 2023, the board meeting organizer informed all directors in advance to pay attention to the closed trading period before the announcement of the financial statement after the actual date of each board meeting was confirmed, so as to protect the rights and interests of shareholders.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
3. Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors have a diversity policy, specific management objectives and implementation in relation to the composition of the Board?	V		(1)The Company has established its policy of diversity of the Board members in the “Corporate Governance Best Practice Principles”, and considered the balance of gender, age, education and experience, and independence with reference to the operation of the Company, the mode of operation and development needs in appointing and nominating candidates to the Board. The members of the Board possess the professional knowledge, skills, practicing experience and ethics required for performing their assigned duties. For further information, refer to this annual report or the official website of the Company for the disclosure of the policy of diversity of the Board members.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) Apart from the Remuneration Committee and the Audit Committee, the Company has no other functional committees established under the board of directors at the moment.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company formulate the regulations governing the board performance evaluation and the evaluation methods, conduct performance evaluation annually and regularly, report the results of the performance evaluation to the board of directors, and base its determination of an individual director’s remuneration and the election of directors on the evaluation results	V		(3)According to the Company’s “Regulations Governing the Board Performance Evaluation,” the performance evaluation of the board of directors, individual director and functional committees is regularly conducted at the end of each year with the results submitted to the Remuneration Committee and the board of directors for review in the first quarter of the following year and for reference in assessing the remuneration of directors and the nomination of directors. Please refer	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Description	
of his or her performance?			to the 2023 performance evaluation of the directors disclosed in this annual report.	
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) Based on the "Independence Statement" and "Accountant Independence Assessment Questionnaire" issued by certified accountants and the "audit quality indicator report" provided by the accounting firm, the Audit Committee, together with the Board of Directors of the company conducted and passed the assessment of the independence and suitability of certified public accountants aiming at the evaluation of the performance of the overall audit quality of the accountant and the firm on February 22, 2023. The assessment items include: whether the accountant holds significant financial interests related to the company, whether there is a commercial relationship with the company and related parties that affects independence, and whether the accountant have failed to serve as a director, supervisor or manager of the company or any position that has a significant impact on audit cases in the past three years, whether there are other circumstances that may affect the independence of the accountant, etc. The content of audit quality indicators includes the facet and index such as professionalism (audit experience, training hours, turnover rate, professional support), independence (proportion of public fees for non-audit services, customer familiarity), quality control (accountant load, quality control support capability), supervision (lack of external inspection, improvement of letter issued by the competent authority), and innovation ability (innovative planning or initiative).	Compliant with "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
4. Does the company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with legal compliance, handling work related to meetings of the board of directors and shareholders' meetings, filing company registration and changes to company registration, producing minutes of board meetings and shareholders meetings, etc.)?	V		The Company has established an effective corporate governance structure in accordance with the "Corporate Governance Best-Practice Principles", and has allocated appropriate corporate governance personnel to handle related matters. The operations and performance related to corporate governance for the year were as follows: (1) Examine corporate governance-related systems and practices, and review corporate governance performance. (2) The Board of Directors' meeting agenda is prepared and all directors are notified to attend the meeting 7 days in advance. The notice of the meeting also provides complete information of the meeting so that the directors can understand the content of relevant issues. In the event that a director should recuse himself/herself from the meeting, he/she will be reminded in advance and the minutes of the board meeting shall be sent to all directors within 20 days after the meeting.	Compliant with "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>(3) In accordance with the law, the Company shall announce all the necessary procedures, including registering the date of shareholders' meetings, preparing and sending notices of meetings, manuals and minutes of meetings, and registering changes in the Company's affairs in the event of election of directors or amendment of the Articles of Incorporation.</p> <p>(4) In accordance with the Code of Corporate Governance Practices, regular communication meetings are held between the CPAs, the independent directors and the head of internal audit, and the main contents of the communication are disclosed on the Company's website.</p> <p>(5) Provide directors with information necessary for the execution of their business, information on director training courses and relevant legal notices to assist directors in complying with the law and keeping abreast of the latest regulatory developments.</p> <p>(6) Report the review results of the independent directors' qualification compliance with relevant laws and regulations during their tenure, along with the current status of implementing the Sustainable Development Action Plans for listed companies.</p>	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The company has established a communication channel with stakeholders and set up a dedicated section for stakeholders on the official website, disclosed contact points and methods, facilitating communication and dialogue on corporate social responsibility issues of concern to stakeholders, and responding to stakeholder expectations through interaction. For the communication between the company and stakeholders, please refer to the sustainability report.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
6. Does the company appoint a professional shareholder service agency to deal with shareholders meeting affairs?	V		The Company has designated a share registration and investor service agent, “Grand Fortune Securities”, to organize the Shareholders Meeting and handle related matters for the protection of the rights of the shareholders.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1)The Company has set up special sections for the investors, corporate governance, and ESG on the website ( <a href="http://www.pahsco.com.tw">http://www.pahsco.com.tw</a> ), and discloses information of the operation and financial position, as well as procedures and legal rules and regulations pertinent to corporate governance of the Company at regular intervals for assurance of information transparency.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V		(2) In addition to revealing financial business, corporate governance and other relevant information on MOPS website in accordance with laws and regulations, the company has a website of English version and assigned a specialist who shall be responsible for collecting, maintaining and disclosing the information of our company. Regarding the financial, business and other information, the designated spokesperson or acting spokesperson will respond to the public in order to implement the spokesperson system; as to the relevant information such as institutional investor conferences, it will be announced in accordance with the regulations of the competent authority and posted on the investor area of the company’s website for shareholders to inquire.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
(3) Does the company publish and report the annual financial statements within two months after the end of the fiscal year, and publish and report the financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		(3)The company has the annual financial reports announced early within 2 months after the end of the fiscal year to improve the timeliness of information disclosure and facilitate the investors to learn about the company’s annual financial information as soon as possible. The quarterly financial reports have been announced and filed before the specified deadline; also, the monthly result of operation is announced before the 10th day of each month.	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1)Employee rights: The Company protects the employees in employment equality and other labor rights as required by law, and also takes group insurance for additional protection of the employees. The Company has also established an environmental safety and health body for providing training on occupational safety and health and assuring safety and health at workplace. The Company calls for labor-management conference quarterly for the improvement of labor-management relation and establishment of two-way communication channels. In addition, the Company has also established the Employee Welfare Committee under law and implements the pension fund system to create a friendly workplace for the employees. (2)Employee care: The health of employees is the wealth of the company. The company regularly arranges employee health checkups and holds health seminars; also, regularly sends out health promotion emails to all employees to encourage them to engage in sports and leisure activities, value healthcare, and provide employees with allowances for tourism and social events to promote employees communication and interaction in order to uphold a balance between life and work. The company will continue to care about the physical and mental health of	Compliant with “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>the employees who are underprivileged and suffer from an accident; also, it will provide them with legal and medical aids and follow-up assistance.</p> <p>(3)Investor relations: Information disclosure is the terminal goal of the Company. The Company has set up an e-mail box for the investors and the means of contact with the spokesperson at the official website for the protection of the rights of the investors. Institutional or individual investors could understand the status of operation and give suggestions through the disclosed information or the spokesperson. The Company has maintained positive and harmonious relation with the investors.</p> <p>(4)Supplier relations: Suppliers are vital partners to the Company. The Company seeks to develop and maintain strong cooperative relation with the suppliers through random visits and routine evaluation to assure the quality of the sources of supply and also technological exchanges. These help to strengthen the competitive power and the properly implementation of sustainable development and ethical corporate management on both sides for reducing business risk that both the Company and the suppliers are the winners.</p> <p>(5)Rights of stakeholders: The Company values equal right for all stakeholders, and has established a special section for the stakeholders at its official website. The spokesperson and the acting spokesperson are the window for contact with the stakeholders so that they could express their opinions and exchange with the Company at any time for developing effective and diversified channels of communication to respond to the needs of the different stakeholders and protect the right of the stakeholders.</p> <p>(6)Education for directors: Refer to the “Directors’ training records in 2023” or the MOPS website.</p> <p>(7)Implementation of risk management policies and risk evaluation measures: The Company has established the risk management system or procedures for itself and the affiliates to reduce risk. Currently, the Company has instituted rules and regulations governing risk management of the group, credit management, risk management, and product risk management procedure. Respective functional departments shall be responsible for the control of related risks to reduce overall risk and reduce the loss to the Company.</p> <p>(8)Implementation of customer relations policies: The Company seeks to satisfy customer needs and provide good services and products for the</p>	

Evaluation Item	Implementation			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Description	
			<p>customers. The Company has prepared an e-mail box for customer service and a toll free product service hotline for putting together the opinions of the customers through different channels. In addition, the Company also calls for a review meeting annually for reviewing customer satisfaction, understand customer needs better, and provide customized services and seek opportunities for the development of new products. Designate personnel were appointed to respond to the queries of the consumers or customers on products. A procedure for responding to customer complaint has also been established for the timely and proper response to the complaints of the customers. In addition, the Company also provides training for the distributors from time to time to establish long-term and stable partnership.</p> <p>(9)Purchasing insurance for directors: The Company has operated in compliance with the internal control system, initiated risk assessment and control, strived to minimize the company's operating risk, and pursued the sustainable operation of the business. The directors and the management are all exercising their powers and performing their supervisory responsibilities in accordance with the law; also, acquire liability insurance for the directors in accordance with the "Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Board of Directors of TPEX Listed Companies." The information of insurance amount and insurance scope is filed lawfully after being reported to the board of directors.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center of Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>The Financial Supervisory Commission has conducted the corporate governance evaluation since 2014. The Company responds to the cause and conducts self-evaluation on the items under the evaluation system every year and reports to the Board. In the 2023 Corporate Governance Evaluation, the Company was evaluated as the top 5% TPEX-listed company. The improvement measures for the not-scored indicators are described as follows:</p> <p>(1) Whether all directors of the Company have completed training in accordance with regulations: The corporate governance personnel shall provide certified courses to the directors from time to time for reference, and timely reminds the directors to complete their training hours before the deadline.</p> <p>(2) Has the company disclosed the annual GHG emissions, water consumption or total weight of waste over the past two years and obtained external verification: The Company has obtained external verification of the 2022 greenhouse gas inventory, and will continue to conduct external verification of the GHG emissions. The feasibility of obtaining external verification of water consumption or total waste will also be assessed in the future.</p> <p>(3) Whether the company discloses relevant information in accordance with the framework of the Task Force on Climate-Related Financial Disclosures (TCFD): The Company will complete the disclosure of climate-related information based on the TCFD framework, in accordance with the progress of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" and the IFRS Sustainability Disclosure Standards.</p>				



# Directors' training records in 2023

Title	Name	Date first assuming office (Note)	Training date	Education Institution	Course Name	Training Hours	Total Hours
Chairperson	An-Ting Chung	Jul. 1, 2007	Apr. 13, 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture Hall - Sustainable Business Operations and Domestic and International Tax Trends	3	6
			Dec. 6, 2023	Digital Governance Association	The international trend of net-zero carbon emissions and Taiwan's efforts to promote zero-carbon transformation	3	
Director	Stanley Chen	Oct. 7, 2022	Dec. 22, 2023	Taiwan Project Management Association	Board of Directors vs. Management Team	3	3
Director	Tim Chiang	Jul. 1, 2022	Apr. 13, 2023	Taiwan Academy of Banking and Finance	Corporate Governance Lecture Hall - Sustainable Business Operations and Domestic and International Tax Trends	3	12
			Jun. 2, 2023	Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3	
			Jul. 4, 2023	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6	
Independent Director	Vance Chin	Feb. 5, 2008	Apr. 27, 2023	Taiwan Stock Exchange, Taipei Exchange	Sustainable Development Action Plans Advocacy Conference for Listed Companies	3	9
			Jun. 20, 2023	Securities & Futures Institute	How directors and supervisors should oversee corporate risk management and crisis management	3	
			Jul. 28, 2023	Taiwan Corporate Governance Association	How the Audit Committee interprets and uses Audit Quality Indicators (AQI)	3	
Independent Director	Adrian Chang	Jun. 6, 2019	Jun. 7, 2023	Taiwan Institute of Directors	The Future of Enterprises under the Battlefield: Strategic Shift & Strategic Transformation	3	6
			Jun. 8, 2023	Securities & Futures Institute	Exploration and establishment of management mechanisms for post-merger integration issues.	3	
Independent Director	Zhi-Jun Zhan	Jul. 1, 2013	Sep. 14, 2023	Securities & Futures Institute	Performance evaluation of the Board of Directors	3	6
					The operational practices of the audit committee	3	
Independent Director	Cherie Lin	Jul. 1, 2022	Jun. 2, 2023	Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3	6
			Jun. 20, 2023	Securities & Futures Institute	How directors and supervisors should oversee corporate risk management and crisis management	3	

Note: This column indicates the date of assuming office as directors or supervisors of TWSE or TPEX Listed Companies for the first time.

### 3.3.5 Composition, Responsibilities and Operations of the Remuneration Committee:

#### 1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

December 31, 2023

Title	Criteria	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as the Member of the Remuneration Company
	Name			
Independent Director (Convener)	Zhi-Jun Zhan	Served as the person in charge of Mitcorp, a Taiwanese industrial endoscope manufacturer, specializing in mechanical engineering, technology research and development, and product design innovation. He is the convener of the company's remuneration committee and does not involve with anything mentioned in Article 30 of the Company Law.	Since July 2022, he has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Independent Director	Adrian Chang	Used to be the general manager of the business group of Qisda and BenQ-related companies, and an associate professor in public and private universities. He has experience in the management of international companies and biotechnology and medical businesses. His specialty projects include brand marketing, cultural and creative management, and corporate innovation. He does not involve with anything mentioned in Article 30 of the Company Law.	Since July 2022, he has been serving as an independent director, meeting the independence qualifications in Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	2
Other	Si-Shen Chen	Qualified as a lawyer with more than 5 years of experience, specializing in damage compensation, monetary disputes, sale and purchase agreements, patents, trademarks and trade secrets, etc.	The qualification for independence in accordance with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	0

Note 1: Please specify in the table the length of service, professional qualifications and experience, and independence of each member of the Compensation Committee, and for those who are independent directors, please refer to information on the company's directors of this annual report. Please indicate the status as independent director or other (if convener, please add a note).

Note 2: Professional Qualifications and Experience: Describe the professional qualifications and experience of individual compensation committee members.

Note 3: Independent Criteria: The members of the Remuneration Committee shall be independent, including but not limited to whether they are directors, supervisors or employees of the Company or its affiliates; the number and proportion of shares held by them (or in the name of others); whether they are directors, supervisors or employees of the Company or its affiliates; and whether they are directors, supervisors or employees of companies with specific ties to the Company (refer to stock listings or trading on securities dealers' premises). Whether he/she is a director, supervisor or employee of a company with a specific relationship with the Company (refer to Article 6, Paragraph 1, Sub-Paragraphs 5 to 8 of the Rules Governing the Establishment and Exercise of the Remuneration Committee of the Company); the amount of remuneration received for the provision of business, legal, financial and accounting services by the Company or its affiliates in the last two years.

#### 2. Attendance of Members at Remuneration Committee Meetings

(1) There are 3 members in the Remuneration Committee.

(2) The current term of Remuneration Committee is from July 1, 2022 until June 30, 2025. A total of 2 (A) Remuneration Committee meetings were held in 2023. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Notes
Convener	Zhi-Jun Zhan	2	0	100%	
Committee Member	Adrian Chang	2	0	100%	
Committee Member	Si-Shen Chen	2	0	100%	

Remuneration committee meetings' discussion items, results of resolutions and the Company's response to the members' opinion in 2023:			
Remuneration committee meetings	Discussion Items	The result of resolutions and opinions of members	Company's response to the members' opinion
The 2nd meeting of the 5th term Jan. 13, 2023	1. Proposal of employees' and directors' compensation for 2022 2. Proposal of evaluation of the performance, remuneration and year-end bonus of the company's managers for 2022	Adopted with the approval of all committee members	Submitted to the Board of Directors with the approval of all directors in attendance
The 3rd meeting of the 5th term May 3, 2023	1. Proposal of 2022 performance evaluation and compensation of the directors 2. Proposal of 2022 employees' compensation for managers	Adopted with the approval of all committee members	Submitted to the Board of Directors with the approval of all directors in attendance
<p>Other mentionable items:</p> <p>1. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.</p> <p>2. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.</p> <p>3. Primary duties of Remuneration Committee: According to the "Remuneration Committee Charter" of the Company, the primary duties of the Remuneration Committee are periodically reviewing the performance assessment standards and the policies, systems, standards and structure for the compensation of the directors and managerial officers of this Company, and their attainment of the performance goals. On the basis of the performance evaluation result under the evaluation standard, the committee sets the content and amount of remuneration to individual directors, reviews the "Remuneration Committee Charter", and gives recommendation to the Board.</p>			

Note:

- (1) If specific member of the Remuneration Committee resigned before the end of the fiscal year, specify the date of resignation in the field of notes, the attendance (or as observer) rate (%) shall be based on the ratio between the number of sessions of the committee held in the year and the number of secessions attended by the members.
- (2) If there was an election of the Remuneration Committee held before the end of the fiscal year, put down the names of the former and the new members, and specify if the members are in preceding term or current term, or in a second term of office, and the date of the election. The attendance rate (%) shall be based on the ratio between the number of sessions of the Remuneration Committee held in the year and the number of secessions attended by the member.

### 3.3.6 Implementation of the promotion of sustainable development and differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
1. Has the Company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is supervised by the Board of Directors?	V		At the end of 2022, PAHSCO established a sustainable development committee, with the general manager serving as the minister. Under its authority and organized by function, it established five functional groups, including supply chain management, product quality and innovation, environmental sustainability, social promotion, and corporate governance groups. The executive secretary assists the minister in promoting sustainability-related matters, integrates the proposal and execution of sustainability policies, practices, or management principles in various fields of the enterprise, and communicates and interacts continuously with stakeholders. The sustainable development committee regularly holds a sustainability and risk management meeting every six months, with the minister responsible for supervising and managing the implementation of sustainable development affairs. A total of 3 meetings were held in 2023 to discuss and identify the Company's important stakeholders, as well as sustainability issues and risk management that need to be focused on. For the part of board supervision, the sustainability report and corporate governance evaluation results of the previous year are reported to the board of directors every year, allowing the board of directors to have a proper understanding of the content and achievements of corporate sustainability. The board of directors can also make suggestions for improvement or execution at any time to urge the Company to implement sustainable development. The 2022 Sustainability Report was approved by the Board of Directors on August 4, 2023. Please refer to the "ESG" section on the website.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
2. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies? (Note 2)	V		Based on the principle of materiality, the Company conducts risk assessments related to operations, and the assessment boundary is based on the Company. The disclosed information covers the performance of sustainable development at various operational sites in Taiwan of the Company during 2023. The sustainable development committee conducts analysis based on the materiality principle of the sustainability report, communicates with internal and external stakeholders, and evaluates significant ESG issues by reviewing domestic and international research reports, literature, and integrating assessment information from various departments, establish risk management policies for effective identification, measurement, supervision, and control and take specific action plans. The relevant risks and management policies for the significant issues identified after the assessment are detailed in Note 2.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
3. Environmental Issues (1) Has the Company established a suitable environmental management system according to its industrial characteristics?	V		(1)The Company's Science Park Plant has passed the ISO14001 environmental management system continuous certification on October 2, 2022, and undergoes annual follow-up audits (valid to September 10, 2025), and passed the ISO14064-1 third-party verification and disclosed relevant information in 2023. In addition to setting up a dedicated environmental safety unit and personnel, we also carry out testing and reporting operations in accordance with regulations, implement pollution prevention work, and ensure employee health and environmental safety and	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
			hygiene to meet the latest international standards and regulatory requirements. In order to gradually improve energy usage efficiency, reduce unnecessary waste of energy resources, reduce environmental impact, and build resilience, the Company has formulated sustainable management goals, begun to implement various action plans, and actively introduced an energy-saving and efficiency-increasing manufacturing management system. We expect to improve production line energy efficiency, reduce energy consumption and waste generation through production line process improvements. We are also actively looking for green, low-energy consumption raw materials that meet the safety requirements of medical device in order to gradually replace the use of traditional raw materials.	
(2) Is the Company committed to improving energy efficiency and using recycled materials that have a low impact on the environment?	V		(2)The Company deems green enterprise as a long-term development goal, and proactively promotes energy conservation and carbon reduction, green procurement, and various sustainable development plans; for the semi-finished products manufactured inside the plant, plastic baskets or jig racks are recycled, and the parts packaging cardboard cases of suppliers are recycled and reused, which can achieve the purpose of reducing the amount of packaging materials. In the future, we will strengthen the promotion of types of green product label (environmental protection labels, energy-saving labels, water-saving labels, carbon footprint label products, carbon reduction labels, etc.) to all levels of the Company to effectively reduce the impact on the environment. Moreover, we shall incorporate energy conservation and electricity-saving measures and the related equipment into the overall factory floor management. Regarding logistics and transportation, since the Company understands that the transportation system will always cause energy consumption, it will try to encourage the use of return vehicles for the delivery of raw materials and shipped products and promotes the use of official car carpooling to employees. The Company has set an annual goal of reducing energy intensity by more than 1% since 2021. The energy intensity in 2023 was 7.6% lower than the energy intensity in 2022, meeting the annual management standard of reducing by more than 1%.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the Company assess the potential risks and opportunities of climate change for the business now and in the future, and take measures to address climate related issues?	V		(3)Please refer to the "Implementation of Climate-Related Information" or the Company's Sustainability Report.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated policies for energy	V		(4)The scope of the following statistics is limited to the Science Park Plant. Please refer to the Sustainability Report for the whole Company's statistics. The calculation of intensity is based on the operating revenue (NT\$ Million). A. Greenhouse gas emissions: To cooperate with national policies which emphasize the trend of reducing greenhouse gas emissions, the Company receives external guidance in 2022. The internal and external expert groups composed of members of the environmental group of the	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons																								
	Yes	No	Summary Description (Note 1)																									
conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?			<p>sustainability committee and the greenhouse gas inventory counseling consultants is responsible to identify the types of the organization’s emission sources. Please refer to 1-1 Company's greenhouse gas inventory and confirmation status for the statistics of the last two years. The Company did not use any biomass fuels in 2023. Due to the new purchase of 10 HFC-236fa fire extinguishers for use in the dust-free rooms, Category 1 has slightly increased compared to 2022. We will review the replacement with other types of fire extinguishers in the future. The Company conducts annual greenhouse gas inventory activity data investigations in accordance with regulations and continue to carry out various energy-saving measures and monitor greenhouse gas emissions while dedicating itself to reducing the generation of greenhouse gases so as to get ready for the next stage of reduction. We hope to fulfill our corporate responsibility as a global citizen and protect and implement the sustainable ecology of the earth.</p> <p>B. Water resources management: The Company has cooperated with the water conservation counseling project of the Hsinchu Science Park Administration, and the water conservation results in 2023 have met the EIA commitment of the Science Park, and the overall tap water consumption has decreased by 5.73% compared with the previous year.</p> <table><tr><th>Year</th><th>Tap Water consumption (metric tons)</th><th>Intensity (metric tons/NT\$ Million)</th></tr><tr><td>2022</td><td>57,754</td><td>26.4328</td></tr><tr><td>2023</td><td>54,446</td><td>23.4660</td></tr></table> <p>The Company has built water-saving recycling system and recycled rainwater reuse equipment for process water, and has applied for water reuse (recycled water reuse) for watering in 2017 in accordance with the plan of Hsinchu Science Park Administration. By diversifying the source of water intake and adopting process cooling water recycling system, reducing the consumption of water resources effectively.</p> <p>C. Waste management: To achieve sustainable resource reuse, our waste disposal principle gives priority to in-plant use to reduce the use of raw materials, followed by reuse and recycling, and finally incineration or burial. The Company has formulated the waste disposal process, and enhanced the labeling of resource classification items and conducted strict classification checks to improve the waste recycling ratio and reduce resource consumption. The Company's wastes are properly treated by qualified waste removal and treatment companies, and we seek to develop waste reuse technology to reduce the impact of our wastes on the environment by recycling our scrap products through downstream reuse companies. The hazardous waste generated by the Company is organic solvent, while the non-hazardous waste is general business waste.</p> <table><tr><th>Year</th><th>Hazardous waste (t)</th><th>Non-hazardous waste (t)</th><th>Total (t)</th><th>Intensity (t/NT\$ Million)</th></tr><tr><td>2022</td><td>0.23</td><td>67.18</td><td>67.41</td><td>0.0309</td></tr><tr><td>2023</td><td>0.28</td><td>56.52</td><td>56.80</td><td>0.0245</td></tr></table>	Year	Tap Water consumption (metric tons)	Intensity (metric tons/NT\$ Million)	2022	57,754	26.4328	2023	54,446	23.4660	Year	Hazardous waste (t)	Non-hazardous waste (t)	Total (t)	Intensity (t/NT\$ Million)	2022	0.23	67.18	67.41	0.0309	2023	0.28	56.52	56.80	0.0245	
Year	Tap Water consumption (metric tons)	Intensity (metric tons/NT\$ Million)																										
2022	57,754	26.4328																										
2023	54,446	23.4660																										
Year	Hazardous waste (t)	Non-hazardous waste (t)	Total (t)	Intensity (t/NT\$ Million)																								
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2023	0.28	56.52	56.80	0.0245																								

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEx Companies and the reasons
	Yes	No	Summary Description (Note 1)	
			<p>D. Energy management:</p> <p>a. Enhance the efficiency of energy use: The Company promotes energy management, controls water, electricity and energy consumption, uses energy-saving products such as LED lighting and heat pumps, continues to promote the electronic form process, energy conservation, and carpooling as the main way to reduce carbon emissions. The Company's energy consumption includes purchased electricity, natural gas, diesel, and gasoline. After converting the energy consumption into heat units, the total was 39,009.05GJ (billion joules) in 2023, a decrease of 1.5% compared to 2022.</p> <p>b. Choose environmentally friendly products to reduce environmental impact: The Company is a green-oriented enterprise and has adopted green building materials in Science Park Plant to promote green product design, manufacturing management, and green procurement, etc. We purchase products with environmental labels for office computer peripherals and paper products. In 2023, the total amount of green procurement reached NT\$37.2 million. At the same time, we are committed to optimizing product packaging volume and reducing the amount of packaging materials used to mitigate environmental impacts.</p>	
<p>4. Social Issues</p> <p>(1) Has the Company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		<p>(1)PAHSCO respects and supports the human rights in international conventions, including the principles and spirit of the "Universal Declaration of Human Rights", "The United Nations Global Compact, UNGC", "Declaration of Fundamental Principles and Rights at Work", strictly abides by labor-related laws and regulations, protects the legitimate rights and interests of employees, and integrates them into the basis for the Company's human management policies and norms, including:</p> <p>A. Prohibition of child labor</p> <p>B. Prohibition of forced labor</p> <p>C. Prohibit employment and workplace discrimination or differential treatment, and promote gender equality in the workplace</p> <p>D. Provide a safe working environment to prevent sexual harassment in the workplace</p> <p>E. Labor unions have not been established, labor-management conferences have been established in accordance with the law. The Company respects the right of employees to freedom of assembly, association, and collective bargaining.</p> <p>F. Abide by labor-related laws and regulations, and protect the legitimate rights and interests of employees</p> <p>G. Establish a complaint system and provide smooth channels for complaints</p> <p>The content above is publicly disclosed on the Company website, internal electronic bulletin board and sustainability report. In 2023, the total number of hours of human rights-related education and training is 2,459.5 hours. We shall continue to lay great stress on human rights protection issues, to raise awareness of human rights protection, and to reduce related risks.</p>	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
(2) Has the Company established and implemented reasonable employee benefit measures (including salary, vacation and other benefits) and appropriately reflected operational performance or results in employee compensation?	V		(2)The Company has stipulated in its Articles of Incorporation that no less than 3% of the annual profit shall be allocated as employee compensation, and the criteria for such allocation shall be in accordance with the Company's "Employee Compensation Allocation Regulations". In addition, depending on the Company's overall annual operating performance and individual performance, individual year-end bonuses shall be paid to employees in accordance with the evaluation results of the Company's "Employee Performance Evaluation Regulations" and match with the appropriate salary adjustment mechanism to retain and reward talents. For other employee welfare measures, workplace diversity and gender equality policies, please refer to the "Employee Welfare Measures and Implementation" disclosed in this annual report.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the Company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	V		<p>(3)The Company formulates policies in accordance with the Occupational Safety and Health Act and the regulations of customers and related groups and respects the requirements of the relevant interest groups for occupational safety and health, so as to build a safe, healthy and happy workplace.</p> <p>A. Laboratory methods in workplace monitoring To protect workers from harmful substances in the workplace and provide workers with a healthy and comfortable working environment, the monitoring of the working environment is carried out in accordance with the law every six months, as a reference for risk assessment, and to provide health assessment and management reference for occupational doctors and factory nurses. In 2023, the operating environment monitored a total of 227 points for chemical properties and 16 points for physical properties, and the monitored values were all in compliance with the allowable concentration values stipulated in laws and regulations.</p> <p>B. Safety check In order to effectively prevent occupational accidents in various departments and promote the safety and health of all employees, the Company has established a monthly work plan for the implementation of industrial safety inspections. In 2023, we have scheduled inspection dates for 10 affiliated units every month and recorded them in the "Occupational Safety and Health Monthly Inspection Item List", with a total of 9 non-conformity improvement suggestions and specific improvement records for future reference, which could be referred to and improved by each unit, and were submitted to the Occupational Safety and Health Committee for review on a quarterly basis.</p> <p>C. Zero accidents campaign management In order to implement the zero accident campaign in the workplace, the total injury index (FSI) of the annual performance measurement index has dropped by 20% compared with the average of the previous year's total injury index [In 2023, <math>FSI \leq 0.27</math>, the number of annual occupational accidents <math>\leq 5</math>, and the cumulative number of lost days <math>\leq 53</math> days]. Through the joint research and development of safety improvement measures for machine equipment by the supervisors and safety and health personnel of each unit, 23 target improvement plans were completed within the year, combined with the implementation of automatic inspection items of each unit and safety</p>	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"



Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEx Companies and the reasons
	Yes	No	Summary Description (Note 1)	
			<p>and health education and training (including general education internal training and professional course training, with a total of 156 participants). In 2023, the number of fatalities or disabilities of occupational injuries was 0, achieving the goal of zero occupational accidents. We will continue to implement workplace risk management measures such as safety education, training, and hazard notification in the future, and we ask the supervisors in the factory to strengthen security inspections, proactively uncover unsafe conditions and implement supervision by all personnel, in order to prevent hazardous accidents and maintain the goal of zero accidents.</p> <p>D. Status of obtainment of verification and validation The Company aims to build a healthy workplace and production safety with zero occupational accidents. In addition to setting up a dedicated Occupational Health and Safety unit and specialists at all levels according to law, it also implements an Occupational Health and Safety self-inspection and accident reporting mechanism to enhance the safety awareness of fellow employees. The Company has an environmental safety and health policy and introduced the ISO 45001:2018 Occupational Health and Safety management system through the support of the top executive. It has passed the verification in September 2019 and undergone annual follow-up inspections. In 2022, it completed the renewal of ISO 45001 and obtained Taiwan Occupational Safety and Health Management System (TOSHMS) certification, which is valid until September 10, 2025. The scope covers the needs, expectations, and occupational health and safety related issues of stakeholders, including investors, competent authorities, contractors, suppliers, community residents, employees, and clients.</p> <p>E. Health management By utilizing the point-to-surface health monitoring mechanism, the company conducts a comprehensive labor health management method. In addition to early detection of diseases that may occur in the workplace in the upcoming future, allowing the employees to possibly receive early treatment and care, it can also help to discover potential risks and hazards in the workplace at an early stage and improve the hazards of the working environment. The workplace health service management system is built on the intranet, and the dedicated factory nurses cooperate with monthly occupational medicine specialists to provide appropriate health management measures, evaluate, and follow up the health status of employees, provide health consultation services, and help employees formulate personal health improvement plans to keep track of the health status of employees in various departments. For employees with higher health risks, we try our best to provide timely health consultation and appointment services whose focus is put on four major health issues: abnormal workload (overwork), human factors, maternity, prevention of illegal infringement in the performance of duties (workplace violence/bullying), etc., provide occupational health-related high-risk assessment and case management.</p> <p>F. Health promotion The Company is committed to creating a healthy workplace and actively promotes the prevention and control of tobacco hazards. We have passed the Award Badge of Accredited Healthy</p>	

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEx Companies and the reasons
	Yes	No	Summary Description (Note 1)	
			<p>Workplace issued by the Health Promotion Administration, Ministry of Health and Welfare. In 2023, we were recognized as the outstanding maternal and infant care organization in Miaoli County and a Healthy Corporate Citizen by Common Health Magazine, in line with the "Dementia-friendly Workplace Promotion Project" from the Bureau of Labor Forces, Ministry of Labor. We aim to promote and apply for certification as a dementia-friendly workplace. We also promote a friendly workplace for middle-aged and elderly people, enhance friendly measures (such as bathroom handrails), and share "Good Articles for Seniors" health information every month. All these efforts are geared towards helping our colleagues to be more energetic and physically fit, and live out the "three highs" of 'high vitality, high dynamics, and high self-confidence'. We accompany all employees to ride the 'health time machine' and return to their healthy selves. We held 6 health lecture events throughout the year, with a total of 245 participants. The post-lecture satisfaction survey showed that 88.8% were very satisfied. Through cultivating "healthy behaviors" to prevent chronic diseases, a "health passport" event was organized, with a total of 58 people registered and 49 people completed the tasks. PAHSCO actively creates a healthy and friendly environment that is "harmless, friendly, healthy, and safe" at the workplace. By taking care of employees in an all-round way, it builds employees' loyalty and sense of belonging to the company and promotes industrial harmony to achieve a win-win situation.</p> <p>G. Workplace Violation Prevention Plan In order to prevent employees from suffering illegal infringements at work, either internally or externally, to ensure the physical and mental health of the workers, and to establish a friendly workplace culture, the Company set up the "Prevention Plan for Illegal Infringements in the Execution of Duties" in 2017. It was signed and the written declaration against workplace violence was published by the top management. We adopt a zero-tolerance policy towards illegal infringements in the workplace, establish an illegal infringement incident reporting mechanism to ensure that any such cases within the organization can be controlled, and regularly carry out related inspections and preventive measures for various units. We have been working with our colleagues in creating a friendly workplace and so far, there have been no cases of illegal infringement.</p> <p>H. Emergency (Disaster) Response Measures and Procedures In order to familiarize PAHSCO employees with the emergency response procedures in case of environmental accidents, fires, and natural disasters, and to improve the operation of the response organization, notification and communication, and disaster response capabilities, we exercise according to the "Emergency Response Procedure" and "Toxic Chemical Substance Hazard Prevention and Response Plan". In the event of a significant disaster such as a fire, various departments and units will simulate situations, deploy actual personnel, and utilize onsite resources to perform drills on vertical and horizontal contact, activating the response mechanism, and emergency response process. By conducting mock exercises and equipment preparation before the response, progressing the situation and timeline during the response, and</p>	

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
			decontamination and restoration after the response, we identify any shortcomings and obstacles, and discuss and devise solutions, which serve as a basis for revising the "procedure" and "plan", aiming to strengthen disaster rescue and safety protection capabilities, improve emergency evacuation and casualty rescue efficiency, fine-tune command and notification procedures, implement disaster pollution prevention and response operations, and minimize damage caused by fire. In 2023, a total of 6 disaster emergency response drills were conducted, and no fire accidents or casualties occurred in the factory in 2023, achieving good results.	
(4) Does the Company have an effective career development program for its employees?	V		(4)Employees are the most important assets and the basis for the sustainable operation of the company. We value the personal traits and aspirations of each colleague, and have developed educational and training plans based on job functions. By establishing a comprehensive education and training system, we have designed suitable training programs, including new employee training, professional development, executive management training, environmental and safety training, and a variety of learning courses. Through physical or e-learning methods, we provide colleagues with equal and all-round learning opportunities, which not only enhance their individual knowledge and skills required for their job, but also fully integrate the company's strategic objectives into their career development.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
(5) Does the Company comply with relevant laws and international standards, and has a policy and complaint procedure to protect the rights of consumers or customers with regard to customer health and safety, customer privacy, marketing and labeling of products and services?	V		(5)Since the use and performance of medical devices are crucial to personal safety, governments in various countries have established strict regulations to ensure quality. However, there are many laws and regulations in various countries for testing, verification, examination, manufacturing quality management and maintenance of medical devices, and they are frequently revised. As a leading medical device manufacturer, the Company has set up a regulation unit to collect and analyze domestic and foreign medical material regulations, and to execute the application, change registration, and extension of domestic and foreign medical material product licenses, as well as to plan product quality certification procedures. To ensure the safety of our products, we continue to implement total quality management and follow relevant laws and regulations and international standards in all operations. We have obtained ISO 13485, GMP and EU MDR certifications, and many products have received UL international safety certification to meet our customers' requirements for our products. To improve the quality of products and services and to ensure the rights of consumers, the Company has established procedures for risk management, customer complaint handling, correction and preventive measures, and reporting system operations, covering product risk assessment and control, control of non-conforming products, customer complaint handling, and follow-up prevention and correction. We also provide toll-free customer service telephone numbers and email addresses on our website, and our business units are responsible for handling complaints with the relevant units, conducting regular customer satisfaction reviews and improvement programs, maintaining product quality with a strict management system, and fulfilling our responsibility to keep customer information confidential. In 2023, there will be no complaints of infringement of customers' privacy or loss of customer information.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
(6) Does the Company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues, and how is it implemented?	V		(6)In accordance with the "Supplier Management Procedures" established by our ISO procedures, we shall conduct supplier assessment before cooperating with suppliers, and the relevant units of procurement, R&D and production shall conduct data collection, visit and examination, and trial production confirmation. In addition to evaluating the supplier's reputation, quality and credit status, we will also examine whether the supplier has obtained legal registration, relevant quality certification and environmental label, and whether there is any record of environmental pollution and social hazards, in order to determine whether the supplier can be included in the list of qualified suppliers. We continue to promote our corporate sustainability policy and practices to our suppliers, and require them to cooperate and follow relevant regulations and government ordinances on issues such as environmental protection, safety and health, or labor and human rights, to achieve balanced development of the economy, society and the environment. The purchasing unit conducts regular supplier evaluations and unscheduled visits every year, and the compliance with corporate social responsibility is listed as an evaluation factor. If a supplier violates environmental or social laws, public order and morals, or damages the rights of others, it is considered a violation of the Company's corporate responsibility policy, and the Company may terminate the contract or cancel the transaction at any time depending on the severity of the situation. Other relevant implementation scenarios can be found in the Company's Sustainability Report.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
5. Does the Company make reference to international standards or guidelines for the preparation of reports, such as sustainability reports, which disclose non-financial information about the Company? Has the above report been verified or guaranteed by a third party?	V		The sustainability report prepared by the company is compiled in accordance with the GRI standards issued by the Global Sustainability Reporting Initiative (GRI), and the assurance statement provided by a third-party verification unit in 2023 improves the quality and credibility of information disclosure in the sustainability report.	Comply with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"
6. If the Company has its own Code of Sustainable Development in accordance with the "Code of Practice for Sustainable Development of Listed Companies", please describe the differences between its operation and the Code: The Company has established the "Sustainable Development Best Practice Principles" in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". The actual operation of the Code does not differ significantly from the Code, and the Company will continue to fulfill its corporate responsibilities in the areas of environmental protection, safety and health, human rights, and corporate governance in accordance with its corporate resources. For more information about our corporate sustainability policy and its implementation, please refer to the Corporate Sustainability Report prepared by the Company.				

Promotion Item	Implementation			Differences from the Code of Practice for Sustainable Development of TWSE/TPEX Companies and the reasons
	Yes	No	Summary Description (Note 1)	
7. Other important information to help understand the implementation of sustainable development:				
(1)Environmental practices: In addition to advocating that employees bring their own dining utensils on weekdays and regularly implementing environmental education, in December 2023, a beach cleanup and environmental education event was held in Waipu, Miaoli. A total of 62 company executives and family members participated, cleaning up 563 kilograms of marine debris. Through understanding the importance of reducing plastic in daily life and the practice of cleaning up drift garbage, employees gain a deeper understanding of the environmental problems and risks the earth is facing, strengthening employees' awareness of environmental sustainability.				
(2)Donation: To assist public welfare organizations to take care of the underprivileged groups, the Company launches charity donation activities every year. This year, approximately 5 boxes of second-hand materials were donated to the Step30 international ministries. Additionally, we donated 5 sets of old company computers to the Taiwan Tri-Benefit Strategic Development Association in response to the "Computer Reuse Dream Fulfillment Program."				
(3)Charity sponsorship: In order to improve the well-being of residents around the plant area and promote the development of local activities, we sponsor various local agencies and organizations in Miaoli, including the Miaoli County Government, the National Fire Agency, and the Manufacturers Association of Tongluo Industrial Zone in Miaoli County. The sponsorships support these organizations in managing related organizational affairs and activities to deepen local connections. The total sponsorship funds for 2023 amounted to NT\$36,000.				
(4)Blood donation: To help alleviate blood shortage issues, the Company organized 3 blood donation activities in 2023, aiming to encourage employees to actively participate in blood donation. A total of 85 employees donated 26.750 ml of blood in the three activities.				

Note 1: If the "Yes" box is checked, please specify the important policies, strategies and measures adopted and their implementation. If the "No" box is checked, please explain the differences and reasons for the differences in the "Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons for Differences" column, and explain the plans for the future implementation of relevant policies, strategies and measures.

Note 2: The principle of materiality refers to the environmental, social, and corporate governance issues that have a significant impact on the company's investors and other stakeholders.

Aspects	Material topics	Management policy or strategy
Governance	Integrity management and compliance with laws and regulations	In accordance with the "Ethical Corporate Management Principle" and "Procedures for Ethical Management and Guidelines for Conduct" established by the Board, the Company regulates the matters that the Company's personnel should pay attention to when carrying out business, continuously propagates and strengthens the anti-corruption mechanism to prevent dishonest behaviors and establish a culture of integrity within the Company.
	Corporate Governance	The corporate governance officer assists the board of directors and management to fulfill their responsibilities in accordance with the Corporate Governance Code of Practice and related regulations, thereby implementing the corporate governance system.
	Information Security	According to the actual management needs of the Company, we formulate information security management plans, strengthen the ability to respond to information security incidents, and achieve the measurement indicators of information security policies. The relevant implementation measures can be referred to "Cyber Security Management" in this annual report.
	Financial Performance	Set growth performance goal, enhance profitability, establish dividend policies and return rates that meet shareholders' expectations, maintain a good credit rating, continue implementing cost control measures, and ensure the accomplishment of annual sales target.
	Product Responsibility	The Company has obtained the ISO 13485 Medical Device Quality Management System Certification to ensure the safety of the products. All employees implement quality management and follow the European Union and medical device regulations of various countries. We continuously track, update, and promote laws and trends on restricted use of raw material substances. In addition, we hire external consultants to assist in quality review, and regularly conduct internal audits to enhance the quality concept and culture among staff.

Aspects	Material topics	Management policy or strategy
Society	Talent Attraction and Retention	Establish a human resource management system based on labor laws and related regulations, protect employees' rights, optimize employee benefits and rewards mechanisms, and create a diverse and friendly workplace environment.
Environment	Energy and Greenhouse Gas Management	In accordance with the Energy Management Bureau of the Ministry of Economic Affairs and the Company's energy-saving management standards, we implement energy-saving measures, gradually replace equipment with poor energy efficiency, and continue to hold promotional lectures to establish employee's concepts of carbon reduction and cultivate energy-saving habits.

## Climate-Related Information of TWSE/TPEX Listed Company

### Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The Company established a sustainable development committee at the end of 2022, with the general manager serving as the director. Under its authority and organized by function, it established five functional groups, including the supply chain management group, the product quality and innovation group, the environmental sustainability group, the social promotion group, and the governance group. The executive secretary assists the minister in promoting sustainable related matters. Each team evaluates the risks related to themselves on a regular annual basis according to their respective responsibilities, while climate-related issues are mainly consolidated by the Environmental Sustainability team, which includes a climate change risk and opportunity action plan in the "Organizational Internal and External Situation Checklist" and "Risk, Opportunity and Planning Actions for Internal and External Issues". The plan evaluates the environmental considerations of the Company's various activities, products and services, and consider the management of environmental, health and safety impact, climate change risks and opportunities from a life cycle perspective. The Sustainability Committee presents the previous year's sustainability report to the board of directors annually, allowing the board to accurately grasp the Company's climate risk management and its effectiveness. The board of directors can also propose improvements or execution suggestions at any time to guide and supervise the Company's climate risk management.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	The Company, in accordance with the climate-related financial disclosure recommendations framework issued by the International Financial Stability Board, assesses the risks and opportunities of climate change for the Company, based on the developments in green procurement management, energy management, and carbon information disclosure. Through systematically mastering the risks and opportunities of climate change and financial impacts, we aim to reduce risk factors, simultaneously identify viable opportunities and formulate mitigation measures in response to climate change. For a detailed analysis of climate change risks and opportunities, please refer to the Company's sustainability report.
3. Describe the financial impact of extreme weather events and transformative actions.	<ol style="list-style-type: none"> <li>1. Typhoons and heavy rains affected transportation, employee attendance, and production operations, leading to a decline in revenue.</li> <li>2. Uneven rainfall increases the trend of drought, affecting production and leading to a decrease in revenue.</li> <li>3. The official carbon reduction regulations, strengthened regulations, water and electricity fee increases, and carbon fee levies have led to an increase in operating costs.</li> <li>4. Low-carbon products development and environmentally friendly materials usage would increase the expenses related to development and equipment investment.</li> </ol>

Item	Implementation status
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Each group of the sustainable development committee identifies environmental, social, and governance risk issues based on external trends and internal operational direction, sets up management response plans for each risk issue, and monitors the implementation effect every year. The assessment and management of climate change risks and opportunities are primarily carried out by the environmental sustainability group through identification and discussion, and are incorporated into routine meetings for tracking and management based on the results of climate risk identification.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	The Company has not yet used scenario analysis to assess the resilience to climate change risks.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	The Company has not yet developed a transition plan for climate-related risks.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company has not yet used internal carbon pricing as a planning tool.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	In order to gradually improve the energy use efficiency, reduce unnecessary energy waste, diminish the impact on the earth and establish adaptation resilience, the Company has set sustainability management goals, and has begun to implement various action plans, fulfilling our corporate responsibility as global citizens. For more detailed information, please refer to our sustainability report.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	PAHSCO is a TPEX-Listed company with a capital of less than NT\$5 billion and has no subsidiary. According to the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies", it belongs to the applicable schedule of the third stage and is required to disclose the greenhouse gas inventory in 2026 and the verification status in 2028. In response to the domestic and international trend of carbon emissions, the Company has completed the greenhouse gas inventory and verification in advance in 2023, and disclosed in the sustainability report and public information observation post system. Please refer to Table 1-1 for the status of the Company's greenhouse gas inventory and verification for the past two years.

### 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

Year	Data coverage	Category 1		Category 2		Assurance Status
		Total emissions (Metric tons CO2e)	Intensity (Metric tons CO2e/ NT\$ million)	Total emissions (Metric tons CO2e)	Intensity (Metric tons CO2e/ NT\$ million)	
2022	Science Park Plant	273.7143	0.1253	5,525.5750	2.5289	SGS conducted a third-party verification of direct and indirect Greenhouse Gas emissions in accordance with ISO 14064. The level of assurance for category 1 and category 2 is reasonable assurance.
2023	Science Park Plant	542.9648	0.2340	5,248.4040	2.2620	The assurance opinion is not yet obtained by the printing date of this annual report and will be disclosed in the sustainability report.

### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

The Company will follow the schedule of "Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies" to draft and disclose reduction targets, strategies, and specific action plans. For more information, please refer to PAHSCO's sustainability report.

### 3.3.7 Ethical Corporate Management and the Adoption of Related Measures

Evaluation Item	Implementation			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Description	
1. Establishment of Ethical Corporate Management Policies and Programs (1) Does the company adopt policy of ethical management approved by the board of directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and senior management to implement the policies?	V		(1) The Company has instituted the "Ethical Corporate Management Procedure and Code of Conduct" and the "Ethical Corporate Management Best Practice Principles" for the establishment and healthy development of the corporate culture of ethical corporate management. The principles of business ethics, procedure and conduct were explicitly stated in these rules and regulations, and have been disclosed on the intranet and the official website. The concept of ethical corporate management is conveyed to the directors, management, employees, and stakeholders for the implementation of business integrity. Directors are required to sign the "Declaration of Non-Violation of the Code of Conduct" at the time of assuming office. The Board and the management of the Company live up the ethical corporate best practice principles in making decisions.	Compliant with "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"



Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly which shall at least include preventive measures against the behaviors set forth in various items of Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(2) The Company has established the mechanisms of control and balance for regulating business activities vulnerable to high risk of unethical practices. Related personnel are subject to routine rotation of duties. The audit unit of the Company also conducts audit on related business activities in accordance with the internal control system to assist the Board and the management to evaluate if related preventive measures function effectively. The audit unit is also responsible for the audit of related business process to ensure compliance. The Company has set up the system of complaints for the assurance of preventing corruption and unethical practices.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and commitment to implement the policies, and periodically assess said policies?	V		(3) The Company’s procedures for handling unethical conducts are clearly inscribed in the “Procedures for Ethical Corporate Management and Guidelines for Conduct” and “Ethical Corporate Management Best Practice Principles.” The “Regulations Governing the Reporting and Appealing of Illegal and Unethical Conducts” is also formulated in accordance with the guidelines for conduct. The reporting and appealing channels, procedures for accepting appeals and protection of informants, and the rewards and punishments are also established. The Legal Affairs Div. will set up an investigation team with the related departments upon receiving a report or an appeal filed. The team members may not be a stakeholder to the complaint filed in order to prevent any unethical conduct; also, the relevant regulations should be reviewed periodically and adjusted accordingly.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
2. Fulfill Operations Integrity Policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		(1) The Company will conduct credit information check on first time customers and review if there is any record on unethical practices. Competent authorities of the Company will pay attention to the state of operation and good will of the customers from time to time, and halt any business transaction with those who have exhibited unethical practices and will list them as declined accounts for the proper pursuit of the ethical corporate management policy of the Company. For the suppliers and customers who are important business partners to the Company, the Company will specify business integrity and important notice in the contracts or agreements to urge both sides to uphold the principles of ethical corporate management in business transactions.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Is there a special (part-time) unit responsible for promoting ethical	V		(2) The Administration Department of the Company is a dedicated unit for the promotion of integrity management, and its main members consist of the legal affairs,	Compliant with “the Ethical Corporate

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
corporate management under the board of directors, and regularly (at least once a year) reported to the board of directors on its ethical corporate management policies, plans for preventing unethical conducts, and monitoring the implementation?			procurement and human resources division. The department submits the execution of business integrity report to the board of directors and management in the first quarter of each year in accordance with the Company's "Operating Procedures and Conduct Guidelines for Integrity Management," "Code of Conduct for Integrity Management," and "Rules for Handling Complaints of Illegal and Unethical Conduct or Integrity Violations." In 2023, there was no case of violation of honest management. Additionally, the Company conducted internal integrity management (anti-corruption) disseminating and tests, with a total of 795 employees participated, reaching an overall coverage rate of 99%. The disseminating, upon passing the test, was recognized as 0.5 hours of internal education training time, totaling 397.5 hours of training time.	Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company has established the “Guidelines for the Adoption of Codes of Ethical Conduct” as the ethics and integrity guideline for all employees. The Company seeks to strengthen the concept of all personnel in law abiding and also demands all personnel to recuse from any situation where a conflict of interest exists in the conduct of business transactions, and report to the supervisor and the designated body of the Company. This will be essential for avoiding related personnel in access to unjustified interest that causes damage to the Company and the rights of the investors. The Company continues to educate the employees of business ethics internally, and encourages the employees to report to the independent directors, chief internal auditor, or the window for reporting on discovery of suspicious or actual violation of applicable laws or the ethical code of conduct. No such report has ever been received in 2023.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(4) Has the company established effective systems for both accounting and internal control and the internal audit unit devised relevant audit plans and examine accordingly the compliance with the prevention programs based on the results of assessment of the risk of involvement in unethical conduct or engaged a certified public accountant to carry out the audit?	V		(4) The Company has established a viable and feasible accounting and internal control system. The internal audit function will map out the annual audit plan on the basis of the risk assessment result, and report to the Board for discussion and approval, and conduct audits on related department in accordance with the content of the approved audit plan. The audits aimed at reviewing if the operation in in conformity to the internal control system and the audit findings will be reported to the audit committee and the Board at least quarterly for the timely review and correction of the defects inherent to the internal control system for assurance of the ongoing effectiveness of the internal control system.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) All new employees will be educated with the employee ethic code of conduct at the orientation. In addition, the Company also appoints related personnel to receive internal and external training or participate in seminars on topics of ethical corporate management, and continues the advocacy of the measures under the “Procedures for Ethical Management and Guidelines for Conduct” and “Ethical Corporate Management Best Practice Principle”. Related management regulations are disclosed in the intranet	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			and official website of the Company so that all stakeholders could comply with these regulations.	
3. Operation of the Integrity Channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The Company has established the “Procedures Governing Reporting Illegal, Unethical or Unmoral Behavior” in accordance with the “Procedures for Ethical Management and Guidelines for Conduct”, and has set up windows for filing complaints at the intranet and official website of the Company. Informants or complainants may file complaints via telephone, e-mail or fax. If specific report filed in accordance with the aforementioned regulations and was validated, and the situation is critical, report to the Chairperson for action. The informant should be rewarded for augmenting and encouraging report on unethical practices. On receiving a report or complaint, the processing unit must present related documents and evidence to the designated body (Legal Affairs Division) which in turn will set up an investigation team for following up with the investigation.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases, follow-up measures to be adopted after investigations are completed and relevant confidentiality mechanism?	V		(2) The processing procedure and confidentiality is explicitly stated in the “Procedures Governing Reporting Illegal, Unethical or Unmoral Behavior” of the Company. The members of the team for handling the complaints should not be related to the case and should be independent and impartial for assurance of the fair treatment in handling reports or complaints in the future. All personnel related to processing of complaints shall declare in affidavit of confidentiality on everything pertaining to the complaints for the protection of the informants from retaliatory actions. The documents on complaints shall be retained in strict confidence, and could not be viewed without the permission of the Chairperson.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company provide proper whistleblower protection to protect the whistleblowers from improper treatment due to their whistle-blowing?	V		(3) The Company encourages all personnel, inside or outside the Company, to report any breach of trust or unethical practices. The informants will be rewarded depending on the seriousness of the incident. The personnel responsible for processing the case must keep the identity and the content of the report or complaint in strict confidence. The Company further promises no undue treatment to the informants due to the act of reporting or filing complaint to maintain a positive friendly corporate culture and environment.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The full text of the “Procedures for Ethical Management and Guidelines for Conduct” and “Ethical Corporate Management Best Practice Principle” is disclosed on the intranet and official website of the Company. In addition, the result of the pursuit of ethical corporate management was also elaborated in the Sustainability Report of the Company. The aforementioned documents are also posted on MOPS for public viewing.	Compliant with “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
5. If the company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation.				

Evaluation Item	Implementation			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
The Company established the “Ethical Corporate Management Best Practice Principle” and the “Procedures for Ethical Management and Guidelines for Conduct” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, and related regulations governing the processing of report or complaints for the prevention of the conflict of interest, avoidance of seeking private interest, responsibility of confidentiality, establishment of reporting system and the policies of rewards and punishments. There is no significant difference between the practices and the aforementioned principles and regulations and all operations were conducted accordingly.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., reviewing and amendment to ethical corporate management policies).				
The Company established the “Ethical Corporate Management Best Practice Principle” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” in 2015, and has amended to “Procedures for Ethical Management and Guidelines for Conduct”. In addition, the Company has established the procedure for investigation and appointed a designated body for handling report and complaints of unethical practices or breach of trust so as to set up a substantive system for reporting and filing complaints by adopting “Procedures Governing Reporting Illegal, Unethical or Unmoral Behavior”. This will be necessary to improve the result of ethical corporate management. The Company will continue the development of the regulatory environment of ethical corporate management at home and abroad, and encourage the directors, managers and insiders to give recommendation basing on which the Company could improve the policy of ethical corporate management and related action plans. If it is necessary to amend the “Ethical Corporate Management Best Practice Principles”, it should be presented to the Board for discussion as required by the principles. Upon approval, the amended principles will be announced and promoted to create ethical and law abiding corporate culture.				

3.3.8 If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched

The Company has instituted related rules and regulations in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the requirements of the competent authority of securities and exchange. For further information, visit the official website of the Company (<http://www.pahsco.com.tw>) or Market Observation Post System for inquiry of the content of related rules and regulations.

3.3.9 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed:

1. The planning for the succession of the Board members and key persons of the management and the state of execution:

In accordance with the Company's Articles of Incorporation and the Rules Governing the Election of Directors, the Company adopts a candidate nomination system. In the event of an election of the Board of Directors or a vacancy in the Board of Directors, the Board of Directors shall take into consideration the diversity policy of the Board of Directors and the results of the evaluation of the performance of the Board of Directors, and the principle that the number of directors who are also employees shall not exceed one-third of the number of seats on the Board of Directors. In addition to their professional background (e.g., accounting, industry, finance, marketing, etc.) and expertise (e.g., marketing skills, operational judgment, accounting and financial analysis, management skills, industry knowledge, international market perspective, leadership skills, etc.), their values should also be consistent with the Company's culture, and they should be selected by the shareholders from a list of candidates. The Company encourages directors to complete the training hours in accordance with the "Directions for the Implementation of Continuing Education for Directors of TWSE Listed and TPEX Listed Companies", and periodically provides courses covering topics such as corporate finance, business, commerce, legal affairs, accounting, risk management, corporate sustainability or internal control systems, allowing directors to effectively fulfill their duties through continuous training. The current Chairperson, An-Ting Chung, joined the Board of Directors in 2007, was the sales manager and General Manager of PAHSCO. She has more than 10 years of experience in marketing and operation management in the Company and has a rich industrial background. She assumed office as Chairperson in 2020. In the future, she will promote the participation of directors in the operation of the Company and train suitable board members for succession.

In response to the business development of the organization, the Company has planned the cultivation mechanism of key management according to the human resources inheritance needs. In addition to recruiting outstanding talents from outside, we also actively cultivate senior executives with potential to enhance work exchange and experience transfer, and increase their experience through occasional job rotation or increasing their scope of responsibilities, and select reserve talents from them. The selection criteria include professional knowledge, skills and performance, personality traits and mentality, interpersonal relationship and potential, as well as incorporating the Company's values, mission and vision, and future goals in the succession consideration. To fill the skills gap of potential talents, they are encouraged to attend Master of Business Administration classes to ensure that key management personnel are equipped with business management skills and to strengthen their professional skills. The Company has been arranging for senior managers to attend the Board meetings so that they can participate and familiarize themselves with the operation of the Board of Directors. Through interaction with the Board of Directors, they can expand their practical experience in related fields and develop their decision-making judgment and leadership ability. Finally, through the performance appraisal system, the results of each year's employee performance appraisal are captured and used to assess and review suitable future successors for the Company. The current General Manager and Director, Tim Chiang, assumed office since 2022, had served as executive assistant, spokesperson, and senior manager of Administration Dept.

2. Intelligent Property Management

To enhance brand value and drive research and development innovation, while deepening the Company's staff understanding of intellectual property rights, PAHSCO has established a set of intellectual property management regulations that are aligned with relevant intellectual property laws and regulations. These regulations ensure that the Company's acquisition, maintenance, and use of intellectual property rights comply with legal requirements and avoid infringing on the rights of others. Additionally, the current intelligent property management system and implementation status for the year is reported to the Board of Directors once a year.

### 3.3.10 Internal Control Systems

#### 1. Statement of Internal Control System

##### Pacific Hospital Supply Co., Ltd. Statement of Internal Control System

Date: February 26, 2024

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2023:

1. The Company is fully aware that establishing, implementing, and maintaining an adequate internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of circumstances. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of such evaluation, the Company believes that, as of December 31, 2023, its internal control system (including the supervision and management of subsidiaries), as well as the achievement of business operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations, were effective in design and operation, and reasonably assured the achievement of aforesaid objectives.
6. This Statement will be an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the board of directors in their meeting held on February 26, 2024, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pacific Hospital Supply Co., Ltd.

Chairperson: An-Ting Chung

General Manager: Tim Chiang



2. If CPA has been hired to carry out a special audit of the internal control system, the company shall furnish the CPA audit report: None.

3.3.11 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:

None.

3.3.12 Material resolutions of a shareholders meeting and board meetings during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Material Resolutions of 2023 Shareholders' Meeting

Date	Major resolutions	Implementation
Jun. 14, 2023	1. Recognition of the 2022 business report and financial statements of the Company	The report and financial statements were disclosed on the MOPS after the resolution of the Shareholders Meeting.
	2. Recognition of the proposal for 2022 distribution of earnings of the Company	The Shareholders Meeting resolved to appropriate NT\$304,920,000 as shareholder dividend (cash dividend at NT\$4.2/share) and authorized the Chairperson to set Jul. 18, 2023 as the ex-dividend day. The dividend distribution is on Aug. 8, 2023.
	3. Approved the proposal to release the prohibition on directors from participation in competitive business	The information was disclosed on the MOPS after the resolution of the Shareholders Meeting.

2. Material Resolutions of Board Meetings

Session	Date	Material resolutions
The 6th meeting of the 16th term	Jan. 13, 2023	1. Approved the company's 2022 employees' and directors' compensation 2. Approved the 2022 manager's performance, salary remuneration and year-end bonus evaluation proposal
The 7th meeting of the 16th term	Feb. 22, 2023	1. Approved the 2022 consolidated and parent company only financial statements and business report 2. Approved the 2022 earnings distribution 3. Approved the appointment and remuneration of the company's certified public accountants 4. Approved the independence and suitability assessment of certified public accountants 5. Approved the issuance of the company's internal control system statement 6. Approved the revision of the company's internal control system and internal audit system 7. Approved to release non-compete restrictions on directors 8. Approved the matters related to the convening of 2023 Annual Shareholders' Meeting
The 8th meeting of the 16th term	May 3, 2023	1. Approval of the individual financial report for the first quarter of 2023 2. Approved the 2022 performance and remuneration evaluation of the directors 3. Approved the proposal of 2022 employees' compensation for managers 4. Approved the appointment of the chief corporate governance officer

Session	Date	Material resolutions
The 9th meeting of the 16th term	Aug. 4, 2023	<ol style="list-style-type: none"> <li>1. Approval of the individual financial report for the second quarter of 2023</li> <li>2. Approved the company's proposed application for credit loan line from the Tianmu Branch of Hua Nan Commercial Bank, Ltd.</li> <li>3. Approved the company's proposed application for credit loan line from the Export-Import Bank of the Republic of China</li> <li>4. Approved the "2022 Sustainability Report"</li> </ol>
The 10th meeting of the 16th term	Nov. 8, 2023	<ol style="list-style-type: none"> <li>1. Approval of the individual financial report for the third quarter of 2023</li> <li>2. Approved the company's proposed application for credit loan line from the Tianmu Branch of First Commercial Bank</li> <li>3. Approved the company's proposed application for credit loan line from the E.SUN Commercial Bank</li> <li>4. Approved the Amendments to the "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties"</li> <li>5. Approved the company's 2024 internal audit plan</li> <li>6. Approved the revision of the company's internal control system and internal audit system</li> <li>7. Approved the Amendments to the "Rules of Procedure for Board of Directors Meetings"</li> </ol>
The 11th meeting of the 16th term	Dec. 20, 2023	<ol style="list-style-type: none"> <li>1. Approved the 2024 operating budget and operating plan</li> <li>2. Approved the 2023 certified public accountant communication</li> </ol>
The 12th meeting of the 16th term	Jan. 26, 2024	<ol style="list-style-type: none"> <li>1. Approved the company's 2023 employees' and directors' compensation</li> <li>2. Approved the 2023 performance and remuneration evaluation of the directors</li> <li>3. Approved the 2023 manager's performance, remuneration and year-end bonus evaluation proposal</li> <li>4. Approved the promotion and 2024 pay raises of managers</li> <li>5. Approved the proposal of employee stock ownership trust</li> </ol>
The 13th meeting of the 16th term	Feb. 26, 2024	<ol style="list-style-type: none"> <li>1. Approved the 2023 financial statements and business report</li> <li>2. Approved the 2023 earnings distribution</li> <li>3. Approved the appointment and remuneration of the company's certified public accountants</li> <li>4. Approved the independence and suitability assessment of certified public accountants</li> <li>5. Approved the issuance of the company's internal control system statement</li> <li>6. Approved to release non-compete restrictions on director</li> <li>7. Approved the matters related to the convening of 2024 Annual Shareholders' Meeting</li> </ol>

3.3.13 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

None.

3.3.14 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

None.

### 3.4 Information on CPA Professional Fees



Unit: NT\$ thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fees	Non-audit Fees	Total	Notes
Deloitte & Touche	Chao-Ling Chen, Chun-Ming Hsueh	January 1, 2023 ~ December 31, 2023	2,380	461	2,841	(Note)

Note: The Company's non-audit fees include NT\$420 thousand for tax compliance service, and NT\$41 thousand for disbursements.

3.4.1 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed.

Not applicable.

3.4.2 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

Not applicable.

### 3.5 Information on Replacement of CPA

#### 3.5.1 Regarding the Former CPA

Replacement Date	Approved by the Board of Directors on November 8, 2022		
Replacement reasons and explanations	Internal adjustment within the certifying accounting firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Not Applicable	Not Applicable
	No longer accepted (continued) appointment	Not Applicable	Not Applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks		
Other Disclosed Matters (pursuant to Item 1-4 and Item 1-7 of Subparagraph 6 of Article 10 of these Regulations)	(a) Where the former certified public accountant has advised the company that it lacked the sound internal controls necessary for the preparation of reliable financial reports: None. (b) Where the former certified public accountant has advised the company that he or she was unable to rely on the company's written representations, or was unwilling to be associated with the financial report prepared by the company: None. (c)Where the former certified public accountant has advised the company of the need to expand the scope of the audit, or of information showing that an expanded audit might impact the reliability of either a previously issued financial report or the financial report to be issued but, due to replacement of the certified public accountant or for any other reason, the former certified public accountant did not expand the scope of the audit: None. (d)Where the former certified public accountant has advised the company that information collected might impact the reliability of either a previously issued financial report or the financial report to be issued but, due to the replacement of the certified public accountant or for any other reason, the certified public accountant did not deal with the issue: None.		

### 3.5.2 Regarding the Successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Chao-Ling Chen and Chun-Ming Hsueh
Date of appointment	Approved by the Board of Directors on Nov. 8, 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

### 3.5.3 Former CPA's Reply Pursuant to Item 1 and Item 2-3 of Subparagraph 6 of Article 10 of "Regulations Governing Information to be Published in Annual Reports of Public Companies":

Not applicable.

### 3.6 Where the company's chairperson, 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 certified public accountant or at an affiliated enterprise of such accounting firm

None.

### 3.7 Changes in Shareholding and Pledge in Equity Interests of Directors, Managers and Major Shareholders

#### 3.7.1 Changes of Shares Held by Directors, Managers and Major Shareholders

Unit: Shares

Title	Name (Note 1)	2023 (Note 2)		As of February 29, 2024 (Note 3)	
		Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	An-Ting Chung	0	0	0	0
Director	Yi De Co., Ltd.	0	0	0	0
	Rep.: Stanley Chen	0	0	0	0
Director	Yi Sheng Co., Ltd.	0	0	0	0
	Rep.: Tim Chiang	0	0	0	0
Independent Director	Vance Chin	0	0	0	0
Independent Director	Adrian Chang	0	0	0	0
Independent Director	Zhi-Jun Zhan	0	0	0	0
Independent Director	Cherie Lin	0	0	0	0
Manager	Chin-Hui Liao	0	0	0	0
Manager	Li-Mei Chen	0	0	0	0
Manager	Hsuan-Chiao Ho	NA	NA	0	0
Manager	Yu-Hsiu Huang	0	0	0	0

Title	Name (Note 1)	2023 (Note 2)		As of February 29, 2024 (Note 3)	
		Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)
Manager	Tina Wang	0	0	0	0
Major Shareholders	None	NA	NA	NA	NA
Note 1: Hsuan-Chiao Ho took office as manager on February 1, 2024.					
Note 2: Shareholding increase (decrease) of insiders listed above from January 2023 to December 2023.					
Note 3: Shareholding increase (decrease) of insiders listed above from January 2024 to February 2024.					

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

### 3.8 Relationship among the Top Ten Shareholders

As of April 16, 2024

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Notes
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ke Yue Co., Ltd.	7,155,000	9.86%	0	0%	0	0%	None	None	
Representative: Yu-Yen Lin	0	0%	0	0%	0	0%	Hsu-Yuan Lee	Spouse	
An-Ting Chung	4,709,678	6.49%	0	0%	801,829	1.10%	Hsien-Su Chang	First-degree relative	
Yi De Co., Ltd.	4,047,000	5.57%	0	0%	0	0%	None	None	
Representative: Yu-Yen Lin	0	0%	0	0%	0	0%	Hsu-Yuan Lee	Spouse	
Yi Sheng Co., Ltd.	3,254,000	4.48%	0	0%	0	0%	None	None	
Representative: Yu-Yen Lin	0	0%	0	0%	0	0%	Hsu-Yuan Lee	Spouse	
Catcher Medtech Co., Ltd.	3,003,000	4.14%	0	0%	0	0%	None	None	
Representative: Hsu-Yuan Lee	0	0%	0	0%	0	0%	Yu-Yen Lin	Spouse	
Swedbank Robur Small Cap Emerging Markets	2,619,873	3.61%	0	0%	0	0%	None	None	Note 4
BL Emerging Markets	2,009,467	2.77%	0	0%	0	0%	None	None	Note 4
Min-Chih Chang	1,954,967	2.69%	0	0%	0	0%	None	None	
Yi Fa Co., Ltd.	1,729,000	2.38%	0	0%	0	0%	None	None	
Representative: Yu-Yen Lin	0	0%	0	0%	0	0%	Hsu-Yuan Lee	Spouse	
Hsien-Su Chang	1,654,397	2.28%	0	0%	1,170,091	1.61%	An-Ting Chung	First-degree relative	

Note 1: List out the top ten shareholders. For institutional shareholders, list out the names of the institutional shareholders and also the names of the representatives separately.

Note 2: The calculation of the proportion of shares in holding is based on the holding of shares by the person, spouse, children who are minors, or in the name of a third party.

Note 3: List out the shareholders who are institutions and natural persons, and disclose their relation in accordance with the Criteria for the Compilation of Financial statements by Securities Issuers.

Note 4: The shareholders of the Company are foreign institutional investor accounts. As such, it is impossible to trace the proportion of shareholding by their representatives.

3.9 The total number of shares and total equity stake held in any single enterprise by the company, its directors, managers, and any companies controlled either directly or indirectly by the company

None

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Notes		
		Shares (thousand)	Amount (NT\$ thousand)	Shares (thousand)	Amount (NT\$ thousand)	Sources of Capital (NT\$ thousand)	Capital Increased by Assets Other than Cash	Other
08/1977	1,000	1	1,000	1	1,000	Capital increase 1,000 by cash	None	Note 1
12/1979	1,000	2	2,000	2	2,000	Capital increase 1,000 by cash	None	Note 2
12/1984	1,000	5	5,000	5	5,000	Capital increase 3,000 by cash	None	Note 3
07/1987	1,000	15	15,000	15	15,000	Capital increase 10,000 by cash	None	Note 4
07/1989	1,000	29.7	29,700	29.7	29,700	Capital increase 14,700 by cash	None	Note 5
10/1992	1,000	35.55	35,550	35.55	35,550	Capital increase 5,850 by cash	None	Note 6
10/1998	1,000	50	50,000	50	50,000	Capital increase 14,450 by cash	None	Note 7
06/2000	10	30,000	300,000	14,000	140,000	Capital increase 60,000 by cash and 30,000 by earnings	None	Note 8
12/2000	10	30,000	300,000	15,631	156,310	Capital increase 16,310 by cash	None	Note 9
08/2001	10	30,000	300,000	19,200	192,000	Capital increase 35,690 by earnings	None	Note 10
07/2002	10	30,000	300,000	23,000	230,000	Capital increase 38,000 by cash	None	Note 11
10/2003	10	27,800	278,000	24,350	243,500	Capital increase 13,500 by earnings	None	Note 12
09/2004	10	60,000	600,000	27,980	279,800	Capital increase 36,300 by earnings	None	Note 13
11/2004	10	60,000	600,000	28,787	287,874	Converse 8,074 employee stock option	None	Note 14
12/2004	10	60,000	600,000	30,131	301,315	Converse 300 employee stock option and 13,141 convertible bond	None	Note 15
04/2005	10	60,000	600,000	37,439	374,392	Converse 73,077 convertible bond	None	Note 16
06/2005	10	60,000	600,000	37,489	374,892	Converse 500 employee stock option	None	Note 17
08/2005	10	60,000	600,000	38,238	382,380	Capital increase 7,488 by capital surplus	None	Note 18
09/2005	10	60,000	600,000	39,106	391,059	Converse 8,679 employee stock option	None	Note 19
01/2006	10	60,000	600,000	39,375	393,745	Converse 2,686 employee stock option	None	Note 20
04/2006	10	60,000	600,000	39,405	394,046	Converse 301 employee stock option	None	Note 21
05/2006	10	60,000	600,000	37,604	376,046	Capital decrease 18,000 in treasury stock	None	Note 22
11/2006	10	60,000	600,000	40,072	400,720	Converse 8,227 employee stock option and 16,447 convertible bond	None	Note 23
01/2007	10	60,000	600,000	41,443	414,431	Converse 135 employee stock option and 13,576 convertible bond	None	Note 24
05/2007	10	60,000	600,000	41,575	415,750	Converse 1,321 employee stock option	None	Note 25
10/2007	10	60,000	600,000	41,815	418,153	Converse 2,402 employee stock option	None	Note 26
04/2008	10	60,000	600,000	41,829	418,289	Converse 136 employee stock option	None	Note 27
08/2008	10	60,000	600,000	48,000	480,000	Capital increase 61,711 by earnings	None	Note 28
04/2009	10	60,000	600,000	48,676	486,755	Converse 6,755 convertible bond	None	Note 29
06/2009	10	100,000	1,000,000	49,591	495,911	Converse 9,155 convertible bond	None	Note 30
09/2009	10	100,000	1,000,000	54,347	543,466	Converse 13,022 convertible bond, Capital increase 34,533 by capital surplus	None	Note 31
01/2010	10	100,000	1,000,000	60,798	607,981	Converse 64,514 convertible bond	None	Note 32
04/2010	10	100,000	1,000,000	60,924	609,243	Converse 1,262 convertible bond	None	Note 33
07/2010	10	100,000	1,000,000	61,380	613,806	Converse 4,563 convertible bond	None	Note 34
08/2010	10	100,000	1,000,000	49,104	491,045	Capital decrease 122,761 by cash	None	Note 35
10/2010	10	100,000	1,000,000	53,969	539,693	Capital increase 48,648 by capital surplus	None	Note 36
07/2011	10	100,000	1,000,000	60,013	600,138	Capital increase 60,445 by earnings	None	Note 37
07/2012	10	100,000	1,000,000	66,015	660,152	Capital increase 60,014 by earnings	None	Note 38

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Notes		
		Shares (thousand)	Amount (NT\$ thousand)	Shares (thousand)	Amount (NT\$ thousand)	Sources of Capital (NT\$ thousand)	Capital Increased by Assets Other than Cash	Other
01/2013	10	100,000	1,000,000	66,015	660,152	Cancellation of 1 share by abandonment of shareholder	None	Note 39
08/2020	10	100,000	1,000,000	72,600	726,000	Capital increase 65,848 by capital surplus	None	Note 40
Note 1: Approval No.102568 dated Aug. 6, 1977 Note 2: Approval No.116921 dated Dec. 13, 1979 Note 3: Approval No.163336 dated Dec. 27, 1984 Note 4: Approval No.180431 dated Jul. 13, 1987 Note 5: Approval No.120106 dated Jul. 12, 1989 Note 6: Approval No.120526 dated Oct. 19, 1992 Note 7: Approval No.87341659 dated Oct. 27, 1998 Note 8: Approval No.089119141 dated Jun. 14, 2000 Note 9: Approval No.09001020380 dated Jan. 20, 2001 Note 10: Approval No.09001329080 dated Aug. 23, 2001 Note 11: Approval No.09101302030 dated Aug. 5, 2002 Note 12: Approval No.90220084000 dated Oct. 9, 2003 Note 13: Approval No.09332717690 dated Sep. 14, 2004 Note 14: Approval No.09332957720 dated Nov. 1, 2004 Note 15: Approval No.09431588130 dated Jan. 24, 2005 Note 16: Approval No.09431976640 dated Apr. 19, 2005 Note 17: Approval No.09432335010 dated Jun. 24, 2005 Note 18: Approval No.09432724790 dated Aug. 29, 2005 Note 19: Approval No.09432874860 dated Sep. 26, 2005 Note 20: Approval No.09531567710 dated Jan. 13, 2006						Note 21: Approval No.09531915410 dated Mar. 28, 2006 Note 22: Approval No.09532200570 dated May. 18, 2006 Note 23: Approval No.09533097330 dated Nov. 6, 2006 Note 24: Approval No.09631501000 dated Jan. 9, 2007 Note 25: Approval No.09632057580 dated May. 3, 2007 Note 26: Approval No.09632896060 dated Oct. 16, 2007 Note 27: Approval No.09731991080 dated Apr. 2, 2008 Note 28: Approval No.09732880760 dated Aug. 18, 2008 Note 29: Approval No.09832062200 dated Apr. 14, 2009 Note 30: Approval No.09832529770 dated Jun. 29, 2009 Note 31: Approval No.09801199570 dated Sep. 1, 2009 Note 32: Approval No.09901004710 dated Jan. 12, 2010 Note 33: Approval No.09901057110 dated Apr. 13, 2010 Note 34: Approval No.09901137080 dated Jul. 1, 2010 Note 35: Approval No.09932423160 dated Aug. 9, 2010 Note 36: Approval No.09901237210 dated Oct. 26, 2010 Note 37: Approval No.10001153710 dated Jul. 14, 2011 Note 38: Approval No.10101145770 dated Jul. 18, 2012 Note 39: Approval No.10201010580 dated Jan. 16, 2013 Note 40: Approval No.10901154570 dated Aug. 17, 2020		

Note 1: Fill in the information of the year to the date this report was printed.

Note 2: Specify the effective (approval) date and approval document number for raising additional capital.

Note 3: Highlight the face value of the stock if the offering was made at discount.

Note 4: If the right of monetary debts and technologies were used in lieu of capital investment, mark down the types and amount.

Note 5: Highlight the offering if made through private placement.

#### 4.1.2 Type of Stock

Unit: Shares

Share Type	Authorized Capital			Notes
	Issued Shares	Unissued Shares	Total Shares	
Common Stock	72,600,000	27,400,000	100,000,000	TPEX Listed Stock

#### 4.1.3 Information for Shelf Registration

Securities Type	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares	Notes
	Total Shares	Authorized Amount	Shares	Price			
Not Applicable							

#### 4.1.4 Status of Shareholders

As of April 16, 2024

Status of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Investment of Persons from the Mainland Area	Total
Number of Shareholders	4	2	213	24,012	68	0	24,299
Shareholding (shares)	812,942	933,384	23,777,165	36,694,068	10,382,441	0	72,600,000
Percentage	1.12%	1.29%	32.75%	50.54%	14.30%	0.00%	100.00%

#### 4.1.5 Shareholding Distribution Status

##### 1. Common Shares

As of April 16, 2024, share par value NT\$10

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	18,876	524,804	0.72%
1,000 ~ 5,000	4,425	8,399,807	11.57%
5,001 ~ 10,000	518	3,883,394	5.35%
10,001 ~ 15,000	190	2,372,663	3.27%
15,001 ~ 20,000	69	1,243,818	1.71%
20,001 ~ 30,000	66	1,628,464	2.24%
30,001 ~ 40,000	22	761,321	1.05%
40,001 ~ 50,000	28	1,280,017	1.76%
50,001 ~ 100,000	42	2,809,698	3.87%
100,001 ~ 200,000	27	3,840,059	5.29%
200,001 ~ 400,000	11	2,958,427	4.07%
400,001 ~ 600,000	4	2,083,693	2.87%
600,001 ~ 800,000	7	4,962,384	6.84%
800,001 ~ 1,000,000	3	2,544,978	3.51%
1,000,001 or over	11	33,306,473	45.88%
Total	24,299	72,600,000	100.00%

2. Preferred Shares: The Company doesn't issue preferred shares, and therefore it is not applicable.

#### 4.1.6 List of Major Shareholders

As of April 16, 2024

Shareholder's Name	Shareholding Shares	Percentage
Ke Yue Co., Ltd.	7,155,000	9.86%
An-Ting Chung	4,709,678	6.49%
Yi De Co., Ltd.	4,047,000	5.57%
Yi Sheng Co., Ltd.	3,254,000	4.48%
Catcher Medtech Co., Ltd.	3,003,000	4.14%
Swedbank Robur Small Cap Emerging Markets	2,619,873	3.61%
BL Emerging Markets	2,009,467	2.77%
Min-Chih Chang	1,954,967	2.69%
Yi Fa Co., Ltd.	1,729,000	2.38%
Hsien-Su Chang	1,654,397	2.28%

Note: This table indicates the names, number of owned shares and the shareholding percentage of whose shareholding percentage is among the top ten of all the shareholders.



4.1.7 Market Price, Net Worth, Earnings, and Dividends per Share and Related Information. If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Items \ Year	2022	2023	As of Feb. 29, 2024 (Note 8)
<b>Market Price per Share (Note 1)</b>			
Highest Market Price	81.60	96.30	89.30
Lowest Market Price	64.40	71.70	84.50
Average Market Price	73.27	84.49	87.07
<b>Net Worth per Share (Note 2)</b>			
Before Distribution	37.42	39.03	-
After Distribution	33.22	34.23	-
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	72,600	72,600	72,600
Earnings Per Share (Note 3)	4.56	5.80	-
<b>Dividends per Share</b>			
Cash Dividends	4.20	4.80	-
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends (Note 4)	-	-	-
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 5)	16.07	14.57	-
Price / Dividend Ratio (Note 6)	17.45	17.60	-
Cash Dividend Yield Rate (%) (Note 7)	5.73	5.68	-

Note 1: List out the high and low price of common shares of each year, and calculate the average market price on the basis of the trading value and trading volume of each year.

Note 2: Based on the number of issued shares at the end of the year and the resolution of the board of directors or the shareholders' meeting of the following year. The dividend for 2023 is to be approved by the shareholders' meeting.

Note 3: If retroactive adjustment was made due to the payout of stock dividend, specify the EPS before and after the adjustment.

Note 4: If it is specified as the condition for issuing equity securities that the undistributed dividend could be carried forward to the year with profit, disclose the undistributed dividend to current period accumulatively.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Audited information in the last quarter on net asset value per share, earnings per share to the date this report was printed: fill in the data of current period in other fields to the date this report was printed.

#### 4.1.8 Dividend Policy and Implementation Status

- Provisions on dividend policy of the Company inscribed in the Article of Incorporation of the Company currently in effect:

Article XXIII: Earnings derived from company yearly audit, if any, shall first set aside for remitting taxes and government dues, and offsetting accumulated deficit, before allocating a ten percent as the legal earning reserve. However, when the legal earnings reserve reaches the company's share capital level, it is not applicable. Any residual earnings is subject to other government authorities-specified allocation or

special earnings reserve, and the remaining should be combined with the previous period's cumulative undistributed earnings for the Board of Directors to propose an earnings distribution resolution, which to be presented at the shareholders' meeting for motioning to distribute the shareholders' stock dividends.

The company, when reporting no deficit, may distribute, the entire or a portion of the legal earnings reserve or capital reserve per legal stipulations, to distribute new shares or cash dividend in proportion to the shareholders.

The Company, in care of its overall operating condition, capital requirement, industry competitiveness, and shareholders' equity, may distribute the shareholders' dividends in cash or shares, of which the cash dividends may not be less than twenty-percent of the total dividend amount.

2. The projected dividend payment policy in 3 years ahead: The Company will consider the operation needs and the rights of the shareholders, and planned to release at least 30% of the net income of respective year in the 3 years ahead on condition that this amount does not affect the development or capital requirement of the Company in the future. Cash dividend shall range from 20%-100% of the total payable income. The aforementioned proportion of payment is proposed by the Board in consideration of the overall operation condition and financial position of the Company, which will be paid after presenting to the Shareholders Meeting for ratification. No dividend and bonus will be paid if the Company has no surplus.
3. The Company expected no significant change in its dividend policy unless the law specified otherwise.
4. The payment of dividend in 2023

Unit: NT\$ thousand

Types of shareholder dividends	Percentage	Amount for payment as approved by the Shareholders Meeting	Actual amount paid	Difference
Cash dividend	100%	304,920	304,920	No difference

5. Dividend payment discussed for approval in the 2024 Shareholders Meeting

- (1) It is proposed to pay cash dividend at NT\$4.8/share from the earnings in FY 2023, which will total NT\$348,480,000. The cash dividend payment accounts for 100% of the total shareholder dividend.
- (2) It is proposed to pay cash dividend to shareholders from earnings in FY 2023. Shareholders on the list of the Shareholder Registry will be paid NT\$4,800 for the holding of every 1,000 shares on the dividend day.
- (3) The 2024 annual Shareholders Meeting is to ratify the proposal for dividend payment and authorize the Chairperson to resolve the ex-dividend day for payment. In case of change as dictated by law or the requirement of the competent authority, we propose to the Shareholders Meeting to jointly authorize the Chairperson to respond to any change.
- (4) Payment will be effected at the approval of the 2024 annual Shareholders Meeting.

4.1.9 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent (2024) shareholders' meeting: Not applicable.

4.1.10 Compensation of employees and directors

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

Article XXII of the Company's Articles of Incorporation: "Earnings (meaning the pretax earnings upon deducting employee and director remunerations) derived from company fiscal audit, if any, shall have no less than a three percent allocated as employee remuneration; and no more than a two percent allocated as director remuneration. However, the Company, when still in a cumulative deficit, shall first set aside the redemption reserve funds.

The foresaid employee remuneration may be distributed by stock or cash, and the subjects of stock or cash distribution may include the employees of subsidiaries of the company meeting certain specific requirements.

The distribution of employee remuneration and director remuneration shall be heard by over two-thirds of the Board of Directors, be voted in favor for implementation by over one-half of the directors present and represented, and also be reported at the shareholders' meeting."

The Company has established the audit committee so there will be no compensation of supervisors.

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

The amount of payment in the past will be taken as the foundation for the estimation of amount of remuneration to the employees and directors, and also calculated within the ratio stated in the Articles of Incorporation.

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

- (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: The 16th Board of the Company resolved to pay NT\$37,000 thousand as employees' compensation and NT\$4,000 thousand as directors' compensation of FY 2023 in its 12th session dated January 26, 2024. The aforementioned amount shall be paid in cash. There is no discrepancy between that amount and the estimated figure for the fiscal year.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the separate financial reports or individual financial reports for the current period and total employee compensation:  
Not applicable, as the remuneration to the employees in current period was all paid in cash.

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

Unit: NT\$ thousand

Distribution	Recognized Compensation	Actual Distribution	Cause of Discrepancy	Status
Cash Compensation of Employees	29,000	29,000	No Discrepancy	Not applicable
Compensation of Directors	3,600	3,600	No Discrepancy	Not applicable
Total	32,600	32,600	No Discrepancy	Not applicable

#### 4.1.11 Share repurchases:

1. Repurchases already completed: Not applicable.
2. Any repurchase still in progress: Not applicable.

## 4.2 Bonds

The company didn't issue bonds in 2023, so the following items are not applicable.

- 4.2.1 Corporate Bonds: Not applicable.
- 4.2.2 Convertible Bonds: Not applicable.
- 4.2.3 Exchangeable Bonds: Not applicable.
- 4.2.4 Shelf Registration for Issuing Bonds: Not applicable.
- 4.2.5 Corporate Bonds with Warrants to Specific Creditors: Not applicable.

## 4.3 Preferred Shares

The company didn't issue special shares in 2023, so the following items are not applicable.

4.3.1 Preferred Shares: Not applicable.

4.3.2 Preferred Shares with Warrants: Not applicable.

## 4.4 Overseas Depositary Receipts

The company didn't issue overseas depositary receipts in 2023, so it is not applicable.

## 4.5 Employee Stock Warrants

The company didn't issue employee stock warrants in 2023, so it is not applicable.

4.5.1 Unexpired employee subscription warrants issued by the company in existence and the effect of such warrants upon shareholders' equity: Not applicable.

4.5.2 The names of the ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees, as of the date of publication of the annual report: Not applicable.

## 4.6 New Restricted Employee Shares

The company didn't issue new restricted employee shares in 2023, so it is not applicable.

4.6.1 For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the prospectus and the effect on shareholders' equity: Not applicable.

4.6.2 Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the prospectus: Not applicable.

## 4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

Not applicable.

4.7.1 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: Not applicable.

4.7.2 Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company: Not applicable.

## 4.8 Capital Allocation Plans and Implementation

4.8.1 .Description of the plans: For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement. Such descriptions shall include any and all changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any

changes to the plan, the benefits yielded by the funds before and after any change to the plan, the date on which the change to the plan was reported at a shareholders' meeting, and the date on which such information was uploaded to the information disclosure website specified by the FSC.

Not applicable.

4.8.2 Status of Implementation: With respect to funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits. Where implementation has failed to yield the expected progress or benefits, the annual report shall provide specific reasons for such failure, explain any effect it might have upon shareholders' equity, and outline the plan for correcting the situation. Where any of the following items apply to the funds usage plan descriptions referred to in the preceding subparagraph, the annual report shall further disclose the following information:

1. If the funds are used to merge, acquire, or purchase another company through share acquisition, to expand fixed assets, or to acquire new property, plant and equipment, the annual report shall compare and explain property, plant and equipment, operating revenues, operating costs, and operating income: Not applicable.
2. If the funds are invested in another company, the annual report shall describe the condition of the invested company and explain the effect of the investment upon gain or loss from investments: Not applicable.
3. If the funds are used to strengthen the company's working capital or pay off debts, the annual report shall: (1) note any increase or decrease in the company's current assets, current liabilities, and total liabilities; (2) compare and explain the company's interest expenses, operating revenues, and earnings per share; and (3) analyze the company's financial structure: Not applicable.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### 1. Major Lines of Business:

- (1) Medical devices manufacturing, processing and selling
- (2) Medical gas outlets, secondary equipment manufacturing, installation, construction and selling

##### 2. The Relative Weights of Business

Unit: NT\$ thousand

Item \ Year	2022		2023	
	Sales Figures	%	Sales Figures	%
Disposable Medical Devices	2,028,776	92.85%	2,196,908	94.69%
Medical Equipment and Construction	156,158	7.15%	123,301	5.31%
Total	2,184,934	100.00%	2,320,209	100.00%

##### 3. Current Products

The company's main products can be divided by application areas into: Critical/General Care, General surgical, Wound drainage, Respiratory therapy/ Anesthesia, Equipment protective cover, Pediatric care and Medical gas system. These products are widely used in medical institutions, long-term care facilities, and home care, according to various clinical needs. To learn more about PAHSCO's products, please visit <http://www.pahsco.com.tw> and browse "Product" section.

##### 4. New Product Development Plan:

Facing the challenges of aging population, tight demand for hospital manpower and beds, effective integration of intelligent technology and home-application products can greatly improve the quality of home care and medical efficiency, optimize the allocation of limited medical resources, and create a win-win situation for long-term medical treatment and patients. Therefore, in terms of our own brand PAHSCO, the Company continues to extend the seven major product categories with potential and high added value items, deepen and expand the depth and breadth of each category of products, and ensure that product development direction is in line with the trend of medical development. In terms of Contract Development and Manufacturing Organization (CDMO) services, the Company constantly improves process production technology and efficiency, complies with national regulations and standards, meets customer requirements for product quality and production capacity, and ensures satisfaction with customers' long-term plans.

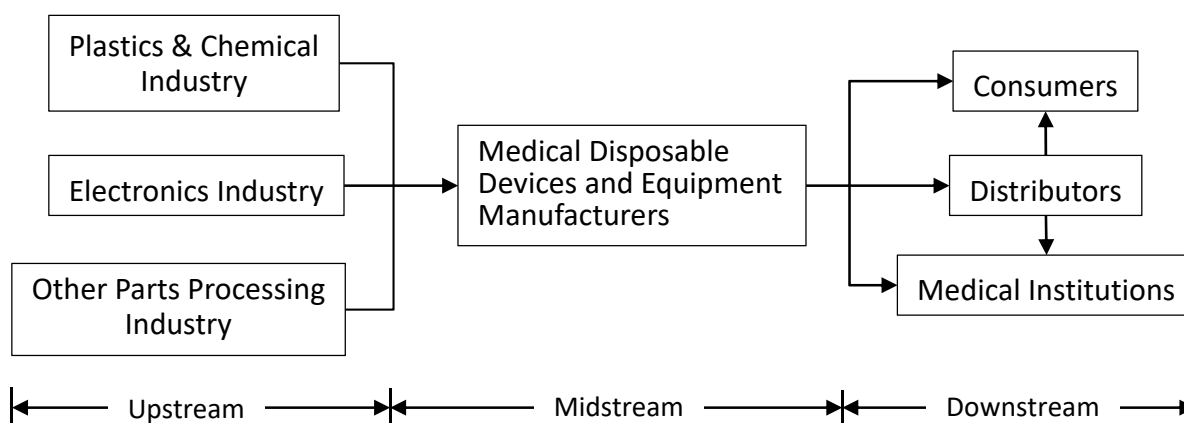
#### 5.1.2 Industry Overview

##### 1. Current Status and Development Trends of the Industry

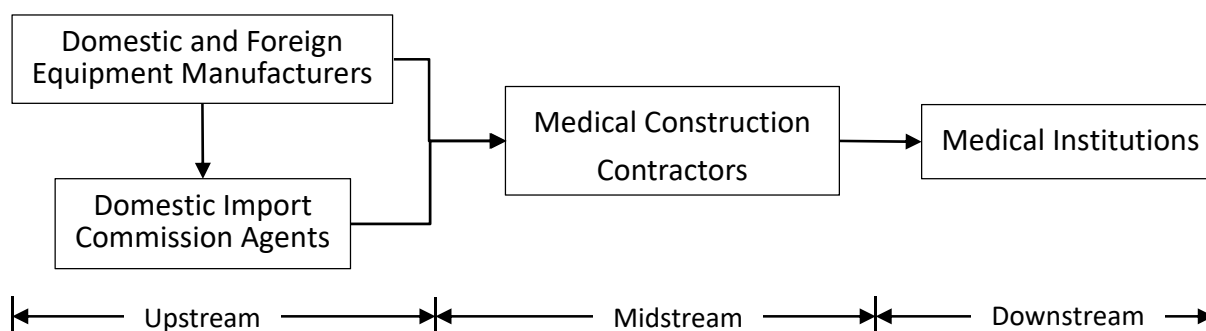
Due to the aging population driving business opportunities of senior citizens and the rise of people's health awareness, the demand for medical care is increasing day by day. In addition, the development of related medical supplies under the trend of disease prevention has led to the rise of the home medical material industry, leading to an increase in the growth of the medical supplies industry in the future; moreover, the COVID-19 pandemic has rapidly impacted all parts of the world, and changes in the structure of medical demand have greatly affected the medical supplies industry. The shortage of medical staff is expanding year by year, with the hope of improving the efficiency of medical treatment through the development of advanced medical technology. This has prompted some medical behaviors to shift from hospitals to personalization and digitalization. Along with the mature application of big data and artificial intelligence, the research and innovation in the medical supplies industry will undoubtedly accelerate. The medical supplies industry in our country is booming, and the medical devices act that is in line with international standards has been completed, implementing a variety of pre-market review mechanisms, and enforcing a graded management system for medical devices. This can accelerate the product launch schedule, which is beneficial for all parties to invest in the development of medical devices. However, the domestic medical devices industry is still mainly based on OEM (Original Equipment Manufacturer), making it difficult to break into the closed supply chain of tier-one international suppliers.

## 2. The Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain

### (1) Disposable Medical Devices and Equipment



### (2) Medical Construction Engineering



## 3. Various development trends and competition of products

The mainstream products in the medical device industry usually improve with the form of diseases and medical technology and are less affected by economic fluctuations. Compared with other types of medical device, the production technology threshold of medical supplies is lower, making it easier for emerging countries with low manufacturing costs to invest in the production of middle and low-end medical supplies and equipment. Coupled with the influence of the national health insurance price control and the competition of international brands, product price competition becomes rather fierce. However, the medical device industry is a cross-field industry, and technological innovation and aging needs have become the two key elements driving the development of medical supplies. Through the introduction of new technology, emerging medical devices not only increase the accuracy, convenience, and safety of doctors' diagnoses, but also greatly enhance the overall medical benefits. With the continuous development of technology, the application fields of medical supplies and equipment are expected to become more diversified in the future. In addition to the demand for products driven by the development of new materials and the introduction of innovative technologies, the commercialization of high-end medical devices is also accelerated. This has resulted in stricter regulations, and the approval process has also become more detailed and meticulous. Due to different management regulations that medical devices must comply with in aspects such as design, manufacturing, and sales, it is necessary to properly monitor each process to ensure product quality. The regulatory threshold is relatively high, which also increases the cost of product development and marketing. Therefore, all medical device manufacturers strive to create product differentiation, establish core advantages, and get rid of low-price competition.

### 5.1.3 An Overview of the Company's Technologies and Research and Development Work

1. Research and development expenses and the percentage of operating revenue in 2023 or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$ thousand

Item \ Year	2022	2023	As of Feb. 29, 2024
R&D Expenses (A)	46,120	57,422	11,494
Operating Revenue (B)	2,184,934	2,320,209	337,556
(A) / (B)	2.11%	2.47%	3.41%

2. Technologies and products successfully developed in 2023 or during the current fiscal year up to the date of publication of the annual report

PASHCO R&D team has successfully developed total of 1,009 product cases in 2023, including 14 new product development cases, 59 existing product derivative cases, 91 process and design improvement cases, 773 product licenses related verification cases, 20 changed and new material cases, 25 cases for addition/change of supplier, and 27 mold cases, etc. Among them, 888 cases have been completed in the current year, and the remaining cases are also on schedule. The products successfully developed in 2023 are as follows:

Product	Product Description
Advanced Probe Cover	To save cleaning time and reduce cross-infection of patients during examinations.
Portable Chest Drainage Bag	The lightweight design makes it easy for patients to get out of the bed and walk around, which shortens the time of being hospitalized.
Closed Suction Catheter	To improve operational efficiency and reduce abnormalities and environmental pollution caused by operations.
Consumables for Diagnostic Imaging	Allow medical staff to provide different capacities according to usage needs for different scenarios.
Pediatric Care Clamp	Enhance operational convenience to avoid product replacement and patient discomfort caused by operation.

3. Research and Development Projects in 2023

ROHS and REACH of EU regulations
Standards Study of ISO 80369/ISO 10993/ISO 18562/ISO 20697
The Impact of Plasticizers on Cell Toxicity
Establishing the digitization of parameters for the production line process
Establish a real-time monitoring system for the process parameters and process variables of the production line.
Feasibility evaluation of optimizing mold and screw design using Computer Aided Engineering (CAE) technology
Research on Epidural Anesthesia Catheter
Research on Peripheral Nerves Blocks Catheter
Optimization of Blow Molding Process Parameters
Optimization of Catheter Tip Forming Process Parameters
Research on various types and properties of Defoamers
Study of Characteristics and Specifications of Drainage Catheters

### 5.1.4 Long-term and Short-term Business Development Plan

1. Short-term Goals

- (1) Improve supply chain management and strengthen supply chain resilience to ensure stable supply of materials and cost control, thus reducing the risk of supply chain disruptions.
- (2) Keep promoting lean production and implementing standardization, improve the performance of automated equipment, reduce the waste in order to control costs and ensure stable production.



- (3) Introduce a digital production management system, integrating operational processes such as business, R&D, production, procurement, and finance, to promote the circulation and application of data information, to improve the quality of decision-making, and to meet customer needs.
- (4) Continuously implement total quality management, cultivate employee awareness of quality, ensure that all departments meet the latest regulatory requirements, and continuously refine and improve to reduce customer complaints.
- (5) Maintain a good financial structure to ensure adequate operating funds to align with the Company's development goals and use effective internal control systems to reduce financial risks.

## 2. Long-term Goals

- (1) Fully grasp market trends and customer needs, develop products with high added value through more professional manufacturing processes and research and design, thereby increasing profitability.
- (2) Intensify the collaboration with hospitals and clinics, academe and research institutions at home and abroad for frequent interaction of the industry chain.
- (3) Establish a comprehensive human resources system and actively cultivate the professional talents needed by the Company.
- (4) Evaluate suitable production and sales locations overseas to expand global business opportunities and mitigate risks.
- (5) Create a sustainable working environment that combines environmental consciousness, occupational safety, and employee health.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### 1. Sales Territory

The products of the Company are mainly classified into disposable medical devices and medical equipment, and the main domestic market includes hospitals, clinics, and care centers. It also exports its products to Japan, China, Europe, America, Southeast Asia, Australia, and the Middle East with Japan as the largest market by sale proportion. In addition to the own brand, the Company is also engaged in OEM and ODM marketing all over the world.

Unit: NT\$ thousand

Item \ Yeas		2022		2023	
		Amount	(%) of Total Sales	Amount	(%) of Total Sales
Domestic Sales		372,884	17.07%	386,652	16.66%
Export	Asia	1,164,208	53.28%	1,227,249	52.89%
	America	284,027	13.00%	273,771	11.80%
	Europe	313,069	14.33%	376,810	16.24%
	Other Areas	50,746	2.32%	55,727	2.41%
	Total	1,812,050	82.93%	1,933,557	83.34%
Total		2,184,934	100.00%	2,320,209	100.00%

#### 2. Market Share

PAHSCO's product categories are numerous, including several clinical specialties like surgery, respiratory emergency, infection control and nursing care. The Company could provide full-range service to the customers and is among the top performers in the disposable medical devices market of Taiwan. Of all the export items, the Closed Suction Systems and Closed Wound Drainage Systems are most competitive with most sales to Germany, Japan, China, United Kingdom, Korea and North America.

3. Demand and Supply Conditions for the Market in the Future and the Market's Growth Potential  
Observing future growth trends in regional markets, the Americas remain the primary mature market and the world's largest medical device market. Following are Western Europe and the Asia-Pacific region, with Asia experiencing the fastest growth in medical catheters, driven by rapid aging populations and advancements in healthcare standards. However, amidst various risks and pressures such as the US-China trade dispute, the COVID-19 pandemic, inflation, and regional conflicts, many globalized supply chains are shifting towards regionalized short-chain supplies. Medical device manufacturers also face challenges from unstable international geopolitics and rising costs, and business operations are still tough with demand appearing conservative due to inflation and raising interest rate. To tackle these challenges, PAHSCO is not only strengthening supply chain risk management but also actively optimizing existing products, developing high-value-added new products, expanding cooperation with customers, diversifying clinical applications, and constructing a more comprehensive product portfolio to enhance overall company profit margins.
4. The Company's Competitive Niche  
Since the establishment of company, PAHSCO offers a diversified product mix based on its professional R&D technique from medical central gas system, piping equipment, secondary equipment, to one time use disposable medical device throughout different hospital department including a variety of tubes, bags, bottles, wound drainage system, anesthesiology and surgery suction related products. PAHSCO offers more than 600 different types of products and over 1,000 specifications that could be applied to hospital, clinics, wards, operating room, and to home care. The diversified product lines offer customers one-stop shopping service with multiple international certificates and sales licenses to insure product quality and to make the marketing scope worldwide. In 2021, PAHSCO obtained the first DNV Asia issued MDR certificate, in line with the EU regulatory framework for the management of medical devices and meeting the demand for the key medical devices of EU.  
The own brand of the Company, "PAHSCO" has successfully entered the newly emerged markets. In the future, the Company will further strengthen the sale of products bearing its own brand with marketing strategy. The Company will focus on expanding business in North America and other emerging potential markets, actively overcoming existing bottlenecks, strengthening competitive niche of R&D and manufacturing, and striving for more growth opportunities. Also, being a close strategic partner of global brands allows PAHSCO to keep up with regulatory and market trends and continue to advance production capacity.
5. Positive and Negative Factors for Future Development and the Company's Response to Such Factors
  - (1) Positive Factors  
With stricter medical regulations on manufacturers' production control system and the rising cost of obtaining approval in various countries, the threshold for manufacturers to enter the market has been raised. PAHSCO has the most complete regulatory and R&D team of Taiwan's medical device industry. The production unit also strictly implements production control in accordance with regulatory requirements. Getting certification at higher level proves the Company's core profession and determination to strengthen market position.  
PAHSCO laid a solid foundation in quality control, product development and production technology as ODM customers mainly are major brands of medically advanced countries such as Japan, Europe, and the United States. Furthermore, the sales of PAHSCO's own brand accounts for about 45% of the total annual turnover, so the Company could catch up on clinical demands and seize market opportunities effectively via own-brand channel.
  - (2) Negative Factors and the Company's Response to Such Factors
    - A. The customer orders for export are sensitive to exchange rate fluctuation with eventual influence on exchange gains or loss.  
[Response] The Company maintains positive relation with the banks, and requests the banks to provide service of exchange rate analysis at regular intervals further to its own attention to the trend of exchange rate. The fluctuation of exchange rate and its effect on sale has been taken into consideration in the quotation of export orders for assurance of reasonable profit for the Company. The Company adopts the widely circulated currency of the world in trading to minimize possible exchange loss caused by exchange rate fluctuation.
    - B. The medical supply manufacturers of Taiwan have been hit hardly by the recent budget cut in national health insurance, and are engaged in price competition over the years.  
[Response] The Company continues to research and develop products of high added value, pays close attention to the development trend of major international firms to understand market needs, and responds to clinical experiment and trail use report for bolstering the advantages of the products.

- C. The management requirements for medical equipment products are becoming increasingly stringent worldwide, with frequent revisions to related regulations, resulting in significant increases in regulatory costs and thresholds.  
[Response] The requirements and standards of certification should be carefully considered at the early stage of product development. Before applying for certification, profitability of the product must be ensured and the marketing channels shall be prepared.
- D. The raising risk of materials shortage in the post-pandemic era  
[Response] The procurement of key materials and components requires more than two suppliers to reduce reliance on a single source. PAHSCO closely cooperates with the supply chain to keep up with the market trends, material supply delivery and inventory changes, so as to respond to possible material shortage risks in advance, and establish buffer stocks according to different risk levels. In the development stage of new products, the normalized materials are preferred, which can increase the commonality of materials and greatly reduce the risk of supply shortage.
- E. The medical equipment industry requires cross-field professional talent. At present, the cultivation resources are mainly concentrated in the scientific and technological fields. Demand for professionals in areas such as domestic and foreign market development, business model design, marketing, and commercialization have not yet been satisfied.  
[Response] Continuously plan for the cultivation of key talents by providing corresponding courses and practical opportunities, while also fostering talents with entrepreneurial spirit and market orientation. This will be beneficial in playing a crucial role in market development, business model design, and marketing for the Company.

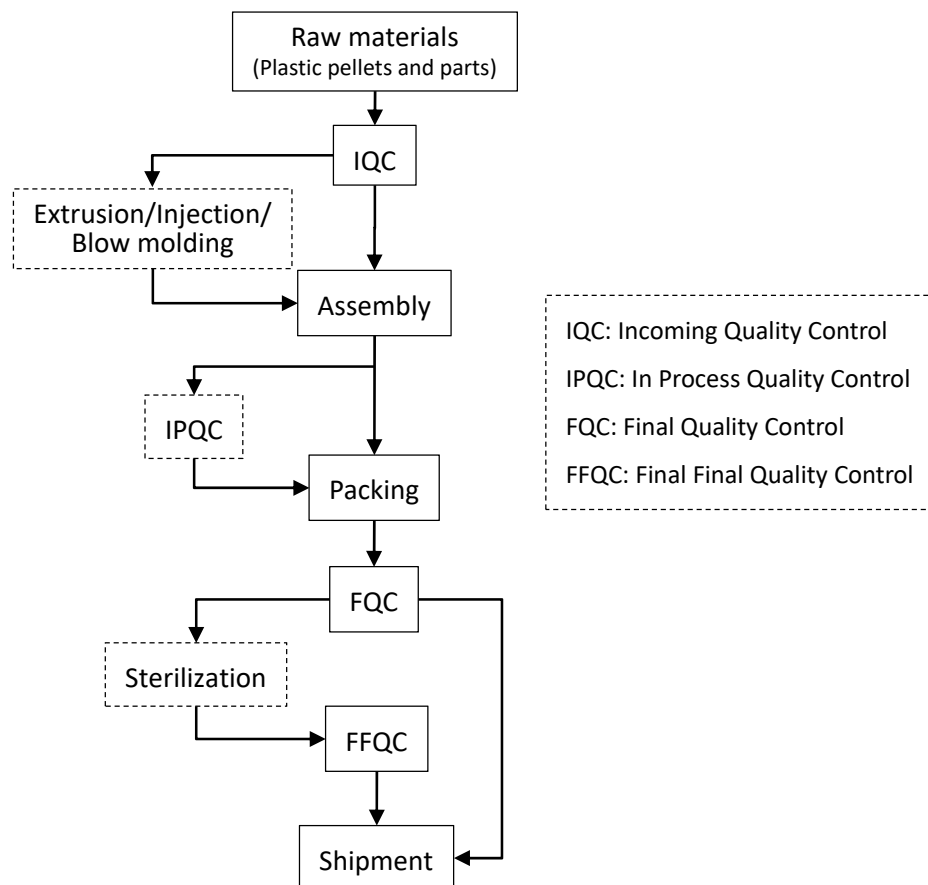
## 5.2.2 Usage and Manufacturing Processes for the Company's Main Products

### 1. Major Products and Their Main Uses

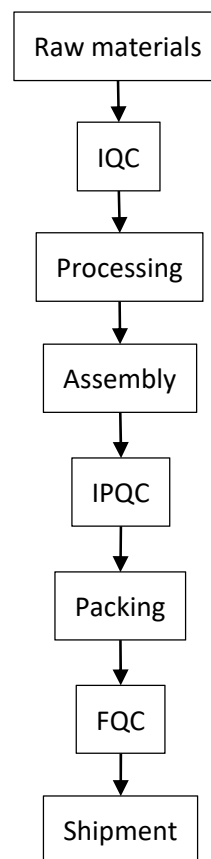
Major Products	Main Uses
Medical Tubings	The Company is primarily engaged in the development and manufacturing of different types of products for draining of waste fluid and experimentation for using in different parts of the body for different needs.
Medical Bags	For the extraction of fluid or suction of waste fluid after surgery or clinical care.
Medical Bottles	To drain the fluid from the bodies of patients and collected as data for clinical experiments, or to remove the gas from different parts of the bodies depending on clinical requirement such as chest drainage bottle.
Surgical Suction Instruments and Closed Wound Drainage Systems	Suction out the fluid from surgery wound to avoid infection and speed up recovery.
Medical Gas Central Piping System Construction	To construct gas system and related equipment that primarily for medical use including the central medical gas supply system (for oxygen and vacuum suction, etc.), renovate operating room and wards, design and install special request, and to supply gas outlets with standard equipment, secondary equipment and accessories.

## 2. Major Products and Their Production Processes

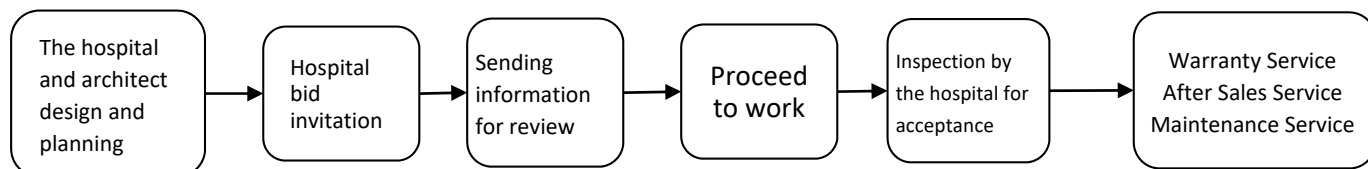
### (1) Disposable Medical Devices



### (2) Medical Equipment



### (3) Medical Gas Central Piping System Construction



## 5.2.3 Supply Situation for the Company's Major Raw Materials

### 1. Disposable Medical Devices:

The key material is plastic pellets, different plastic parts and packing paper rolls, which are mostly bought from domestic suppliers and emerged as a well-developed industry with abundant supply.

### 2. Medical Equipment and Gas Systems:

The key material is processed metals and related machinery and instruments. The metals could be supplied from domestic suppliers while the machinery and instruments are under stable supply from domestic and overseas professional manufacturers with long-term business relation with the Company.

5.2.4 A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

PAHSCO has no suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years.

5.2.5 A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

PAHSCO has no clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years.

#### 5.2.6 Production in the Last Two Years

Unit: PCS, NT\$ thousand

Output	Year	2022			2023		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Disposable Medical Devices		150,000,000	83,969,723	1,548,556	140,000,000	79,645,808	1,539,812
Medical Equipment and Construction		300,000	216,055	86,518	300,000	141,502	54,587
Total		150,300,000	84,185,778	1,635,074	140,300,000	79,787,310	1,594,399

Note 1: Production capacity refers to the quantity of production under normal condition with necessary stoppage of works and holidays and related factors taken into consideration.

Note 2: The sizes of the hospital construction projects varies, which makes it impossible to estimate the reasonable production capacity and quantity.

#### 5.2.7 Shipments and Sales in the Last Two Years

Unit: PCS, NT\$ thousand

Shipments & Sales	Year	2022				2023			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products									
Disposable Medical Devices		10,666,292	321,747	74,657,074	1,707,029	10,592,628	349,442	71,904,892	1,847,466
Medical Equipment and Construction		73,812	51,137	252,262	105,021	71,181	37,210	231,302	86,091
Total		10,740,104	372,884	74,909,336	1,812,050	10,663,809	386,652	72,136,194	1,933,557

Note: Sales quantity includes semi-finished products and raw materials.

### 5.3 Human Resources

The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels:

Year		2022	2023	As of Feb. 29, 2024
Number of Employees	Middle to senior-level manager	30	31	31
	Frontline supervisor	93	94	93
	Indirect employees	206	218	221
	Direct employees	468	459	455
	Total	797	802	800
Average Age		40.1	40.9	41.0
Average Years of Service		8.7	9.2	9.3

Year		2022	2023	As of Feb. 29, 2024
Education Levels	Ph.D.	0.50%	0.50%	0.50%
	Master	4.02%	4.49%	4.38%
	Bachelor	32.87%	34.16%	34.38%
	Senior High School	53.45%	51.87%	51.74%
	Below Senior High School	9.16%	8.98%	9.00%

## 5.4 Disbursements for Environmental Protection

Any losses suffered by the company in 2023 and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company did not violate environmental regulations leading to any losses.

## 5.5 Labor Relations

### 5.5.1 Employee Benefit Plans and the Status of Implementation

#### 1. Benefit System and Implementation:

- (1)Special leave: In addition to the weekend holidays of two days as practiced by government agencies, and the holidays stated in the calendar announced by the Directorate-General of Personnel Administration, employees are entitled to the following special leave after service with the Company for specific period of time: 3 days for employees with of seniority of service from 6 months to 1 years; 7 days for employees with of seniority of service from 1 to 2 years; 10 days for employees with of seniority of service from 2 to 3 years; 14 days for employees with of seniority of service from 3 to 5 years; 15 days for employees with seniority of service from 5 to 10 years, and an additional day of holiday for each additional year of service for employees with seniority of service of 10 years or more up to 30 days a year.
- (2)Paternity leave for male employees: The Company will grant 7 days off as paternity leaves when an employee accompanies their spouse in labor.
- (3)Gift for matrimony or celebration and monetary condolences: gift will be released in accordance with the "Regulations Governing the Release of Gifts to Employees in Occasions of Matrimony, Bereavement, and Celebration."
- (4)The Company established the Employee Welfare Committee to organize tourist travelling of activities at regular intervals: benefits and related events will be provided as resolved by Employee Welfare Committee meetings participated by the members elected by employees.

#### 2. Salary System and Implementation:

- (1)Year-end bonus: The Company releases year-end bonus to the employees depending on the overall operation of the year in accordance with the "Regulations Governing Performance Evaluation of Employees."
- (2)Compensation to the employees: Distribution of employees' compensation shall be resolved by the Board of Directors in accordance with the Articles of Incorporation. The criteria for payment are based on the "Regulations Governing the Distribution of Payment to Employees."
- (3)Employee subscription of shares, subscription of new shares for raising additional capital, and the offering of employee stock option certificates: These will be arranged on the basis of the overall operation needs of the Company and applicable rules and regulations for the employees to follow.

#### 3. Insurance and Health Insurance System and Implementation:

- (1)Labor insurance: The Company takes labor insurance for the employees in accordance with the "Labor Insurance Act." Employees are entitled to insurance benefits under law.
- (2)National Health Insurance: The Company takes health insurance for the employees in accordance with the "National Health Insurance Act."
- (3)Group insurance: All employees will be covered by the group insurance of the Company as of the day registered for service with the Company and are entitled to relevant insurance benefits under law.
- (4)Free health examination at regular intervals: The Company retains hospitals for providing health examinations for all employees at regular intervals for assurance of physical fitness for the assigned duties and make proper adjustment where necessary.

#### 4. Workplace Diversity and Gender Equality:

The Company is committed to providing a safe and dignified working environment, implementing diversity and equal opportunity, fairness in remuneration and promotion opportunities, and protecting the rights and interests of all ethnic groups. In compliance with the People with Disabilities Rights Protection Act and the Indigenous Peoples Employment Rights Protection Act, we hired 11 persons with disabilities in 2023, which is more than the legally required 8 persons, and we continue to create an employee-friendly environment for persons with disabilities, protecting their employment opportunities and rights. In the same year, a total of 11 employees with indigenous identity were hired, which also exceeded the number regulated by law. In regard to the appointment of foreign employees, the focus is on protecting their working conditions and human rights. There is no discrimination or improper differential treatment, and the employment process fully complies with laws and regulations. We aspire to create a friendly, happy, and inclusive diverse workplace. The Company ensures that employees will not suffer from discrimination, harassment, or unequal treatment due to race, gender, religious beliefs, age, political inclinations, or any other condition protected by applicable laws. Meanwhile, the Company takes initiative in promoting a friendly workplace for mothers and has won the Excellent Healthy Workplace - Maternal Health and Friendly Award granted by the Ministry of Health and Welfare in 2021. In 2023, the proportion of female supervisors in management positions is 56.0%, and the proportion of female employees has exceeded 70%. The Company continues to build a working environment for gender equality and development, as well as a senior-friendly workplace. Moreover, we were honored with the certification of a friendly enterprise for middle-aged and elderly people from the Taipei City Government in 2023.

#### 5.5.2 Continuing Education and Training Related to Corporate Governance for Managers

Training list of managers	Training course	Training Hours	Training Organizations	Expenses (NT\$)
An-Ting Chung (Chairperson) and Tim Chiang (General Manager)	Corporate Governance Lecture Hall - Sustainable Business Operations and Domestic and International Tax Trends	3	Taiwan Academy of Banking and Finance	0
An-Ting Chung (Chairperson)	The international trend of net-zero carbon emissions and Taiwan's efforts to promote zero-carbon transformation	3	Digital Governance Association	2,500
Tim Chiang (General Manager)	2023 Taishin Net Zero Summit	3	Chinese National Association of Industry and Commerce	0
Tim Chiang (General Manager)	2023 Cathay Sustainable Finance and Climate Change Summit	6	Taiwan Stock Exchange	0
Chih-Peng Chou (Chief Internal Auditor)	"Information Security Protection" and "Cloud Security" Auditing Practices Seminar	6	The Institute of Internal Auditors-Chinese Taiwan	3,300
Chih-Peng Chou (Chief Internal Auditor)	"Policy Analysis of 'Self-compiled Financial Reports' and 'Sustainability Reports', and Key Study on Internal Audit and Internal Control Practices"	6	The Institute of Internal Auditors-Chinese Taiwan	3,300
Yu-Shiu Huang (Accounting Head)	2023 Auditing Standards Promotion Conference	2	Accounting Research and Development Foundation	0
Yu-Shiu Huang (Accounting Head)	2023 Seminar on Promoting the Adoption of International Financial Reporting Standards	3	Taipei Exchange	0

Training list of managers	Training course	Training Hours	Training Organizations	Expenses (NT\$)
Yu-Shiu Huang (Accounting Head)	Advanced study for Principal Accounting Officers of the Issuers, Securities Firms, and Securities Exchanges	12	Accounting Research and Development Foundation	8,000

### 5.5.3 Employee Training and the Status of Implementation

1. Orientation for the new employees: introduction to the organization of the Company, operation system, and other systems of the Company, job description, training of professional knowledge and heritage of the Company.
2. The Company has instituted the "Training Procedure" under which the employees are free to choose the internal or external training relevant to their jobs so that they could combine their career with the interest for further development for the optimal learning effect. The content of the training is shown below:
  - (1) Internal training: center on the corporate headquarters, branches or other training locations, or provided in alternate locations.
  - (2) External training: employees will be sent to training institutions at home or abroad to receive training, and will enter into agreements on acceptance of training or affidavit of prolonged period of service with the Company.
3. Statistical data and expenses of employee continuing education and training in 2023 are as follow:

Type of training		Classes	Participants	Hours	Expenses (NT\$)
1	Orientation for the new employees	69	132	192	0
2	Training in occupational safety and health	250	595	1,735	88,300
3	Training in legal rules governing medical devices	57	545	1,997	26,990
4	Training in R&D Management and Technical Skills	125	1,060	2,247	0
5	Training in Information Security and System	38	175	480	15,800
6	Training in Corporate Management and Supervision	27	37	142	36,100
7	Training in Financial Management and International Trade	7	14	72	30,600
Total		573	2,558	6,865	197,790

### 5.5.4 Certification of Employees Whose Jobs are Related to the Transparency in the Financial Information

1. Continuing education of Accounting Research and Development Foundation for principal accounting officers of issuers, securities firms, and securities exchanges: Senior Manager Yu-Shiu Huang, Yi-Hua Su and Hsianyu Wang
2. The "Orientation of Internal Auditors of Enterprises" organized by Securities and Futures Institute: Chih-Peng Chou and Li-Chin Lo.

### 5.5.5 Retirement Systems and the Status of Implementation:

The Company established the regulations governing the retirement of employees in accordance with the "Labor Standards Act" and the "Labor Pension Act" under a sound financial system. The Company makes stable appropriation to the pension fund. Further to the amount deposited by the Company as required by law, the Company also retains professional accounting consultant to conduct actuary on the pension reserve for assurance of adequate appropriation for the protection of the employees in claiming for pension in the future:

1. Pension reserve appropriated in accordance with the "Labor Standards Act"  
 Pension will be paid on the basis of the seniority of services of the employee and the average monthly salaries in the last 6 months of employment prior to retirement. The Company appropriates 3% of the total salaries of the employees to the pension fund in the care of the Labor Pension Reserve Supervisory Committee which in turn will deposit the fund to a special account with the Bank of Taiwan under its title. The balance of the pension reserve special account as of December 31, 2023 amounted to NT\$96.85 million, which will be sufficient to meet the needs of pension claim under the old system. In 2023, 7 employees applied for retirement.



2. The appropriation of pension fund under the "Labor Pension Act"

The Company appropriates 6% of the salaries of individual employees to their personal special account at the Labor Insurance Bureau. Under the aforementioned requirement, the Company recognized the amount of NT\$17.6 million for pension fund in 2023.

3. In addition to regular contributions to the reserve fund and statutory retirement accounts in accordance with the Labor Standards Act and the Labor Pension Act, the Company aims to enhance employee benefits, encourage long-term savings, accumulate wealth, and secure retirement life. The Company planned to initiate employee stock ownership trust in 2023 and implemented it in 2024.

#### 5.5.6 The Status of Labor-Management Agreements

The Company holds labor-management conference at regular intervals as required by law, and has also established a mail box and special hotline for the employees to file complaints for the timely reflection of their opinions. Direct labor-management communication has also been held through meetings from time to time. Important information related to labor-management relation has also been posted at the notice board and electronic bulletin board of the Company so that the employees could understand the operation policy of the Company. The Company values proper sharing and exchange of opinions with the employees to create a harmonious and good quality work environment.

#### 5.5.7 The Measures for Preserving Employees' Rights and Interests

In addition to establishing the Employee Welfare Committee, Labor Retirement Reserve Supervisory Committee, and Sexual Harassment Complaint Handling Committee in accordance with the law, our company oversees the planning, allocation, custody, use, and other related matters of employee welfare funds and retirement reserve funds that are regulated by relevant laws and regulations. The maintenance of various employee rights and the implementation of welfare systems are based on legal regulations.

5.5.8 List any losses suffered by the company in the most recent year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

PAHSCO has no losses resulting from labor disputes, so it is not applicable.

### 5.6 Cyber Security Management

1. The risk management framework for information and communications security, information and communications security policies, specific management plans and resources devoted to information and communications security management:

According to the assessment of the Company's authority, although the information security risk is not a major operational risk, the risk may increase year by year as the network environment becomes more complex. The Company has established a cyber-security management structure, with the general manager responsible for formulating cyber security management policies and the "Cyber Security Working Group" and "Cyber Security Response Team" under him/her to formulate and implement specific cyber security management plans. In addition, a cyber security audit unit conducts internal audits of management systems, cyber security prevention and crisis management, and continues to refine internal abnormality detection and protection methods to reduce corporate information security risks. The relevant implementation measures are as follows:

(1) Network Security Management

- A. Install enterprise-level firewalls to prevent illegal intrusions by hackers.
- B. Use SSL VPN to connect with each branch of the Company, and use data encryption to avoid illegal access of the data in the transmission process.
- C. Install an online conduct management system to control network access, which can block access to harmful or policy-disallowed URLs and content, strengthen network security, and prevent bandwidth from being improperly occupied.

(2) System access control

- A. An application must be filed in advance for the use of each applied system of the Company. After being approval by the supervisor in charge, the account will be established by MIS, which

- can only be used with the system functions granted by the system administrator.
- B. The password setting of the account must meet the required protection strength, and should combine English alphabet and numbers for approval.
- C. MIS must be informed to delete accounts of various systems in the process of employment separation.
- (3) Implement cyber security training
  - A. Regularly implement cyber security education and training, and from time to time conduct cyber security promotion for employees to raise their awareness of the importance of cyber security.
  - B. Arrange social engineering courses for all employees, and arrange special training courses for those who violate cyber security regulations.
- (4) Virus protection and management
  - A. Terminal protection software is installed on the server and computers for employees, and the virus code is automatically updated to have the latest viruses detected and blocked.
  - B. The email server is equipped with a spam filtering mechanism to prevent viruses or spam from entering the user's PC.
- (5) Ensure system availability
  - A. Setup a backup management system to have two backup copies of data prepared on a daily basis with one copy kept in the computer room and the other one placed in a different place (Taipei or plant) for backup.
  - B. Perform disaster recovery drills on a regular basis. After deciding the restoring point, the backup file is restored to the system host.
- (6) Computer equipment security management
  - A. Company's computer host, application servers, etc. are all set up in the dedicated computer room. The computer room access is controlled with an electronic card with records kept for future reference.
  - B. There is an independent air conditioner and uninterruptible power system in the information room to have the computer equipment operated at a suitable temperature, and the operation of the computer application system will not be interrupted when the power is turned off.
  - C. Construct an equipment management system, so, only the mobile devices and USB devices that are certified by the Company can be used to connect to the Company's intranet and access data.
- (7) Resources invested in cyber security management in 2023
  - A. There are 3 cyber security personnel who regularly issue computer threat warning reports every month.
  - B. Utilize the cyber security log collection platform to analyze data and continuously monitor cyber security to implement responsive measures promptly.
  - C. A total of 226 participants were involved in the implementation of cyber security education and training, with a total duration of 723.5 hours.
  - D. Issued a total of 12 computer threat warning reports and 15 cyber security promotion contents.
- 2. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

PAHSCO has no losses due to significant cyber security incidents in 2023, so it is not applicable.

## 5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Contract	Hsinchu Science Park Bureau, National Science and Technology Council	Nov. 15, 2014 ~ Dec. 31, 2033	Land leasing in Tongluo Science Park	None

## VI. Financial Information

### 6.1 Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent 5 Fiscal Years

#### 6.1.1 Condensed Balance Sheet – Based on IFRS

##### 1. Consolidated

Unit: NT\$ thousand

Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		1,306,873	1,377,518	1,365,048	1,325,016	NA (Note 3)
Investment accounted for using the equity method		-	-	-	-	
Property, plant and equipment		2,057,980	1,976,579	1,855,740	1,750,099	
Right-of-use asset		420,774	444,614	435,584	426,992	
Investment properties		92,490	92,182	91,873	91,565	
Intangible assets		9,235	6,334	4,314	5,762	
Other assets		62,193	50,733	42,888	46,298	
Total assets		3,949,545	3,947,960	3,795,447	3,645,732	
Current liabilities	Before distribution	495,538	538,091	424,028	502,842	
	After distribution	759,599	843,011	750,728	-	
Non-current liabilities		902,215	795,817	665,973	426,190	
Total liabilities	Before distribution	1,397,753	1,333,908	1,090,001	929,032	
	After distribution	1,661,814	1,638,828	1,416,701	-	
Equity attributable to shareholders of the parent		2,551,792	2,614,052	2,705,446	2,716,700	
Capital stock		660,152	726,000	726,000	726,000	
Capital surplus		410,354	344,506	344,506	344,665	
Retained earnings	Before distribution	1,486,607	1,547,395	1,634,940	1,646,035	
	After distribution	1,222,546	1,242,475	1,308,240	-	
Other equity interest		(5,321)	(3,849)	-	-	
Treasury stock		-	-	-	-	
Non-controlling interest		-	-	-	-	
Total equity	Before distribution	2,551,792	2,614,052	2,705,446	2,716,700	
	After distribution	2,287,731	2,309,132	2,378,746	-	

Note 1: The financial information is based on the financial statements audited by CPAs.

Note 2: The proposal for distribution of earnings in FY 2023 should be subject to the approval of the annual shareholders meeting.

Note 3: The Company only prepared individual financial statement in 2023.

## 2. Parent Company Only

Unit: NT\$ thousand

Year		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Item						
Current assets		1,178,522	1,260,835	1,365,048	1,325,016	1,557,643
Investment accounted for using the equity method		141,939	119,951	-	-	-
Property, plant and equipment		2,047,999	1,973,217	1,855,740	1,750,099	1,645,230
Right-of-use asset		418,998	444,614	435,584	426,992	422,116
Investment properties		92,490	92,182	91,873	91,565	91,257
Intangible assets		9,016	6,334	4,314	5,762	5,081
Other assets		58,065	50,596	42,888	46,298	46,567
Total assets		3,947,029	3,947,729	3,795,447	3,645,732	3,767,894
Current liabilities	Before distribution	494,140	537,860	424,028	502,842	514,802
	After distribution	758,201	842,780	750,728	807,762	-
Non-current liabilities		901,097	795,817	665,973	426,190	419,533
Total liabilities	Before distribution	1,395,237	1,333,677	1,090,001	929,032	934,335
	After distribution	1,659,298	1,638,597	1,416,701	1,233,952	-
Equity attributable to shareholders of the parent		2,551,792	2,614,052	2,705,446	2,716,700	2,833,559
Capital stock		660,152	726,000	726,000	726,000	726,000
Capital surplus		410,354	344,506	344,506	344,665	344,665
Retained earnings	Before distribution	1,486,607	1,547,395	1,634,940	1,646,035	1,762,894
	After distribution	1,222,546	1,242,475	1,308,240	1,341,115	-
Other equity interest		(5,321)	(3,849)	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,551,792	2,614,052	2,705,446	2,716,700	2,833,559
	After distribution	2,287,731	2,309,132	2,378,746	2,411,780	-

Note 1: The financial information is based on the financial statements audited by CPAs.

Note 2: The proposal for distribution of earnings in FY 2023 should be subject to the approval of the annual shareholders meeting.

Note 3: The Company only prepared individual financial statement in 2023.

## 6.1.2 Condensed Statements of Comprehensive Income – Based on IFRS

### 1. Consolidated

Unit: NT\$ thousand (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	2,040,643	2,171,815	2,018,749	2,184,934	NA (Note 4)
Gross profit	578,883	678,214	523,416	587,970	
Income from operations	347,275	440,916	313,398	354,495	
Non-operating income and expenses	182,567	(18,208)	120,628	58,985	
Income before tax	529,842	422,708	434,026	413,480	
Income from continuing operations	459,120	328,723	386,415	331,397	
Loss of discontinued operations	-	-	-	-	
Net income	459,120	328,723	386,415	331,397	
Other comprehensive income (loss) (income after tax)	(7,248)	(2,402)	9,899	6,398	
Total comprehensive income (loss)	451,872	326,321	396,314	337,795	
Net income attributable to shareholders of the parent	459,120	328,723	386,415	331,397	
Net income attributable to non- controlling interests	-	-	-	-	
Comprehensive income (loss) attributable to Shareholders of the parent	451,872	326,321	396,314	337,795	
Comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	
Earnings per share (Note 3)	6.32	4.53	5.32	4.56	

Note 1: The financial information is based on the financial statements audited by CPAs.

Note 2: The proposal for distribution of earnings in FY 2023 should be subject to the approval of the annual shareholders meeting.

Note 3: The number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the issuance of bonus shares.

Note 4: The Company only prepared individual financial statement in 2023.

## 2. Parent Company Only

Unit: NT\$ thousand (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	2,040,643	2,171,815	2,018,749	2,184,934	2,320,209
Gross profit	578,883	678,214	523,416	587,970	739,745
Income from operations	349,713	453,759	314,513	354,495	498,014
Non-operating income and expenses	180,129	(31,051)	119,513	58,985	27,478
Income before tax	529,842	422,708	434,026	413,480	525,492
Income from continuing operations	459,120	328,723	386,415	331,397	420,792
Loss of discontinued operations	-	-	-	-	-
Net income	459,120	328,723	386,415	331,397	420,792
Other comprehensive income (loss) (income after tax)	(7,248)	(2,402)	9,899	6,398	987
Total comprehensive income (loss)	451,872	326,321	396,314	337,795	421,779
Net income attributable to shareholders of the parent	459,120	328,723	386,415	331,397	420,792
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income (loss) attributable to Shareholders of the parent	451,872	326,321	396,314	337,795	421,779
Comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Note 3)	6.32	4.53	5.32	4.56	5.80

Note 1: The financial information is based on the financial statements audited by CPAs.

Note 2: The proposal for distribution of earnings in FY 2023 should be subject to the approval of the annual shareholders meeting.

Note 3: The number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the issuance of bonus shares.

Note 4: The Company only prepared individual financial statement in 2023.

### 6.1.3 Auditors' opinions for the past 5 fiscal years

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Sheng-Hsiung Yao and Yi-Lung Chou	Unmodified Opinion
2020	Deloitte & Touche	Chao-Ling Chen and Yi-Lung Chou	Unmodified Opinion
2021	Deloitte & Touche	Chao-Ling Chen and Jui-Na Chang	Unmodified Opinion
2022	Deloitte & Touche	Chao-Ling Chen and Chun-Ming Hsueh	Unmodified Opinion
2023	Deloitte & Touche	Chao-Ling Chen and Chun-Ming Hsueh	Unmodified Opinion

## 6.2 Financial Analysis for the Most Recent 5 Fiscal Years

### Financial Analysis – Based on IFRS

#### 1. Consolidated

Year(Note 1) Item (Note 2)		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	35.39	33.79	28.72	25.48	NA (Note 1)
	Ratio of long-term capital to property, plant and equipment	146.83	149.45	158.18	155.23	
Solvency (%)	Current ratio	263.73	256.00	321.92	263.51	
	Quick ratio	142.66	146.25	236.41	185.25	
	Interest earned ratio (times)	36.90	38.57	51.41	59.81	
Operating performance	Accounts receivable turnover (times)	11.35	13.22	11.75	10.58	
	Average collection period	32.15	27.60	31.06	34.49	
	Inventory turnover (times)	4.69	4.51	4.38	4.31	
	Accounts payable turnover (times)	10.19	9.90	9.14	8.51	
	Average days in sales	77.82	80.93	83.33	84.68	
	Property, plant and equipment turnover (times)	0.92	1.08	1.05	1.21	
	Total assets turnover (times)	0.54	0.55	0.52	0.59	
Profitability	Return on total assets (%)	12.50	8.55	10.16	9.06	
	Return on stockholders' equity (%)	18.88	12.73	14.53	12.22	
	Pre-tax income to paid-in capital (%) (Note 6)	80.26	58.22	59.78	56.95	
	Profit ratio (%)	22.50	15.14	19.14	15.17	
	Earnings per share (NT\$) (Note 3)	6.32	4.53	5.32	4.56	
Cash flow	Cash flow ratio (%)	93.09	105.99	75.26	85.84	
	Cash flow adequacy ratio (%)	61.10	77.97	104.88	105.55	
	Cash reinvestment ratio (%)	6.93	8.31	0.37	2.85	
Leverage	Operating leverage	1.47	1.37	1.50	1.40	
	Financial leverage	1.04	1.03	1.03	1.02	

Note 1: The Company prepared individual financial statements for 2023.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

#### 1. Financial Structure

(1) Debt-asset ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + long-term liabilities) / net property, plant and equipment

#### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Times interest earned = income before income tax and interest expenses / current interest expenses

#### 3. Operating performance

(1) Account receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average collection period for receivables = 365 / receivables turnover rate

(3) Inventory turnover rate = cost of sales / average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period



- (5) Average days in sale =  $365 / \text{inventory turnover rate}$
- (6) Property, plant and equipment turnover rate =  $\text{net sales} / \text{average net worth of property, plant and equipment}$
- (7) Total asset turnover rate =  $\text{net sales} / \text{average total assets}$

4. Profitability

- (1) Return on total assets =  $[\text{net income} + \text{interest expenses} (1 - \text{tax rate})] / \text{average total assets}$
- (2) Return on equity =  $\text{net income} / \text{average total equity}$
- (3) Profit ratio =  $\text{net income} / \text{net sales}$
- (4) Earnings per share =  $(\text{profit and loss attributable to owners of the parent} - \text{preferred stock dividends}) / \text{weighted average number of issued shares (Note 3)}$

5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flow from operating activities} / \text{current liabilities}$
- (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the most recent five years} / (\text{capital expenditures} + \text{inventory increase} + \text{cash dividend})$
- (3) Cash flow reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{cash dividend}) / (\text{gross property, plant and equipment value} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$  (Note 4)

6. Leveraging:

- (1) Operating leverage =  $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income (Note 5)}$
- (2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expenses})$

Note 3: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

- 1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
- 2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
- 3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- 4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 4: Give special attention to the following matters when carrying out cash flow analysis:

- 1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
- 2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
- 3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
- 4. Cash dividend includes cash dividends from both common shares and preferred shares.
- 5. Gross property, plant and equipment value means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 5: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 6: In the case of a company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

## 2. Parent Company Only

Item (Note 2) \ Year (Note 1)		Financial Analysis for the Last Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt ratio	35.35	33.78	28.72	25.48	24.80
	Ratio of long-term capital to property, plant and equipment	147.55	149.71	158.18	155.23	172.23
Solvency (%)	Current ratio	238.50	234.42	321.92	263.51	302.57
	Quick ratio	117.52	124.96	236.41	185.25	231.51
	Interest earned ratio (times)	36.96	38.59	51.41	59.81	92.69
Operating performance	Accounts receivable turnover (times)	11.35	13.22	11.75	10.58	10.96
	Average collection period	32.16	27.61	31.06	34.49	33.30
	Inventory turnover (times)	4.69	4.51	4.38	4.31	4.21
	Accounts payable turnover (times)	10.21	9.92	9.14	8.51	8.32
	Average days in sales	77.83	80.93	83.33	84.68	86.69
	Property, plant and equipment turnover (times)	0.92	1.08	1.05	1.21	1.37
	Total assets turnover (times)	0.54	0.55	0.52	0.59	0.63
Profitability	Return on total assets (%)	12.50	8.56	10.16	9.06	11.48
	Return on stockholders' equity (%)	18.88	12.73	14.53	12.22	15.16
	Pre-tax income to paid-in capital (%) (Note 6)	80.26	58.22	59.78	56.95	72.38
	Profit ratio (%)	22.50	15.14	19.14	15.17	18.14
	Earnings per share (NT\$) (Note 3)	6.32	4.53	5.32	4.56	5.80
Cash flow	Cash flow ratio (%)	93.37	109.41	76.99	85.84	126.97
	Cash flow adequacy ratio (%)	60.67	77.21	105.29	107.63	131.14
	Cash reinvestment ratio (%)	7.21	8.80	0.57	2.85	8.92
Leverage	Operating leverage	1.47	1.35	1.49	1.40	1.28
	Financial leverage	1.04	1.03	1.03	1.02	1.01

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

1. Increase in quick ratio: The principal cause is the increase in net cash inflow from the increased net profit for the period, which in turn increases the financial assets measured at amortized cost.
2. Increase in interest earned ratio: This is mainly due to the increase in revenue and gross profit, which led to an increase in net profit for the period and a reduction in interest.
3. The increase in return on assets, return on shareholders' equity, pre-tax income to paid-in capital, and earnings per share is mainly due to the growth in revenue and the increase in gross profit, which has led to an increase in the net profit for the period.
4. Increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: This is mainly due to the growth in operating revenue and operating income in 2023 that led to an increase in net cash inflows from operating activities.

Note 1: The financial information is based on the financial statements audited by CPAs. The Company prepared individual financial statements for 2023.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial Structure

(1) Debt-asset ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + long-term liabilities) / net property, plant and equipment

## 2. Solvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
- (3) Times interest earned = income before income tax and interest expenses / current interest expenses

## 3. Operating performance

- (1) Account receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection period for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days in sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total assets

## 4. Profitability

- (1) Return on total assets = [net income + interest expenses (1- tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit ratio = net income / net sales
- (4) Earnings per share = (profit and loss attributable to owners of the parent – preferred stock dividends) / weighted average number of issued shares (Note 3)

## 5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital) (Note 4)

## 6. Leveraging:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 5)
- (2) Financial leverage = operating income / (operating income – interest expenses)

Note 3: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 4: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
5. Gross property, plant and equipment value means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

Note 5: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 6: In the case of a company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

## 6.3 Audit Committee's Review Report for the Most Recent Year's Financial Statements

### Audit Committee's Review Report

#### To: 2024 Annual Shareholders' Meeting

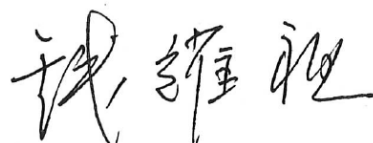
The Board of Directors compiled the Company's 2023 business report, financial statements, and proposal of earnings distribution. The CPAs of Deloitte & Touche, Chao-Ling Chen and Chun-Ming Hsueh, have audited the financial statements and issued an audit report relating to the financial statements.

The aforementioned business report, financial statements and proposal of earnings distribution have been reviewed by the Audit Committee and there is no misrepresentation. As such, the Audit Committee issued this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please examine.

Pacific Hospital Supply Co., Ltd.

Audit Committee Convenor

Vance Chin



February 26, 2024

#### 6.4 Financial Statement for the Most Recent Fiscal Year

Refer to Attachment of this annual report.

#### 6.5 Parent Company Only Financial Statement for the Most Recent Fiscal Year

PAHSCO has no subsidiaries for the most recent fiscal year and only prepared individual financial statement.

#### 6.6 The Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

None.

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

### 7.1 Analysis of Financial Status for the Past 2 Fiscal Years

The Main Reasons for Any Change in the Company's Assets, Liabilities, or Equity for the Past 2 Fiscal Years:

Unit: NT\$ thousand				
Item \ Year	2022	2023	Variance	
			Amount	%
Current assets	1,325,016	1,557,643	232,627	17.56%
Property, plant and equipment	1,750,099	1,645,230	(104,869)	-5.99%
Right-of-use asset	426,992	422,116	(4,876)	-1.14%
Investment properties	91,565	91,257	(308)	-0.34%
Intangible assets	5,762	5,081	(681)	-11.82%
Other assets	46,298	46,567	269	0.58%
Total assets	3,645,732	3,767,894	122,162	3.35%
Current liabilities	502,842	514,802	11,960	2.38%
Long-term borrowings	0	0	0	0.00%
Other liabilities	426,190	419,533	(6,657)	-1.56%
Total liabilities	929,032	934,335	5,303	0.57%
Capital stock	726,000	726,000	0	0.00%
Capital surplus	344,665	344,665	0	0.00%
Retained earnings	1,646,035	1,762,894	116,859	7.10%
Total stockholders' equity	2,716,700	2,833,559	116,859	4.30%
1. Analysis of changes in financial ratios: No major changes in financial ratios. 2. Impact of changes in financial status in the last two years: No significant impact on financial status. 3. Response Plan: Not applicable.				

### 7.2 Analysis of Operation Results for the Past 2 Fiscal Years

The Changes and Main Reasons in Operating Revenues, Operating Income, or Income Before Tax for the Past 2 Fiscal Years

Unit: NT\$ thousand

Item \ Year	2022	2023	Variance	
			Amount	%
Net operating revenue	2,184,934	2,320,209	135,275	6.19%
Operating costs	1,596,964	1,580,464	(16,500)	-1.03%
Gross profit	587,970	739,745	151,775	25.81%
Operating expenses	233,475	241,731	8,256	3.54%
Operating income	354,495	498,014	143,519	40.49%
Non-operating income and expenses	58,985	27,478	(31,507)	-53.42%
Profit before tax	413,480	525,492	112,012	27.09%
Income tax expense	82,083	104,700	22,617	27.55%
Profit after tax	331,397	420,792	89,395	26.98%
Analysis of changes in financial ratios:				
1. Increase in gross profit and operating income: This is mainly due to revenue growth and adjustments in selling prices and optimization of product portfolio, which have increased the gross profit and net income.				
2. Decrease in non-operating income and expenses: Mainly due to the exchange losses incurred in 2023.				
3. Increase in income tax expense: Mainly due to the increase in operating income in 2023.				
4. Increase in profit (before) after tax: Mainly due to the business growth and increase in gross profit in 2023.				

#### 1. Sales Volume Forecast and the Basis:

The sales amount in 2023 has increased by approximately 6.19%. The primary cause is the changes in medical behavior in the post-pandemic era, which have impacted the medical device market and reflected in changes in medical equipment products and the recovery of market demand volumes. The marketing and sales department has considered and analyzed factors such as sales regions, demand forecasts, market assessments, and product competitiveness, and estimated that the overall sales in 2024 are expected to maintain growth.

#### 2. The Effect upon the Company's Financial Operations as well as Measures to Be Taken in Response:

The aforementioned changes in the ratio of the last two years did not affect the financial position and operation of the Company at significant level.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Recent Fiscal Years

Unit: NT\$ thousand

Cash at Beginning of Year	Net Cash Flow from Operating Activities	Cash Flow from Investment and Financing Activities	Estimated Cash Surplus (Deficiency) Amount	Remedial measures for expected cash shortfall	
				Investment Plan	Financing Plan
688,289	643,149	586,455	744,983	-	-

Note: 1. Annual net cash flow from business activities includes the effects of changes in exchange rate.

2. Net cash inflow from operating activities comes from net profit of the year.

3. The cash flow from investment and financing activities is mainly the acquired financial assets measured at amortized cost and the distribution of cash dividends.

### 7.3.2 Remedial Actions for Liquidity Shortfall:

There is no shortage of funds in 2023.

### 7.3.3 Cash Flow Analysis for the Coming Year

There will be no significant capital expenditures in the coming year, so there is no situation of cash shortfall.

Unit: NT\$ thousand

Cash at Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Flow from Investment and Financing Activities	Estimated Cash Surplus (Deficiency) Amount	Remedial measures for expected cash shortfall	
				Investment Plan	Financing Plans
744,983	479,912	450,480	774,415	-	-

### 7.4 Effect upon Financial Operations of Major Capital Expenditures During the Most Recent Fiscal Year

There was no significant impact on the Company's financial business.

### 7.5 Investment Policy for the Most Recent Fiscal Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Not applicable.

### 7.6 Analysis of Risk Management During the Most Recent Fiscal Year and During the Current Fiscal Year Up to the Date of Publication of the Annual Report

#### 7.6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. The influence of interest rate fluctuation on the income of the Company and response: The interest expense of the Company amounted to NT\$5,731 thousand in 2023 and NT\$7,031 thousand in 2022, accounts for 1.2% and 2.0% of operating income for each year. There was no significant influence on the income status of the Company. The Company responded by taking active position in working with a number of banks to keep abreast of and control any change in interest rate in market for the best rate.
2. The influence of exchange rate on the income of the Company and response: The Company had exchange loss of NT\$1,648 thousand in 2023 and exchange gain of NT\$37,045 thousand in 2022, accounts for -0.1% and 1.7% of operating revenue for each year, and the exchange rate fluctuation did not cause significant influence on the operation of the Company. The Company responded to exchange rate fluctuation by taking the following measures:
  - (1)The service banks will provide information on exchange rate fluctuation for the timely control of the changes.
  - (2)The Sales Department considers the effect of exchange rate fluctuation on sale price in the quotation for the assurance of reasonable profit for the Company.
  - (3)Buy or sell foreign currencies at the right time to mitigate the influence caused by exchange rate fluctuation.
3. The influence of inflation on the income of the Company and response: In 2023, the domestic inflation rate increased by approximately 2.5% compared with the previous year. The Company's relevant departments continue to monitor the fluctuation of raw material prices and adjust the inventory level in a timely manner to reduce the impact of inflation fluctuations.

#### 7.6.2 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.



1. For the cautious control of financial risk, the Company was not engaged in high risk and high leverage investment, loaning of funds to a third party, endorsement/ guarantee and derivative trade in 2023 and to the day this report was printed, which caused no influence on the income of the Company.
2. The principal business engagement of the Company is the research and development, manufacturing, and sale of medical devices. The Company did not and does not engage in high risk and high leverage investment. The Company also duly observes the “Procedures for Loaning of Funds”, “Procedure for Endorsement/Guarantee”, and the “Procedure for the Acquisition or Disposition of Assets” cautiously established in accordance with the requirement of the competent authority in loaning of funds to a third party, endorsement/guarantee, and derivative trade. Internal control and internal audit procedure have been carried out properly for the control of related process and situations.
3. In the engagement in derivative trade, the Company shall comply with the following in risk control in making related policies:
  - (1)Credit risk management: Changes in different factors in market caused operation risk to derivative trade. The Company manages its market risk in accordance with the following principles:
    - A. Counterparties: Mainly the renowned domestic and foreign financial institutions.
    - B. Subject matter of transaction: Only the products provided by renowned domestic and foreign financial institutions.
    - C. Transaction amount: The exposure of particular counterparty cannot exceed 10% of the total authorized amount unless the General Manager permitted otherwise.
  - (2)Market risk management: Mainly the open foreign exchange market provided by banks.
  - (3)Liquidity risk management: Mainly the financial products with higher liquidity for assurance of liquidity in market (which could be offset in market at any time). The financial institution appointed for conducting the transaction must possess sufficient information and be capable of conducting any kind of transactions in market.
  - (4)Legal risk management: For maintaining a steady flow of working capital, the Company uses only the equity capital for derivative trade and the operation must be based on the capital needs in the next three months under the forecasting of account balance.

7.6.3 Research and development work to be carried out in the future, and further expenditures expected for research and development work.

Project	Project Description	Project Timeline
Lightweighting Drainage Catheter	Through structural design, both the ideal functionality and plastic reduction purposes are achieved.	Expected to be completed in 2024
Establishment of extruder characteristic curve	By introducing Computer Aided Engineering (CAE) technology, we aim to establish the optimal design for molds and screws, thereby enhancing the stability of the process and the quality of products.	Expected to be completed in 2024
Multi-Accesses Drainage Catheter	Combining the Company's current diverse drainage products, it provides a complete service from the patient end to the backend bottle or bag type.	Expected to be completed in 2025
Advanced Chest Drainage System	To reduce possible risks that may occur during clinical operation.	Expected to be completed in 2025
Portable Infusor Device	To significantly reduce hospital stay and maintain patients' normal activities of life.	Expected to be completed in 2025
Innovative Solution to Chest Drainage	The Chest Drainage Bottle development can connect patients' information to the hospital.	Expected to be completed in 2027

All R&D projects are controlled and progressed in a project manner and must comply with all certification-related procedures and laws and regulations. The R&D expenses are estimated to be approximately NT\$77,534 thousand in 2024 and will be adjusted according to the progress of each project, including salaries of R&D personnel, software and hardware equipment, experimental molds, new materials, etc.

7.6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The Company runs its operation in accordance with applicable laws at home and abroad, and pays attention to the regulatory environment that may affect the operation of the Company for proper response to the changes in market with relevant amendment to the internal rules and regulations of the Company. The assessment of the changes in the domestic and overseas regulatory environment in 2023 indicated no significant influence on the operation of the Company.

7.6.5 Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

1. The principal items of the Company are medical supplies that have longer product life cycle and unlike the rapid change in the high tech or electronics sector. Changes in the technological environment (including cyber security risks) and industry will not cause significant influence on the financial position and operation of the Company.
2. Responses: The Company will continue keeping alert to the change in the industrial and technological environment for quick response to satisfy the needs of the market and customers.

7.6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

The company has always based on the three business concepts of "integrity," "responsibility," and "professionalism" to sustain the company's survival and to create sustainable value, to fulfill the mission of corporate sustainability, and to enhance the efficiency of business operations and to win the support and recognition of customers with professionalism. Currently there is not any crisis caused by the change of corporate image.

7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.

Not applicable.

7.6.8 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken.

Not applicable.

7.6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

PAHSCO has no suppliers accounting for 10 percent or more of the company's total procurement amount, so there's no excessive concentration of purchasing sources. PAHSCO has no clients accounting for 10 percent or more of the company's total sales amount, and there's no risks relating to excessive customer concentration.

7.6.10 Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken

Not applicable.

7.6.11 Effect upon and risk to the Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.

Not applicable.

7.6.12 Litigious and non-litigious matters, list major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in

the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

PAHSCO has no litigious, non-litigious matters or administrative disputes which could materially affect shareholders' equity or the prices of the company's securities in 2023 and during the current fiscal year up to the date of publication of the annual report.

7.6.13 Other important risks: None.

## 7.7 Other Important Matters

None.

## **VIII. Special Disclosure**

### **8.1 Summary of Affiliated Companies**

None.

### **8.2 Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report:**

None.

### **8.3 The Shares in the Company Held or Disposed of by Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report:**

None.

### **8.4 Other Matters that Require Additional Description:**

None.

### **8.5 Explanations of any material differences from the rules of the ROC in relation to the protection of shareholder equity by TPEX primary listed company:**

PAHSCO is not a TPEX primary listed company, and therefore it's not applicable.

### **8.6 Situations which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

PAHSCO has no situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. (Complied with all of the provisions of press conferences concerning material information set forth in Article 11, paragraph 1 of Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities)

## Attachment: Financial Statement for the Most Recent Fiscal Year



### 勤業眾信

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Pacific Hospital Supply Co., Ltd.

#### Opinion

We have audited the accompanying financial statements of Pacific Hospital Supply Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our 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 financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Authenticity of Sales Revenue

The revenue of Company mainly comes from the sales of medical equipment. Sales revenue for the year ended December 31, 2023 increased by NT\$122,787 thousand compared to the sales revenue for the year ended December 31, 2022. We assessed that the risks related to sales revenue, that is, whether the transaction actually occurred, is high. Therefore, sales revenue to specific customers for the year ended December 31, 2023 was identified as the key audit matter.

Refer to Note 4 to the financial statements for the accounting policies related to revenue recognition.

Our main audit procedures performed for the abovementioned key audit matter included the following:

1. We understood and tested the design and operating effectiveness of the internal controls surrounding the sales revenue recognition process of the abovementioned customers.
2. We selected samples from sales records for the abovementioned customers and checked whether they matched the corresponding evidence such as purchase orders, packing lists and export declarations, and tested the collection of receivables to verify the authenticity of the sales transaction.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 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.

The engagement partners on the audit resulting in this independent auditors' report are Chao-Ling Chen and Chun-Ming Hsueh.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2024

Notice to Readers

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

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



# PACIFIC HOSPITAL SUPPLY CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 24)	\$ 744,983	20	\$ 688,289	19
Financial assets at amortized cost - current (Notes 7 and 24)	245,640	7	-	-
Notes receivable (Notes 4, 8 and 24)	22,113	1	28,749	1
Accounts receivable (Notes 4, 8, 18 and 24)	168,587	4	203,802	5
Other receivables (Notes 4, 8 and 24)	10,486	-	10,652	-
Inventories (Notes 4 and 9)	343,787	9	366,729	10
Prepayments	19,535	-	23,970	1
Other current assets (Note 14)	<u>2,512</u>	<u>-</u>	<u>2,825</u>	<u>-</u>
Total current assets	<u>1,557,643</u>	<u>41</u>	<u>1,325,016</u>	<u>36</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 10, 22 and 26)	1,645,230	44	1,750,099	48
Right-of-use assets (Notes 4, 11 and 25)	422,116	11	426,992	12
Investment properties (Notes 4, 12 and 26)	91,257	3	91,565	3
Other intangible assets (Notes 4 and 13)	5,081	-	5,762	-
Deferred tax assets (Notes 4 and 20)	10,978	-	10,028	-
Net defined benefit assets - non-current (Notes 4 and 16)	9,261	-	7,495	-
Other non-current assets (Notes 14 and 22)	<u>26,328</u>	<u>1</u>	<u>28,775</u>	<u>1</u>
Total non-current assets	<u>2,210,251</u>	<u>59</u>	<u>2,320,716</u>	<u>64</u>
TOTAL	<u>\$ 3,767,894</u>	<u>100</u>	<u>\$ 3,645,732</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 18)	\$ 44,694	1	\$ 32,615	1
Notes payable (Note 24)	2,970	-	2,508	-
Accounts payable (Note 24)	171,015	5	203,267	6
Other payables (Notes 15, 22 and 24)	210,538	6	195,022	5
Current tax liabilities (Notes 4 and 20)	67,410	2	53,744	2
Lease liabilities - current (Notes 4, 11, 22, 24 and 25)	15,575	-	13,241	-
Other current liabilities (Note 15)	<u>2,600</u>	<u>-</u>	<u>2,445</u>	<u>-</u>
Total current liabilities	<u>514,802</u>	<u>14</u>	<u>502,842</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 4)	-	-	1,769	-
Lease liabilities - non-current (Notes 4, 11, 22, 24 and 25)	418,889	11	423,777	11
Guarantee deposits (Note 15)	<u>644</u>	<u>-</u>	<u>644</u>	<u>-</u>
Total non-current liabilities	<u>419,533</u>	<u>11</u>	<u>426,190</u>	<u>11</u>
Total liabilities	<u>934,335</u>	<u>25</u>	<u>929,032</u>	<u>25</u>
EQUITY (Note 17)				
Share capital				
Ordinary shares	<u>726,000</u>	<u>19</u>	<u>726,000</u>	<u>20</u>
Capital surplus	<u>344,665</u>	<u>9</u>	<u>344,665</u>	<u>10</u>
Retained earnings				
Legal reserve	483,771	13	449,991	12
Unappropriated earnings	<u>1,279,123</u>	<u>34</u>	<u>1,196,044</u>	<u>33</u>
Total retained earnings	<u>1,762,894</u>	<u>47</u>	<u>1,646,035</u>	<u>45</u>
Total equity	<u>2,833,559</u>	<u>75</u>	<u>2,716,700</u>	<u>75</u>
TOTAL	<u>\$ 3,767,894</u>	<u>100</u>	<u>\$ 3,645,732</u>	<u>100</u>

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

# PACIFIC HOSPITAL SUPPLY CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 18)	\$ 2,320,209	100	\$ 2,184,934	100
OPERATING COSTS (Notes 4, 9, 16 and 19)				
Cost of goods sold	<u>1,580,464</u>	<u>68</u>	<u>1,596,964</u>	<u>73</u>
GROSS PROFIT	<u>739,745</u>	<u>32</u>	<u>587,970</u>	<u>27</u>
OPERATING EXPENSES (Notes 16, 19 and 25)				
Selling and marketing expense	77,591	3	76,683	4
General and administrative expense	106,718	5	110,672	5
Research and development expense	<u>57,422</u>	<u>2</u>	<u>46,120</u>	<u>2</u>
Total operating expenses	<u>241,731</u>	<u>10</u>	<u>233,475</u>	<u>11</u>
OPERATING INCOME	<u>498,014</u>	<u>22</u>	<u>354,495</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)				
Interest income	17,614	1	3,721	-
Other income	20,008	1	19,963	1
Other gains and losses	(4,413)	-	42,332	2
Finance costs (Note 25)	<u>(5,731)</u>	<u>(1)</u>	<u>(7,031)</u>	<u>-</u>
Total non-operating income and expenses	<u>27,478</u>	<u>1</u>	<u>58,985</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	525,492	23	413,480	19
INCOME TAX EXPENSE (Notes 4 and 20)	<u>104,700</u>	<u>5</u>	<u>82,083</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>420,792</u>	<u>18</u>	<u>331,397</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (Note 16)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,234	-	7,998	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(247)</u>	<u>-</u>	<u>(1,600)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>987</u>	<u>-</u>	<u>6,398</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 421,779</u>	<u>18</u>	<u>\$ 337,795</u>	<u>15</u>

(Continued)

## **PACIFIC HOSPITAL SUPPLY CO., LTD.**

### **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 5.80</u>		<u>\$ 4.56</u>	
Diluted	<u>\$ 5.76</u>		<u>\$ 4.54</u>	

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

(Concluded)

# PACIFIC HOSPITAL SUPPLY CO., LTD.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Share Capital (Note 17)		Capital Surplus (Note 17)	Retained Earnings (Notes 4, 17 and 21)			Total	Total Equity
	Ordinary Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2022	72,600	\$ 726,000	\$ 344,506	\$ 410,745	\$ 3,849	\$ 1,220,346	\$ 1,634,940	\$ 2,705,446
Appropriation of 2021 earnings								
Legal reserve	-	-	-	39,246	-	(39,246)	-	-
Special reserve	-	-	-	-	(3,849)	3,849	-	-
Cash dividends distributed	-	-	-	-	-	(326,700)	(326,700)	(326,700)
Donations from shareholders	-	-	159	-	-	-	-	159
Net profit for the year ended December 31, 2022	-	-	-	-	-	331,397	331,397	331,397
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	6,398	6,398	6,398
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	337,795	337,795	337,795
BALANCE AT DECEMBER 31, 2022	72,600	726,000	344,665	449,991	-	1,196,044	1,646,035	2,716,700
Appropriation of 2022 earnings								
Legal reserve	-	-	-	33,780	-	(33,780)	-	-
Cash dividends distributed	-	-	-	-	-	(304,920)	(304,920)	(304,920)
Net profit for the year ended December 31, 2023	-	-	-	-	-	420,792	420,792	420,792
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	987	987	987
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	-	421,779	421,779	421,779
BALANCE AT DECEMBER 31, 2023	72,600	\$ 726,000	\$ 344,665	\$ 483,771	\$ -	\$ 1,279,123	\$ 1,762,894	\$ 2,833,559

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

# PACIFIC HOSPITAL SUPPLY CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 525,492	\$ 413,480
Adjustments for:		
Depreciation expenses	137,098	143,006
Amortization expenses	5,788	5,364
Finance costs	5,731	7,031
Interest income	(17,614)	(3,721)
Loss/(gain) on disposal of property, plant and equipment	2,765	(5,287)
Write-downs of inventories	886	288
Net loss/(gain) on foreign currency exchange	11,923	(33,308)
Loss on disposal of inventories	2,102	2,144
Changes in operating assets and liabilities		
Notes receivable	6,636	2,926
Accounts receivable	33,778	(53,854)
Other receivables	554	(574)
Inventories	19,954	(33,937)
Prepayments	4,435	(133)
Other current assets	313	736
Net defined benefit assets - non-current	(532)	-
Contract liabilities	12,079	(21,863)
Notes payable	462	(36)
Accounts payable	(32,252)	36,186
Other payables	16,387	13,434
Other current liabilities	155	256
Net defined benefit liabilities - non-current	-	(4,509)
Cash generated from operations	736,140	467,629
Interest received	16,907	3,532
Interest paid	(5,731)	(7,079)
Income tax paid	(93,681)	(32,420)
Net cash generated from operating activities	<u>653,635</u>	<u>431,662</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(245,640)	-
Increase in prepayments for equipment	(5,699)	(8,084)
Acquisition of property, plant and equipment	(22,109)	(22,619)
Proceeds from disposal of property, plant and equipment	4,234	12,507
Increase in refundable deposits	(1,640)	(2,371)
Decrease in refundable deposits	2,222	1,068
Acquisition of intangible assets	(5,107)	(6,812)
Net cash used in investing activities	<u>(273,739)</u>	<u>(26,311)</u>
		(Continued)

# PACIFIC HOSPITAL SUPPLY CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ -	\$ 20,000
Decrease in short-term borrowings	-	(20,000)
Repayments of long-term borrowings	-	(230,000)
Decrease in guarantee deposits received	-	(100)
Repayment of the principal portion of lease liabilities	(7,796)	(7,694)
Cash dividends distributed	(304,920)	(326,700)
Overdue dividends	-	159
Net cash used in financing activities	<u>(312,716)</u>	<u>(564,335)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(10,486)</u>	<u>31,998</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	56,694	(126,986)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>688,289</u>	<u>815,275</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 744,983</u>	<u>\$ 688,289</u>

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

(Concluded)

# **PACIFIC HOSPITAL SUPPLY CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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#### **1. GENERAL INFORMATION**

Pacific Hospital Supply Co., Ltd. (the “Company”) mainly manufactures, processes and sells medical disposable products and equipment and does medical engineering work on centralized medical gas piping systems.

The Company’s shares were listed and have been trading on the Taipei Exchange since February 2004.

The financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issuance on February 26, 2024.

#### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

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

Except for the following, the initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies:

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

When applying the amendments, the Company refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

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

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

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The Company has applied the amendments since January 1, 2023, which defines that accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company applied the amendments and recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022. The Company shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

4) Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company’s exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.



- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

1) Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. Seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

### 3) Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, the suppliers are paid. The amendments stipulate that the Company shall disclose the relevant information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Company's liabilities and cash flows and on the Company's exposure to liquidity risk.

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

#### c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

#### 1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated.

## 2) Amendments to IAS 21 "Lack of Exchangeability"

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Company shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

Except for the above impact, as of the date the independent financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

### Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

### Basis of Preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

## **Foreign Currencies**

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

## **Inventories**

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

## **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

## **Intangible Assets**

### **a. Intangible assets acquired separately**

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

### **b. Derecognition of intangible assets**

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

## **Impairment of Property, Plant and Equipment, Right-of-use Asset, Investment Properties and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement categories**

Financial assets are classified as financial assets at amortized cost.

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

## 2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

## 3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## c. Financial liabilities

### 1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

## 2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **Revenue Recognition**

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

Revenue from the sale of goods mainly comes from sales of medical supplies. Sales of medical supplies are recognized as revenue when the goods are delivered to the customer's specific location or when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

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

### **Leasing**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

#### a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

#### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the accompanying balance sheets.



Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use-assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the accompanying balance sheets.

### **Borrowing Costs**

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **Employee Benefits**

#### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

#### **b. Retirement benefits**

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's Defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## Taxation

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

### a. Current tax

Income tax payable/(recoverable) is based on taxable profit/(loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Company considers the possible impact of the economic environment implications of the military conflict between Russia and Ukraine and related international sanction on estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

### Material Accounting Judgements

#### Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

### Key Sources of Estimation Uncertainty

#### Recognition and measurement of defined benefit plans

The net defined benefit liabilities/(assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, expected rates of future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities (assets).

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 655	\$ 729
Checking accounts and demand deposits	593,918	472,590
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	119,705	214,790
Repurchase agreements collateralized by bonds	<u>30,705</u>	<u>-</u>
	<u>\$ 744,983</u>	<u>\$ 688,289</u>

The interest rate intervals of cash in bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Demand deposits	0.001%-1.45%	0.001%-1.05%
Time deposits	1.10%-5.60%	4.00%-4.80%
Repurchase agreements collateralized by bonds	5.68%	-

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 245,640	\$ -

The interest rate intervals of time deposits at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Time deposits with original maturities of more than 3 months	4.75%-5.35%	-

## 8. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Notes receivable</u>		
From operations	\$ 22,113	\$ 28,749
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 168,587	\$ 203,802
Less: Allowance for impairment loss	-	-
	\$ 168,587	\$ 203,802
<u>Other receivables</u>		
Value-added tax refund receivable	\$ 9,588	\$ 10,461
Others	898	191
	\$ 10,486	\$ 10,652

### Notes receivable, accounts receivable and other receivables

Loss allowance against notes receivable and other receivables was not provided in view of the fact that historical experience indicates that recovery is highly probable.

The average credit period of sales of goods was 30-120 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer and the customer's current financial position. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the accounts receivable are over 365 days past due, whichever occurs earlier. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

#### December 31, 2023

	<b>Not Past Due</b>	<b>1 to 90 Days Past Due</b>	<b>91 to 180 Days Past Due</b>	<b>181 to 365 Days Past Due</b>	<b>Over 365 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	10%	100%	
Gross carrying amount	\$ 111,971	\$ 56,616	\$ -	\$ -	\$ -	\$ 168,587
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 111,971</u>	<u>\$ 56,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,587</u>

#### December 31, 2022

	<b>Not Past Due</b>	<b>1 to 90 Days Past Due</b>	<b>91 to 180 Days Past Due</b>	<b>181 to 365 Days Past Due</b>	<b>Over 365 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	10%	100%	
Gross carrying amount	\$ 121,770	\$ 81,688	\$ 344	\$ -	\$ -	\$ 203,802
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 121,770</u>	<u>\$ 81,688</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,802</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at the beginning and end of the period	\$ <u>-</u>	\$ <u>-</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 127,763	\$ 129,407
Work in progress	44,748	52,930
Raw materials	<u>171,276</u>	<u>184,392</u>
	<u>\$ 343,787</u>	<u>\$ 366,729</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$1,580,464 thousand and \$1,596,964 thousand, respectively.

The amount of cost of goods sold for the years ended December 31, 2023 and 2022 included \$886 thousand and \$288 thousand of inventory write-downs, respectively.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Property Under Construction</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2022	\$ 118,319	\$ 1,583,703	\$ 678,671	\$ 12,044	\$ 407,133	\$ 2,547	\$ 2,802,417
Additions	-	942	11,547	2,225	12,981	750	28,445
Disposals	-	(570)	(2,245)	(1,810)	(11,478)	(3,297)	(19,400)
Reclassification	-	-	3,421	-	5,590	-	9,011
Balance at December 31, 2022	<u>\$ 118,319</u>	<u>\$ 1,584,075</u>	<u>\$ 691,394</u>	<u>\$ 12,459</u>	<u>\$ 414,226</u>	<u>\$ -</u>	<u>\$ 2,820,473</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 314,030	\$ 321,644	\$ 9,154	\$ 301,849	\$ -	\$ 946,677
Disposals	-	(570)	(2,012)	(1,810)	(4,491)	-	(8,883)
Depreciation expenses	-	53,395	45,608	1,121	32,456	-	132,580
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 366,855</u>	<u>\$ 365,240</u>	<u>\$ 8,465</u>	<u>\$ 329,814</u>	<u>\$ -</u>	<u>\$ 1,070,374</u>
Carrying amounts at December 31, 2022	<u>\$ 118,319</u>	<u>\$ 1,217,220</u>	<u>\$ 326,154</u>	<u>\$ 3,994</u>	<u>\$ 84,412</u>	<u>\$ -</u>	<u>\$ 1,750,099</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 118,319	\$ 1,584,075	\$ 691,394	\$ 12,459	\$ 414,226	\$ -	\$ 2,820,473
Additions	-	1,004	11,238	-	8,996	-	21,238
Disposals	-	-	(14,257)	(4,780)	(7,266)	-	(26,303)
Reclassification	-	46	5,337	-	2,181	-	7,564
Balance at December 31, 2023	<u>\$ 118,319</u>	<u>\$ 1,585,125</u>	<u>\$ 693,712</u>	<u>\$ 7,679</u>	<u>\$ 418,137</u>	<u>\$ -</u>	<u>\$ 2,822,972</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 366,855	\$ 365,240	\$ 8,465	\$ 329,814	\$ -	\$ 1,070,374
Disposals	-	-	(9,439)	(4,183)	(5,682)	-	(19,304)
Depreciation expenses	-	53,194	46,251	1,226	26,001	-	126,672
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 420,049</u>	<u>\$ 402,052</u>	<u>\$ 5,508</u>	<u>\$ 350,133</u>	<u>\$ -</u>	<u>\$ 1,177,742</u>
Carrying amounts at December 31, 2023	<u>\$ 118,319</u>	<u>\$ 1,165,076</u>	<u>\$ 291,660</u>	<u>\$ 2,171</u>	<u>\$ 68,004</u>	<u>\$ -</u>	<u>\$ 1,645,230</u>

The COVID-19 pandemic in 2023 and 2022 has no significant impact on the Company's property, plant and equipment. No impairment assessment was performed for the years ended December 31, 2023 and 2022 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant	30-51 years
Electrical power equipment	15-30 years
Others	2-50 years
Machinery and equipment	2-26 years
Transportation equipment	5-11 years
Miscellaneous equipment	2-15 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land	\$ 416,803	\$ 426,496
Buildings	<u>5,313</u>	<u>496</u>
	<u>\$ 422,116</u>	<u>\$ 426,992</u>
	<b>For the Year Ended December 31</b>	
	2023	2022
Additions to right-of-use assets	<u>\$ 5,242</u>	<u>\$ 1,526</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,693	\$ 9,693
Buildings	<u>425</u>	<u>425</u>
	<u>\$ 10,118</u>	<u>\$ 10,118</u>

### b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	<u>\$ 15,575</u>	<u>\$ 13,241</u>
Non-current	<u>\$ 418,889</u>	<u>\$ 423,777</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.32%	1.32%
Buildings	1.32%-1.79%	1.32%

c. Material lease-in activities and terms

The Company leases land for use as a factory, with lease terms from 2014 to 2033. The Company has options to renew the lease at the end of the lease terms.

## 12. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022 and December 31, 2022	<u>\$ 78,179</u>	<u>\$ 15,724</u>	<u>\$ 93,903</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ -	\$ 2,030	\$ 2,030
Depreciation expenses	<u>-</u>	<u>308</u>	<u>308</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,338</u>	<u>\$ 2,338</u>
Carrying amounts at December 31, 2022	<u>\$ 78,179</u>	<u>\$ 13,386</u>	<u>\$ 91,565</u>
<u>Cost</u>			
Balance at January 1, 2023 and December 31, 2023	<u>\$ 78,179</u>	<u>\$ 15,724</u>	<u>\$ 93,903</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	\$ -	\$ 2,338	\$ 2,338
Depreciation expenses	<u>-</u>	<u>308</u>	<u>308</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,646</u>	<u>\$ 2,646</u>
Carrying amounts at December 31, 2023	<u>\$ 78,179</u>	<u>\$ 13,078</u>	<u>\$ 91,257</u>

The lease period of investment properties is from 2020 to 2025. The lessees do not have the bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Less than 1 year	\$ 3,611	\$ 3,518
1-5 years	<u>2,846</u>	<u>6,354</u>
	<u>\$ 6,457</u>	<u>\$ 9,872</u>

Buildings classified as investment properties are depreciated on a straight-line basis over their estimated useful lives of 51 years.



The investment properties were acquired on June 1, 2015. The fair value appraisal as of December 31, 2023 was performed by Euroasia Real Estate Appraisers Firm. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value of investment properties was determined to be \$139,800 thousand.

All of the Company's investment properties were held under freehold interests.

### 13. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2022	\$ 14,708
Additions	6,812
Others	<u>(11,575)</u>
Balance at December 31, 2022	<u>\$ 9,945</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 10,394
Amortization expenses	5,364
Others	<u>(11,575)</u>
Balance at December 31, 2022	<u>\$ 4,183</u>
Carrying amounts at December 31, 2022	<u>\$ 5,762</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 9,945
Additions	5,107
Others	<u>(4,421)</u>
Balance at December 31, 2023	<u>\$ 10,631</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 4,183
Amortization expenses	5,788
Others	<u>(4,421)</u>
Balance at December 31, 2023	<u>\$ 5,550</u>
Carrying amounts at December 31, 2023	<u>\$ 5,081</u>

Computer software were amortized on a straight-line basis over their estimated useful lives of 1 to 5 years.

#### 14. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Input tax	\$ 446	\$ 593
Others	<u>2,066</u>	<u>2,232</u>
	<u>\$ 2,512</u>	<u>\$ 2,825</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 9,948	\$ 11,813
Refundable deposits	<u>16,380</u>	<u>16,962</u>
	<u>\$ 26,328</u>	<u>\$ 28,775</u>

#### 15. OTHER LIABILITIES

	December 31	
	2023	2022
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 99,951	\$ 93,285
Payables for compensation of employees	37,000	29,000
Payables for vacation compensation	20,991	19,349
Payables for remuneration of directors	4,000	3,600
Payables for purchase of equipment	3,720	4,591
Others	<u>44,876</u>	<u>45,197</u>
	<u>\$ 210,538</u>	<u>\$ 195,022</u>
Other liabilities		
Others	<u>\$ 2,600</u>	<u>\$ 2,445</u>
<u>Non-current</u>		
Guarantee deposits	<u>\$ 644</u>	<u>\$ 644</u>

#### 16. RETIREMENT BENEFIT PLANS

##### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act of R.O.C. is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. From January and July 2005 onwards, the contribution amounts were changed to 6% and 3%, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the defined benefit plan were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 88,686	\$ 89,411
Fair value of plan assets	<u>(97,947)</u>	<u>(96,906)</u>
Net defined benefit assets	<u>\$ (9,261)</u>	<u>\$ (7,495)</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance at January 1, 2022	\$ 91,644	\$ (86,632)	\$ 5,012
Service cost			
Current service cost	333	-	333
Net interest expense (income)	<u>634</u>	<u>(607)</u>	<u>27</u>
Recognized in profit or loss	<u>967</u>	<u>(607)</u>	<u>360</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,573)	(6,573)
Actuarial gain - changes in demographic assumptions	(1)	-	(1)
Actuarial gain - changes in financial assumptions	(4,529)	-	(4,529)
Actuarial loss - experience adjustments	<u>3,105</u>	<u>-</u>	<u>3,105</u>
Recognized in other comprehensive income	<u>(1,425)</u>	<u>(6,573)</u>	<u>(7,998)</u>
Contributions from the employer	-	(4,869)	(4,869)
Benefits paid	<u>(1,775)</u>	<u>1,775</u>	<u>-</u>
Balance at December 31, 2022	89,411	(96,906)	(7,495)
Service cost			
Current service cost	2,252	-	2,252
Net interest expense (income)	<u>1,104</u>	<u>(1,214)</u>	<u>(110)</u>
Recognized in profit or loss	<u>3,356</u>	<u>(1,214)</u>	<u>2,142</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (841)	\$ (841)
Actuarial gain - changes in demographic assumptions	182	-	182
Actuarial gain - changes in financial assumptions	397	-	397
Actuarial loss - experience adjustments	<u>(972)</u>	<u>-</u>	<u>(972)</u>
Recognized in other comprehensive income	<u>(393)</u>	<u>(841)</u>	<u>(1,234)</u>
Contributions from the employer	-	(2,674)	(2,674)
Benefits paid	<u>(3,688)</u>	<u>3,688</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 88,686</u>	<u>\$ (97,947)</u>	<u>\$ (9,261)</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 1,563	\$ 238
Selling and marketing expenses	161	35
General and administrative expenses	269	52
Research and development expenses	<u>149</u>	<u>35</u>
	<u>\$ 2,142</u>	<u>\$ 360</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Therefore, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.20%	1.25%
Expected rate of salary increase	2.00%	2.00%
Turnover rate	0.48%	0.48%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase/(decrease) as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	\$ (1,968)	\$ (1,940)
0.25% decrease	\$ 2,053	\$ 2,013
Expected rate of salary increase		
0.25% increase	\$ 2,032	\$ 1,993
0.25% decrease	\$ (1,957)	\$ (1,931)
Turnover rate		
110% of presumptive turnover rate	\$ (141)	\$ (81)
90% of presumptive turnover rate	\$ 144	\$ 83

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
The expected contributions to the plan for the next year	\$ 2,670	\$ 2,627
The average duration of the defined benefit obligation	8 years	8 years

## 17. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	\$ 1,000,000	\$ 1,000,000
Number of shares issued and fully paid (in thousands)	72,600	72,600
Shares issued	\$ 726,000	\$ 726,000

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 344,506	\$ 344,506
<u>May only be used to offset a deficit</u>		
Donations	\$ 159	\$ 159

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including share premium from issuance of ordinary shares and conversion of bonds) and donated assets, except for capital surplus from overdue dividends, may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 21 (g).

The Company has adopted the equalization dividend policy for the payment of dividends, which may be paid either in the form of share dividends (including dividends from earnings and capital surplus) or cash dividends. Dividend payments are made from the earnings in the current year earnings of the Company after the appropriation. In determining distribution of dividends, the board of directors shall take into consideration the general business and financial conditions of the Company, and shall be approved in the shareholders' meetings. The distribution method shall take into consideration the Company's operational needs and both dividend equality and shareholder rights protection policies; therefore distributions of cash dividends shall not be less than 20% of total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in-capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in-capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers on Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for the years ended December 31, 2022 and 2021 approved in the regular shareholders' meetings on June 14, 2023 and June 15, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 33,780	\$ 39,246
Special reserve	\$ -	\$ (3,849)
Cash dividends	\$ 304,920	\$ 326,700
Cash dividends per share (NT\$)	\$ 4.2	\$ 4.5

The appropriations of earnings for the year ended December 31, 2023 approved by the board of directors on February 26, 2024 were as follows:

	<b>For the Year Ended December 31, 2023</b>
Legal reserve	\$ 42,178
Cash dividends	\$ 348,480
Cash dividends per share (NT\$)	\$ 4.8

The appropriation of earnings for the year ended December 31, 2023 are subject to resolution in the regular shareholders' meeting to be held on June 14, 2024.

## 18. REVENUE

### a. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Accounts receivable (Note 8)	\$ 168,587	\$ 203,802	\$ 148,638
Contract liabilities			
Sale of goods	\$ 44,480	\$ 32,401	\$ 54,264
Others	214	214	214
	\$ 44,694	\$ 32,615	\$ 54,478

Contract liabilities at the beginning of the period are recognized as revenue in the current period.

### b. Contracts not fully completed

The expected duration period of the Company's obligations related to contracts with customers not fully completed is no longer than 1 year.

## 19. PROFIT BEFORE INCOME TAX

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 17,471	\$ 3,721
Repurchase agreements collateralized by bonds	<u>143</u>	<u>-</u>
	<u>\$ 17,614</u>	<u>\$ 3,721</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating lease rental income		
Investment properties	\$ 3,536	\$ 3,573
Others	<u>16,472</u>	<u>16,390</u>
	<u>\$ 20,008</u>	<u>\$ 19,963</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
(Loss)/gain on disposal of property, plant and equipment	\$ (2,765)	\$ 5,287
Net foreign currency exchange (losses)/gains	<u>(1,648)</u>	<u>37,045</u>
	<u>\$ (4,413)</u>	<u>\$ 42,332</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank borrowings	\$ -	\$ 1,173
Interest on lease liabilities	5,722	5,824
Other interest expense	<u>9</u>	<u>34</u>
	<u>\$ 5,731</u>	<u>\$ 7,031</u>



e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 126,672	\$ 132,580
Right-of-use assets	10,118	10,118
Investment properties	308	308
Intangible assets	<u>5,788</u>	<u>5,364</u>
	<u>\$ 142,886</u>	<u>\$ 148,370</u>
An analysis of depreciation by function		
Operating costs	\$ 130,454	\$ 132,064
Selling and marketing expenses	276	274
General and administrative expenses	5,644	5,119
Research and development expenses	<u>724</u>	<u>5,549</u>
	<u>\$ 137,098</u>	<u>\$ 143,006</u>
An analysis of amortization by function		
Operating costs	\$ 103	\$ 1,405
Selling and marketing expenses	1,025	613
General and administrative expenses	2,381	2,062
Research and development expenses	<u>2,279</u>	<u>1,284</u>
	<u>\$ 5,788</u>	<u>\$ 5,364</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits		
Salary expense	\$ 469,936	\$ 450,569
Insurance expense	<u>49,334</u>	<u>43,602</u>
	<u>519,270</u>	<u>494,171</u>
Post-employment benefits		
Defined contribution plans	17,597	17,126
Defined benefit plans	<u>2,142</u>	<u>360</u>
	<u>19,739</u>	<u>17,486</u>
Other employee benefits	<u>25,689</u>	<u>24,128</u>
Total employee benefits expense	<u>\$ 564,698</u>	<u>\$ 535,785</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 412,804	\$ 391,903
Operating expenses	<u>151,894</u>	<u>143,882</u>
	<u>\$ 564,698</u>	<u>\$ 535,785</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors at the rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. For the years ended December 31, 2023 and 2022, compensation of employees and remuneration of directors which have been approved by the Company's board of directors on January 26, 2024 and January 13, 2023, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	6.53%	6.50%
Remuneration of directors	0.71%	0.81%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 37,000	\$ 29,000
Remuneration of directors	4,000	3,600

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on compensation of employees and remuneration to directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 27,705	\$ 60,753
Foreign exchange losses	<u>(29,353)</u>	<u>(23,708)</u>
Net (losses)/gains	<u>\$ (1,648)</u>	<u>\$ 37,045</u>

## 20. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense recognized in profit or loss:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 108,134	\$ 76,536
Income tax on unappropriated earnings	-	1,518
Adjustments for prior years	<u>(468)</u>	<u>(601)</u>
	107,666	77,453
Deferred tax		
In respect of the current year	<u>(2,966)</u>	<u>4,630</u>
Income tax expense recognized in profit or loss	<u>\$ 104,700</u>	<u>\$ 82,083</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 525,492</u>	<u>\$ 413,480</u>
Income tax expense calculated at the statutory rate (20%)	\$ 105,098	\$ 82,696
Nondeductible expenses in determining taxable income	70	88
Temporary differences	-	1
Income tax on unappropriated earnings	-	1,518
Investment credits	-	(1,619)
Adjustments for prior years' tax	<u>(468)</u>	<u>(601)</u>
Income tax expense recognized in profit or loss	<u>\$ 104,700</u>	<u>\$ 82,083</u>

In the Republic of China, the corporate income tax rate is 20% and the tax rate of unappropriated earnings is 5%.

### b. Income tax expense recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ (247)</u>	<u>\$ (1,600)</u>
Income tax expense recognized in other comprehensive income	<u>\$ (247)</u>	<u>\$ (1,600)</u>

### c. Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax liabilities		
Income tax payable	<u>\$ 67,410</u>	<u>\$ 53,744</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Defined benefit plans	\$ 1,056	\$ -	\$ (247)	\$ 809
Allowance for write-down of inventories	3,927	178	-	4,105
Unrealized exchange losses	-	956	-	956
Unrealized manufacturing overhead	1,174	(264)	-	910
Payables for annual leave	<u>3,871</u>	<u>327</u>	<u>-</u>	<u>4,198</u>
	<u>\$ 10,028</u>	<u>\$ 1,197</u>	<u>\$ (247)</u>	<u>\$ 10,978</u>
<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized exchange gains	<u>\$ 1,796</u>	<u>\$ (1,796)</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2022

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Defined benefit plans	\$ 2,656	\$ -	\$ (1,600)	\$ 1,056
Allowance for write-down of inventories	3,870	57	-	3,927
Unrealized exchange losses	2,892	(2,892)	-	-
Unrealized manufacturing overhead	1,412	(238)	-	1,174
Payables for annual leave	<u>3,659</u>	<u>212</u>	<u>-</u>	<u>3,871</u>
	<u>\$ 14,489</u>	<u>\$ (2,861)</u>	<u>\$ (1,600)</u>	<u>\$ 10,028</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized exchange gains	<u>\$ _____</u>	<u>\$ 1,769</u>	<u>\$ _____</u>	<u>\$ 1,769</u>

e. Income tax assessments

The tax returns of the Company through 2021 have been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ 5.80</u>	<u>\$ 4.56</u>
Diluted earnings per share	<u>\$ 5.76</u>	<u>\$ 4.54</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Earnings used in the computation of basic earnings per share and diluted earnings per share	<u>\$ 420,792</u>	<u>\$ 331,397</u>

### Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	72,600	72,600
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>464</u>	<u>426</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>73,064</u>	<u>73,026</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. NON-CASH TRANSACTIONS

During the years ended December 31, 2023 and 2022, the Company entered into the following non-cash investing activities which were not reflected in the statement of cash flows:

- a. The Company reclassified prepayments for equipment (included in other non-current assets) of \$7,564 thousand and \$9,011 thousand to property, plant and equipment during the years ended December 31, 2023 and 2022, respectively.
- b. The amount of cash paid for acquisition of property, plant and equipment included decrease of \$871 thousand and increase of \$2,529 thousand of payable for equipment purchased (included in other payables) during the years ended December 31, 2023 and 2022, respectively.
- c. Changes in liabilities arising from financing activities

### For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities	<u>\$ 437,018</u>	<u>\$ (7,796)</u>	<u>\$ 5,242</u>	<u>\$ -</u>	<u>\$ 434,464</u>

### For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Long-term borrowings (including current portions)	\$ 230,000	\$ (230,000)	\$ -	\$ -	\$ -
Lease liabilities	<u>443,186</u>	<u>(7,694)</u>	<u>1,526</u>	<u>-</u>	<u>437,018</u>
	<u>\$ 673,186</u>	<u>\$ (237,694)</u>	<u>\$ 1,526</u>	<u>\$ -</u>	<u>\$ 437,018</u>

## 23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

## 24. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values, or their fair values cannot be reliably measured.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

The Company did not have financial assets and financial liabilities that are measured at fair value as of December 31, 2023 and 2022.

### c. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets measured at amortised cost (Note 1)	<u>\$ 1,191,809</u>	<u>\$ 931,492</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	<u>\$ 384,523</u>	<u>\$ 400,797</u>

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes receivable, accounts receivable and other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable, accounts payable and other payables.

### d. Financial risk management objectives and policies

The Company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable and lease liabilities. The Company's finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

##### a) Foreign currency risk

Refer to Note 27 for the carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

##### Sensitivity analysis

The Company was mainly exposed to the fluctuation of the U.S. dollar, Japanese yen, Euro, Chinese yuan, Australian dollar, Swiss franc and Great British pound.

The sensitivity analysis details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. For 1% appreciation of the New Taiwan dollar against the relevant currency, post-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$6,930 thousand and \$4,698 thousand, respectively. For a 1% depreciation of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit.

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at floating interest rates.

Sensitivity analysis

The sensitivity analysis was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point (0.1%) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2023 and 2022 would both decrease/increase by \$0 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties, however, in order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.



The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods, and is based on the undiscounted cash flows of financial liabilities.

December 31, 2023

	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 343,523	\$ 41,000	\$ -	\$ -
Lease liabilities	<u>4,010</u>	<u>12,028</u>	<u>28,629</u>	<u>523,378</u>
	<u>\$ 347,533</u>	<u>\$ 53,028</u>	<u>\$ 28,629</u>	<u>\$ 523,378</u>

Additional information about the maturity analysis for lease liabilities is set out below:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 16,038</u>	<u>\$ 54,798</u>	<u>\$ 65,422</u>	<u>\$ 65,422</u>	<u>\$ 65,422</u>	<u>\$ 300,943</u>

December 31, 2022

	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 368,197	\$ 32,600	\$ -	\$ -
Lease liabilities	<u>3,379</u>	<u>10,139</u>	<u>26,242</u>	<u>536,463</u>
	<u>\$ 371,576</u>	<u>\$ 42,739</u>	<u>\$ 26,242</u>	<u>\$ 536,463</u>

Additional information about the maturity analysis for lease liabilities is set out below:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 13,518</u>	<u>\$ 52,411</u>	<u>\$ 65,422</u>	<u>\$ 65,422</u>	<u>\$ 65,422</u>	<u>\$ 314,028</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank overdraft facilities which may be extended by mutual agreement		
Amount used	\$ -	\$ -
Amount unused	<u>600,000</u>	<u>350,000</u>
	<u>\$ 600,000</u>	<u>\$ 350,000</u>
Secured bank overdraft facilities which may be extended by mutual agreement		
Amount used	\$ -	\$ -
Amount unused	<u>-</u>	<u>800,000</u>
	<u>\$ -</u>	<u>\$ 800,000</u>

The Company's operating fund is deemed adequate to finance the Company's operations. Therefore, there is no liquidity risk of being unable to raise sufficient money to fulfill contractual obligations.

## 25. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are summarized below:

a. Related party name and category

<b>Related Party Name</b>	<b>Related Party Category</b>
Chang, Hsien Su	The first degree of relationship with chairman of the Company

b. Lease arrangements - Company is lessee

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Lease liabilities	Chang, Hsien Su	<u>\$ 73</u>	<u>\$ 145</u>
		<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
<u>Interest expense</u>			
Chang, Hsien Su		<u>\$ 2</u>	<u>\$ 2</u>
<u>Depreciation expense</u>			
Chang, Hsien Su		<u>\$ 72</u>	<u>\$ 72</u>

The Company leased the office from Hsien-Su Chang in January 2022 with the lease term of one year. The Company has the option to renew the lease at the end of the lease terms. The rent is referenced to the rental rate of similar assets and is paid monthly as a fixed lease payment under the lease agreement.

c. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 34,565	\$ 33,997
Post-employment benefits	<u>500</u>	<u>464</u>
	<u>\$ 35,065</u>	<u>\$ 34,461</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collateral for bank loan facilities.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land and buildings, net	\$ -	\$ 972,175
Investment properties	<u>-</u>	<u>91,565</u>
	<u>\$ -</u>	<u>\$ 1,063,740</u>

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	<b>December 31, 2023</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency denominated assets</u>			
Monetary items			
USD	\$ 15,655	30.705(USD:NTD)	\$ 480,673
JPY	1,632,330	0.2172 (JPY:NTD)	354,542
EUR	251	33.98 (EUR:NTD)	8,529
RMB	3,863	4.327 (RMB:NTD)	16,716
AUD	125	20.98 (AUD:NTD)	2,614
CHF	107	36.485 (CHF:NTD)	3,897
GBP	1	39.15 (GBP:NTD)	<u>35</u>
			<u>\$ 867,006</u>
			(Continued)

December 31, 2023			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency denominated liabilities</u>			
Monetary items			
USD	\$ 1	30.705 (USD:NTD)	\$ 1
JPY	1,040	0.2172 (JPY:NTD)	226
RMB	111	4.327 (RMB:NTD)	<u>481</u>
			<u>\$ 708</u>
			(Concluded)
December 31, 2022			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency denominated assets</u>			
Monetary items			
USD	\$ 13,557	30.71(USD:NTD)	\$ 416,323
JPY	419,289	0.2324 (JPY:NTD)	97,443
EUR	941	32.72 (EUR:NTD)	30,787
RMB	7,161	4.408 (RMB:NTD)	31,567
AUD	408	20.83 (AUD:NTD)	8,492
CHF	206	33.205 (CHF:NTD)	6,842
GBP	2	37.09 (GBP:NTD)	<u>60</u>
			<u>\$ 591,514</u>
<u>Foreign currency denominated liabilities</u>			
Monetary items			
USD	42	30.71 (USD:NTD)	\$ 1,293
EUR	79	32.72 (EUR:NTD)	2,573
JPY	1,871	0.2324 (JPY:NTD)	<u>435</u>
			<u>\$ 4,301</u>
For the Year Ended December 31			
	2023	2022	
Realized foreign currency exchange gain	\$ 3,132	\$ 28,200	
Unrealized foreign currency exchange (loss)/gain	<u>(4,780)</u>	<u>8,845</u>	
Net (losses)/gains	<u>\$ (1,648)</u>	<u>\$ 37,045</u>	

## 28. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and investees:

- a. Financing provided to others: None.
- b. Endorsements or guarantees provided: None.
- c. Marketable securities held at the end of the period (excluding investments in subsidiaries): None.
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of paid-in capital: None.
- e. Acquisition of individual real estate at cost of at least NT\$300 million or 20% of paid-in capital: None.
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of paid-in capital: None.
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of paid-in capital: None.
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of paid-in capital: None.
- i. Transactions in derivative instruments: None.
- j. Information on investees: None.

Information on investments in mainland China: None.

Information of major shareholders: Table 1.

## 29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. In accordance with the provisions under IFRS 8, "Operating Segments," the Company's operating decision was mainly based on the Company's overall operating performance and economic resource; therefore, it was determined that the Company had only one reportable segment.

**TABLE 1****PACIFIC HOSPITAL SUPPLY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ke Yue Co., Ltd.	7,155,000	9.85
An-Ting Chung	4,709,678	6.48
Yi De Co., Ltd.	4,047,000	5.57

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

Pacific Hospital Supply Co., Ltd.



Chairperson: An-Ting Chung

