

# **KING CHOU MARINE TECHNOLOGY CO., LTD.**

## **2023 Annual Report**

**Market Observation Post System Website: <https://mops.twse.com.tw>**

**Corporate Website: <https://www.king-net.com.tw>**

**Published on May 15, 2024**

**1. Name, Title and Contact Details of Company's Spokesperson and Deputy Spokesperson:**

Spokesperson: Kuo-Jung Lo

Title: Assistant Vice President of Finance Department

Deputy Spokesperson: Shueh-In Chen

Title: Vice President of Strategic Planning Unit

Telephone Number: (07)535-2939

E-mail Address: [finance@mail.king-net.com.tw](mailto:finance@mail.king-net.com.tw)

**2. Address and Telephone Numbers of Company's Headquarters and Factories:**

**Headquarters**

Address: 23-2F., No. 2, Chungshan 2nd Rd., Chienchen Dist., Kaohsiung City 806611, Taiwan (R.O.C.)

Telephone Number: (07)535-2939

**Hsinyuan Factory**

Address: No. 12, Hsingan Rd., Kanghsi Vil., Hsinyuan Township, Pingtung County 932017, Taiwan (R.O.C.)

Telephone Number: (08)868-1611

**Pingnan Factory**

Address: No. 20, Chingchin Rd., Pingnan Industrial Zone, Fangliao Township, Pingtung County 940001, Taiwan (R.O.C.)

Telephone Number: (08)866-7108

**3. Name, Address, Website and Telephone Number of the Share Registrar:**

Name: Stock Management Service Department, KGI Securities

Address: 5F., No. 2, Sec. 1, Chungching S. Rd., Taipei City 100502, Taiwan (R.O.C.)

Telephone Number: (02)2389-2999

Website: <https://www.kgi.com.tw>

**4. Names, Accounting Firm, Address, Website and Telephone Number of Independent Auditors in the Most Recent Year:**

Names: Chia-Ling Chiang and Hung-Ju Liao

CPA Firm: Deloitte & Touche

Address: 3F., No. 88, Chengkung 2nd Rd., Chienchen Dist., Kaohsiung City 806618, Taiwan (R.O.C.)

Telephone Number: (07)530-1888

Website: <https://www.deloitte.com.tw>

**5. Overseas Securities Exchange: None**

**6. Corporate Website: <https://www.king-net.com.tw>**

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## I. Letter to Shareholders

### 1. 2023 Operation Report

#### (1) Financial performance and profitability analysis

##### A. Financial performance

(In Thousands of New Taiwan Dollars)

Year Item	2023	2022	Change (in Dollar Amount)	Change (in Percentage)
Net operating revenue	2,936,371	3,266,960	(330,589)	(10)
Gross profit	740,592	964,342	(223,750)	(23)
Operating income	390,920	536,755	(145,835)	(27)
Pre-tax income	438,572	567,318	(128,746)	(23)
Net income	316,614	401,758	(85,144)	(21)

##### B. Profitability analysis

Item		Profitability	
		2023	2022
Return on assets (%)		7.07	9.06
Return on shareholders' equity (%)		9.96	13.32
% to paid-in capital	Operating income	46.55	63.92
	Pre-tax income	52.22	67.56
Net margin (%)		10.78	12.29
Earnings per share (NT\$) (retrospectively adjusted)		3.69	4.80

#### (2) Results from the execution of business plans

- A. Operating revenue decreased in 2023 as the shipments of some orders of our Vietnam factory in 2021 were postponed to 2022 due to the pandemic. As a result, the operating revenue in 2023 experienced a relative decrease.
- B. The decrease in gross profit, operating income and pre-tax income was due to a decrease in operating revenue.

#### (3) Budget implementation

The Company did not prepare financial forecasts for 2023.

#### (4) Research and development

To achieve higher profitability, enhance competitiveness and develop a diverse product range, the Company continues to carrying out the following projects:

- A. Enhanced the tensile strength and abrasion resistance of purse seine nets.
- B. Minimized algae growth on cage nets.
- C. Continued to improve production technology for products to better meet the demand from customers worldwide.
- D. Collaborated with suppliers in developing higher-valued material applications and more advanced production facilities.

- E. Participated in researches conducted by customers and academic institutions both at home and abroad and shared the research results.

2. Overview of 2024 business plans

(1) Business policy

- A. Use ocean recycled yarns for sustainable developments.
- B. Utilize our advantages of setting up factories in mainland China, Vietnam and Indonesia for lowering production costs as well as developing local markets, thereby expanding our presence worldwide.
- C. For subsidiaries to work together in achieving optimal synergy.
- D. Implement our internal control system thoroughly and improve deficiencies in order to establish operating procedures with higher efficiency.
- E. Continually carry out researches on expanding the extent of processing, thereby enhancing product value.

(2) Sales forecast and basis

The Company did not prepare sales forecasts for 2024.

(3) Key production and sales policies

A. Production strategies

- (a) Supervise subsidiaries in implementing their quality control systems, thereby improving yield.
- (b) Integrate production and sales plans to lower inventory levels and reduce obsolete materials.
- (c) Enhance the efficiency of teamwork.

B. Sales strategies

- (a) Compete for orders of assembled products to boost profits.
- (b) Actively explore the business of land-use nets as well as marine nets apart from the existing applications.
- (c) Explore markets of high-margin products.

3. Strategies for future developments

- (1) Proactively develop differentiated products with high unit prices.
- (2) Strengthen corporate governance.
- (3) Support the government's green energy policy.

4. Impacts from external competitions, regulatory compliance and macro-environment

Our production relies heavily on manual labor; thus, labor cost is one of the deciding factors in profitability. As labor cost is lower in Asia compare to the western world, our major competitors are mostly located in Asia as well.

The resource rent tax levied by the Norwegian government on aquaculture may result in aquaculture companies adopting more conservative business strategies.

Affected by changes in market trends and rising awareness of ecological conservation, countries with fishing rights have implemented total catch control or even quota allocation while many regions have carried out trawling bans. Cage aquaculture has become the mainstream of global aquaculture.

Chairman: Chia-Jen Chen

President: Chia-Jen Chen

Accounting Officer: Kuo-Jung Lo

## II. Company Profile

1. Date of Incorporation: Founded on December 24, 1973
2. Company History:

1978	<ul style="list-style-type: none"> <li>• Mr. Chin-Fen Chen, the founder and ex-chairman, established the Company through the acquisition of Yu Lung Electronics Co., Ltd. with an area of 12,595 m<sup>2</sup> and an authorized capital of NT\$10 million.</li> <li>• Changed the Company name to King Chou Fish Net Mfg. Co., Ltd.</li> </ul>
1979	Mass production began at King Chou Fish Net Mfg. Co., Ltd.
1982	Registered KING CHOU as the trademark.
1986	Established Wan Tan Factory with an area of 9,256 m <sup>2</sup> for capacity expansion.
1990	Engaged in technical cooperation with Casamar, an U.S. company, and commenced the production of purse seine nets.
1993	Obtained approvals from the Investment Commission, Ministry of Economic Affairs (MOEAIC) for the establishment of Kunshan King Chou Fish Net Mfg. Co., Ltd. (with an area of approximately 49,587 m <sup>2</sup> ).
1994	Mass production began at the subsidiary, Kunshan King Chou Fish Net Mfg. Co., Ltd.
1995	Mr. Chia-Jen Chen assumed the position of Chairman.
1999	<ul style="list-style-type: none"> <li>• Set up the Head Office in Kaohsiung to coordinate businesses.</li> <li>• Established Pingnan Factory in Pingnan Industrial Zone with an area of 10,198 m<sup>2</sup>.</li> </ul>
2000	<ul style="list-style-type: none"> <li>• The Company's shares were listed on Taipei Exchange on November 7.</li> <li>• Dismantled the Wan Tan Factory and transferred the net assembling line to Pingnan Factory</li> <li>• Received ISO9002 quality assurance system certification.</li> </ul>
2001	Obtained approvals from the MOEAIC for the establishment of Kunshan King Da Technical Fibre Co., Ltd. via King Da International Ltd. of British Virgin Islands, an investee in a third jurisdiction.
2002	Change the Company name to King Chou Marine Technology Co., Ltd.
2004	The subsidiary, Kunshan King Chou Fish Net Mfg. Co., Ltd., was certified by NOOMAS Sertifisering as a qualified manufacturer of cage aquaculture gears.
2007	The subsidiary, Kunshan King Chou Fish Net Mfg. Co., Ltd., received ISO9001:2000 certification.
2008	Mass production began at the subsidiary, King Chou (Vietnam) Marine Technology Co., Ltd., located at My Phuoc Industrial Zone, Ben Cat City, Binh Duong Province with an area of 74,318 m <sup>2</sup> .
2010	<ul style="list-style-type: none"> <li>• Invested in King Tai Technology Ltd. in Samoa via King Da International Ltd. of British Virgin Islands, an investee in a third jurisdiction. The former then established the King Tai Technology Vietnam Co., Ltd. at My Phuoc Industrial Zone, Ben Cat City, Binh Duong Province.</li> </ul>

2010	<ul style="list-style-type: none"> <li>The subsidiary, King Chou (Vietnam) Marine Technology Co., Ltd., received ISO9001:2008 certification.</li> </ul>
2012	The subsidiary, Kunshan King Chou Fish Net Mfg. Co., Ltd., moved to Zhoushi Town, Kunshan City.
2013	Phase II production commenced for the subsidiary, King Chou (Vietnam) Marine Technology Co., Ltd.
2014	Phase III production commenced for the subsidiary, King Chou (Vietnam) Marine Technology Co., Ltd.
2015	Established Jin Dar Vietnam International Co., Ltd. at My Phuoc Industrial Zone, Ben Cat City, Binh Duong Province via King Chou International Co., Ltd. of Seychelles, an investee in a third jurisdiction.
2016	Established PT. KingDa Marine Technical Indonesia at Kawasan Industri Wijayakusuma (KIW) in Semarang City, Central Java via King Da International Ltd. of British Virgin Islands, an investee in a third jurisdiction with an area of 50,000 m <sup>2</sup> .
2017	<ul style="list-style-type: none"> <li>Mass production began at the subsidiary, Jin Dar Vietnam International Co., Ltd.</li> <li>Phase II production commenced for the subsidiary, King Tai Technology Vietnam Co., Ltd.</li> </ul>
2018	Phase II production commenced for the subsidiary, Jin Dar Vietnam International Co., Ltd.
2020	<ul style="list-style-type: none"> <li>King Da International Ltd. disposed the subsidiary, Kunshan King Da Technical Fibre Co., Ltd., and moved the production lines to PT. KingDa Marine Technical Indonesia</li> <li>Phase II production commenced for the subsidiary, PT. KingDa Marine Technical Indonesia</li> </ul>

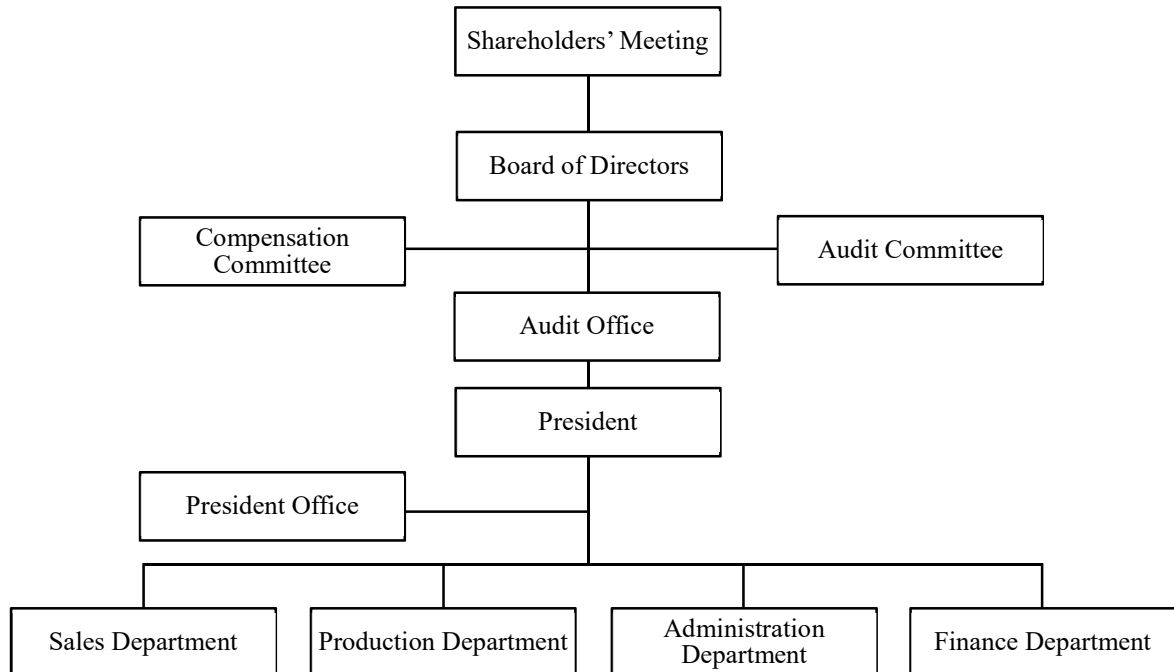
- (1) Mergers and acquisitions, reinvestments in affiliates and reorganizations in the most recent year and as of the date of this annual report: None.
- (2) Transfer or sale of significant number of shares by the Directors and shareholders with over 10% of shareholding or Change in Management: None.
- (3) Major changes in management approach or business, other significant events which would affect shareholders' equity and their impact on the company, and information of prior years which has material impact on understanding the company shall be disclosed: None.



### III. Corporate Governance

#### 1. Organization

##### (1) Organizational Structure:



##### (2) Functions

- A. Audit Office: Audit and recommendations on internal controls and procedures as well as the establishment and amendment of various management rules.
- B. President Office
  - (a) Research and Development Unit: New product development and enhancements of product quality and facilities.
  - (b) Strategic Planning Unit: Business analysis and planning.
  - (c) Information Technology (IT) Unit: IT system planning as well as management and maintenance of software and hardware.
- C. Sales Department: Market exploration, product promotion and after-sales services.
- D. Production Department: Production matters including manufacturing, quality control, requisition of raw materials, receipts of finished goods and processing.
- E. Administration Department: Management of procurement, fixed assets, general affairs and human resources.
- F. Finance Department: Establishment of an accounting system, operations of bookkeeping, costs and budgeting, and treasury management.

2. Directors, President, Vice President, Assistant Vice Presidents and Managers of Departments and Branches:

(1) Directors

A. Directors

As of April 14, 2024																					
Title	Nationality or Place of Registration	Name	Gender	Age	Date Elected (On-Board)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at King Chou and Other Companies	Managers or Directors Who are Spouses or within the Second-Degree of Kinship to Each Other			Remark
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Chia-Jen Chen	Male	71~80 years old	2022.06.14	3 years	1978.04.26	2,150,574	2.56%	2,150,574	2.56%	3,469,807	4.13%	0	0%	1.Chairman of the Company 2.Bachelor of Library Management, Shih Hsin University	Note 1	Representative of Corporate Director and Manager of Overseas Sales Department	Chien-Fu Chen	First degree of kinship	Note 6
																		Director and Vice President of Strategic Planning Unit	Shueh-In Chen	Second degree of kinship	
																		Assistant Vice President of IT Unit	Mei-Li Chen	Second degree of kinship	
Director	R.O.C.	Shueh-In Chen	Female	61~70 years old	2022.06.14	3 years	1986.03.19	1,587,662	1.89%	1,587,662	1.89%	28,635	0.03%	0	0%	1.Director and Assistant Vice President of Strategic Planning Unit of the Company 2.IEMBA, National Sun Yat-sen University	Note 2	Chairman and President	Chia-Jen Chen	Second degree of kinship	None
																		Assistant Vice President of IT Unit	Mei-Li Chen	Second degree of kinship	
Director	R.O.C.	Birkin Technology Co., Ltd.			2022.06.14	3 years	2016.06.13	3,079,006	3.67%	3,079,006	3.67%	0	0%	0	0%	None	None	None	None	None	None
	R.O.C.	Representative: Chien-Fu Chen	Male	41~50 years old	2022.06.14	3 years	2019.06.13	N/A	N/A	1,600,913	1.91%	720	0%	0	0%	1.Section Manager of Overseas Sales Department of the Company 2.MBA, University of North Carolina at Charlotte	Note 3	Chairman and President	Chia-Jen Chen	First degree of kinship	None
																		Representative of Corporate Supervisor	Chiung-Yu TSENG	First degree of kinship	
Director	R.O.C.	Chuan Kuang Investment Co., Ltd.			2022.06.14	3 years	2001.06.05	4,351,261	5.18%	4,351,261	5.18%	0	0%	0	0%	None	None	None	None	None	None
	R.O.C.	Representative: Yu-Chieh Chen	Female	41~50 years old	2022.06.14	3 years	2001.06.05	N/A	N/A	614,288	0.73%	0	0%	0	0%	1.Representative of Corporate Director of the Company 2.Bachelor of Medicine, Kaohsiung Medical University	Attending Doctor of Kaohsiung Medical University Chung-Ho Memorial Hospital	Section Manager of Overseas Sales Department	Hua-Mao Chen	Second degree of kinship	None
																		Section Manager of Kunshan Factory	Chien-Jung Chen	Second degree of kinship	
Independent Director	R.O.C.	Chin-TSEN Chang	Male	71~80 years old	2022.06.14	3 years	2016.06.13	18,779	0.02%	18,779	0.02%	0	0%	0	0%	Note 4	1.Chairman of Sea Polar Trading Co., Ltd. 2.Member and the convener of the 1 <sup>st</sup> term Audit Committee and the 5 <sup>th</sup> term Compensation Committee	None	None	None	None
Independent Director	R.O.C.	Hong-Chih Sun	Male	61~70 years old	2022.06.14	3 years	2016.06.13	0	0%	0	0%	0	0%	0	0%	Note 5	Member of the 1 <sup>st</sup> term Audit Committee and the 5 <sup>th</sup> term Compensation Committee	None	None	None	None
Independent Director	R.O.C.	Su-Ching Chang	Female	51~60 years old	2022.06.14	3 years	2022.6.14	0	0%	0	0%	0	0%	0	0%	1.Member of the Finance and Accounting Regulation and Professional Education Committees, Kaohsiung CPA Association 2.Passed the Senior Examinations for Certified Public Accountants 3.Bachelor of Accounting, Providence University	1.Certified Public Accountant and Chairman of Kuang Cheng CPAs 2.Member of the 1 <sup>st</sup> term Audit Committee and the 5 <sup>th</sup> term Compensation Committee	None	None	None	None

Note 1: President of the Company, Chairman and President of Kunshan King Chou Fish Net Mfg. Co., Ltd., President of King Chou (Vietnam) Marine Technology Co., Ltd., President of Jin Dar Vietnam International Co., Ltd., Director of King Tai Technology Vietnam Co., Ltd., Chairman of PT. KingDa Marine Technical Indonesia, Chairman of Trans-Ocean Fishing Supplies Co., Ltd., Chairman of King Chou International Co., Ltd., Chairman of King Chou Investment & Development Ltd., Chairman of King Da International Ltd., Director of King Tai Technology Ltd., Chairman of Oceanmark International Co., Ltd., Director of Chien Yeh Investment Co., Ltd. and Director of Birkin Technology Co., Ltd.

Note 2: Vice President of Strategic Planning Unit of the Company, Director of Kunshan King Chou Fish Net Mfg. Co., Ltd., Director of King Chou (Vietnam) Marine Technology Co., Ltd., Director of King Tai Technology Vietnam Co., Ltd., Director of Trans-Ocean Fishing Supplies Co., Ltd., Director of King Da International Ltd., Director of King Tai Technology Ltd., Director of Oceanmark International Co., Ltd. and Chairman of Shih Yun Investment Co., Ltd.

Note 3: Manager of Overseas Sales Department of the Company, Director of Trans-Ocean Fishing Supplies Co., Ltd., Director of King Da International Ltd., Chairman of Birkin Technology Co., Ltd. and Supervisor of Chien Yeh Investment Co., Ltd.

Note 4: Gyo Shou Trading Co., Ltd., Ching Feng Marine Products Co., Ltd., the 14<sup>th</sup>~15<sup>th</sup> terms of Independent Director of the Company, member of the 1<sup>st</sup>~4<sup>th</sup> terms Compensation Committee and Taichung Municipal Feng Yuan Commercial High School.

Note 5: Chief auditor of Taiwan International Ports Corporation, Ltd., Assistant Vice President of China Development Industrial Bank - Kaohsiung Branch, Vice President of Yu Yu Construction Co., Ltd., Adjunct Instructor of Business Management, National Sun Yat-sen University, Adjunct Instructor of Finance, National Kaohsiung First University of Science and Technology, the 14<sup>th</sup>~15<sup>th</sup> terms of Independent Director of the Company, member of the 2<sup>nd</sup>~4<sup>th</sup> terms Compensation Committee and Master of Business Management, National Sun Yat-sen University.

Note 6: Where the Company’s Chairman and President or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and actions taken:

1. Given the lean organizational structure and straightforward business nature, to achieve the business goals of creating maximum value for the Company and optimizing shareholders’ returns, it is reasonable and necessary for the Chairman to serve concurrently as the President in order to enhance operational efficiency and decision execution. Moreover, the Chairman is quite familiar with the industry in which the Company operates. With several decades of management experience, he has intimate knowledge of the industry and its associated technologies.

2. Actions taken: A. Align with competent authorities in promoting and implementing corporate governance policies

B. Arrange Directors to take professional training courses held by external institutions every year to improve the operational performance of the Board of Directors

C. Have the majority of Directors not serving as employees or managerial officers

D. Have Independent Directors account for more than one-third of the number of Board members

B. Institutional shareholders in the table above with at least 10% shareholdings or is one of the top 10 shareholders are as follows:

As of April 14, 2024		
Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders	Shareholding %
Birkin Technology Co., Ltd.	Chiung-Yu TSENG	54.85
	Chien-Fu Chen	19.28
	I-Chen Chen	10.10
	I-Hsuan Chen	7.39
	Chia-Jen Chen	6.39
	Chia-Ling Tai	2.00
Chuan Kuang Investment Co., Ltd.	Chia-Hui Kuo	77.1
	I-Ling Chen	4.94
	Yu-Chieh Chen	4.94
	Chi-Hsiang Chen	4.94
	Hua-Mao Chen	4.94
	Chien-Jung Chen	2.53
	Yu-Fu Chen	0.62
Chien Yeh Investment Co., Ltd.	Chia-Jen Chen	50.26
	Chiung-Yu TSENG	38.83
	I-Hsuan Chen	5.6
	Chien-Fu Chen	4.21
	I-Chen Chen	0.92
	Mei-Li Chen	0.18

C. Major shareholders in the table above who are institutional shareholders with at least 10% shareholdings or is one of the top 10 shareholders: None.

D. Professional Qualifications of Directors and Independence Status of Independent Directors:

<div> <div>Conditions</div> <div>TitleName</div> </div>		Professional Qualifications and Experiences	Independence Status				Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of the Compensation Committee
			Whether Directors, their spouses or their relatives within the second degree of kinship serve as a director, supervisor, or employee of the Company or any of its affiliates	Number and percentage of shares of the Company held by the Director, their spouses or their relatives within the second degree of kinship (or through nominee arrangement)	Whether the individual serves as a director, supervisor, or employee of companies having a specific relationship with the Company (refer to subparagraphs 5-8, paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”)	Compensation received for business, legal, financial, or accounting services rendered to the Company or its affiliates in the past 2 years	
Chairman	Chia-Jen Chen	1. Professional qualification: Business management and industry knowledge. 2. Please refer to “Directors” on page 6 for details.	1. Please refer to “Directors” on page 6 for details on the Chairman and his relatives within the second degree of kinship serving as employees of the Company or any of its affiliates. 2. His spouse is not an employee of the Company or any of its affiliates. 3. The Chairman, his spouse or his relatives within the second degree of kinship serving as directors or supervisors of the Company or any of its affiliates include Chiung-Yu TSENG, Chien-Fu Chen, Yu-Fu Chen, Chia-Hui Kuo, Deng-Her Chang, Shueh-In Chen, Mei-Li Chen, and Wen-Chi TSENG. Please refer to Attachment 2 for details.	1. The Chairman, his spouse and relatives within the second degree of kinship owns 16,753,927 shares (19.95%) of the Company. 2. Please refer to “Directors” on page 6 for details.	Please refer to “Directors” on page 6 for details.	0	0
Director	Shueh-In Chen	1. Professional qualification: Business management and industry knowledge. 2. Please refer to “Directors” on page 6 for details.	1. Please refer to “Directors” on page 6 for details on the Director and her relatives within the second degree of kinship serving as employees of the Company or any of its affiliates. 2. The Director and her relatives within the second degree of kinship serving as directors or supervisors of the Company or any of its affiliates include Yu-Fu Chen, Chia-Hui Kuo, Deng-Her Chang, Chia-Jen Chen, Chiung-Yu TSENG, and Mei-Li Chen. Please refer to Attachment 2 for details. 3. Her spouse does not assume any position within the Company or any of its affiliates.	1. The Director, her spouse and relatives within the second degree of kinship owns 13,059,747 shares (15.55%) of the Company. 2. Please refer to “Directors” on page 6 for details.	Please refer to “Directors” on page 6 for details.	0	0
Director	Birkin Technology Co., Ltd. Representative: Chien-Fu Chen	1. Professional qualification: International trade and industry knowledge. 2. Please refer to “Directors” on page 6 for details.	1. Please refer to “Directors” on page 6 for details on the Director and his relatives within the second degree of kinship serving as employees of the Company or any of its affiliates. 2. The Director and his relatives within the second degree of kinship serving as directors of the Company or any of its affiliates include Chia-Jen Chen and Chiung-Yu TSENG. Please refer to Attachment 2 for details. 3. His spouse does not assume any position within the Company or any of its affiliates.	1. The Director, his spouse and relatives within the second degree of kinship owns 10,034,758 shares (11.95%) of the Company. 2. Please refer to “Directors” on page 6 for details.	Please refer to “Directors” on page 6 for details.	0	0

Title	Name	Conditions	Professional Qualifications and Experiences	Independence Status			Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of the Compensation Committee
				Whether Directors, their spouses or their relatives within the second degree of kinship serve as a director, supervisor, or employee of the Company or any of its affiliates	Number and percentage of shares of the Company held by the Director, their spouses or their relatives within the second degree of kinship (or through nominee arrangement)	Whether the individual serves as a director, supervisor, or employee of companies having a specific relationship with the Company (refer to subparagraphs 5-8, paragraph 1, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”)	Compensation received for business, legal, financial, or accounting services rendered to the Company or its affiliates in the past 2 years
Director	Can Kuang Investment Co., Ltd. Representative: Yu-Chieh Chen	Please refer to “Directors” on page 6 for details.	1. Please refer to “Directors” on page 6 for details on the Director’s relatives within the second degree of kinship serving as employees of the Company or any of its affiliates. 2. The Director and her relatives within the second degree of kinship serving as directors of the Company’s affiliates include Yu-Fu Chen, Chia-Hui Kuo, and Hua-Mao Chen. Please refer to Attachment 2 for details. 3. Except for being a representative of corporate director of the Company, Yu-Chieh Chen and her spouse do not assume any position within the Company or any of its affiliates.	The Director, her spouse and relatives within the second degree of kinship owns 3,120,328 shares (3.72%) of the Company.	None	0	0
Independent Director	Chin-TSEN Chang	1. Professional qualification: International trade, business management and industry knowledge. 2. Please refer to “Directors” on page 6 for details.	Except for being an Independent Director of the Company, Chin-TSEN Chang, his spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	The Independent Director owns 18,779 shares (0.02%) of the Company. His spouse and relatives within the second degree of kinship (or through nominee arrangement) owns 0 share of the Company.	None	0	0
Independent Director	Hong-Chih Sun	1. Professional qualification: Industries of banking and construction, auditing, and business management. 2. Please refer to “Directors” on page 6 for details.	Except for being an Independent Director of the Company, Hong-Chih Sun, his spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	The Independent Director, his spouse and relatives within the second degree of kinship (or through nominee arrangement) owns 0 share of the Company.	None	0	0
Independent Director	Su-Ching Chang	1. Professional qualification: Accounting, tax and business management. 2. Please refer to “Directors” on page 6 for details.	Except for being an Independent Director of the Company, Su-Ching Chang, her spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	The Independent Director, her spouse and relatives within the second degree of kinship (or through nominee arrangement) owns 0 share of the Company.	None	0	0

E. Board diversity and independence

(a) Board diversity

i. Policy of Board diversity

- (i) In accordance with Article 20 of the Company's Principles of Corporate Governance, Board composition shall consider gender, age, nationality, culture, professional background, professional skills and industry experience as well as the knowledge, skills and competence required for Directors to perform their duties. To achieve the ideal goal of corporate governance, the Board as a whole shall possess the following capabilities:

Directors \ Diverse core items	Gender	Age	Nationality	Business judgement	Accounting and financial analysis	Business management	Crisis management	Industry knowledge	Global market perspective	Leadership	Decision-making
Chia-Jen Chen	Male	71~80	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Shueh-In Chen	Female	61~70	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Birkin Technology Co., Ltd. Representative: Chien-Fu Chen	Male	41~50	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Chuan Kuang Investment Co., Ltd. Representative: Yu-Chieh Chen	Female	41~50	R.O.C.	✓	○	✓	✓	✓	✓	✓	✓
Chin-TSEN Chang	Male	71~80	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Hong-Chih Sun	Male	61~70	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Su-Ching Chang	Female	51~60	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓

Note: ✓ competent; ○ partially competent

- (ii) The Board shall contain at least one director of different genders.

- (iii) More than half of the Independent Directors serve no more than three consecutive terms.

ii. Goal and Status of Board diversity

- (i) The company attaches great importance to gender equality in the composition of the board of directors. There are 3 female directors, accounting for 43% and 4 male directors, accounting for 57%.
- (ii) To maintain the independence of Independent Directors, no Independent Director has served more than three consecutive terms.

(b) Board independence:

- i. The Board has three Independent Directors, accounting for 43%.
- ii. The Board has three Directors who are also employees of the Company, accounting for 43% of the Board.
- iii. The Board has two Directors who are also managers of the Company, accounting for 29% of the Board.
- iv. None of the Board members is a person of any condition set out in Paragraphs 3, Article 26-3 of the Securities and Exchange Act. As for spousal relationship or second-degree kinship between Directors, please refer to "Directors" on page 6 for details.

(2) President, Vice President, Assistant Vice Presidents and Managers of Departments and Branches

As of April 14, 2024

Title	Nationality	Name	Gender	Date Elected (On-Board)	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Other Companies	Managers Who are Spouses or within the Second-Degree of Kinship to Each Other			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Chia-Jen Chen	Male	2022.06.23	2,150,574	2.56%	3,469,807	4.13%	0	0%	1.Concurrently the Chairman of the Company 2.Bachelor of Library Management, Shih Hsin University	Note 1	Vice President	Shueh-In Chen	Second degree of kinship	Note 5
													Assistant Vice President	Mei-Li Chen	Second degree of kinship	
CEO of Domestic Sales Department	R.O.C.	Shang-I Tsai	Male	1982.11.15	30,000	0.04%	0	0%	0	0%	1.Assistant Vice President of Domestic Sales Department of the Company 2.Bachelor of International Business and Trade, Tamsui Institute of Business Administration	Note 2	None	None	None	None
Executive Vice President of Overseas Sales Department	R.O.C.	Ming-Huang Tsai	Male	1984.07.02	25,697	0.03%	0	0%	0	0%	1.Assistant Vice President of Overseas Sales Department of the Company 2.Bachelor of Foreign Languages, Tamkang University	None	None	None	None	None
Vice President	R.O.C.	Chung-Hsiao Chen	Male	1980.11.13	20,000	0.02%	0	0%	0	0%	1.Assistant Vice President of the Company 2.MBA, National Sun Yat-sen University	President of PT. KingDa Marine Technical Indonesia	None	None	None	None
Vice President of Strategic Planning Unit	R.O.C.	Shueh-In Chen	Female	1981.06.23	1,587,662	1.89%	28,635	0.03%	0	0%	1.Concurrently the Director of the Company 2.Assistant Vice President of Strategic Planning Unit of the Company 3.IEMBA, National Sun Yat-sen University	Note 3	President	Chia-Jen Chen	Second degree of kinship	None
													Assistant Vice President	Mei-Li Chen	Second degree of kinship	
Assistant Vice President of Finance Department	R.O.C.	Kuo-Jung Lo	Male	1998.11.16	1,102	0%	0	0%	0	0%	1.Manager of Finance Department of the Company 2.Bachelor of Accounting, Feng Chia University	None	None	None	None	None
Assistant Vice President of Information Technology Unit	R.O.C.	Mei-Li Chen	Female	1992.11.17	2,196,344	2.62%	0	0%	0	0%	1.Manager of Information Technology Unit of the Company 2.MBA, University of New Haven	Note 4	President	Chia-Jen Chen	Second degree of kinship	None
													Vice President	Shueh-In Chen	Second degree of kinship	None

Note 1: Chairman of the Company, Chairman and President of Kunshan King Chou Fish Net Mfg. Co., Ltd., President of King Chou (Vietnam) Marine Technology Co., Ltd. and Jin Dar Vietnam International Co., Ltd., Director of King Tai Technology Vietnam Co., Ltd., Chairman of PT. KingDa Marine Technical Indonesia, Trans-Ocean Fishing Supplies Co., Ltd., King Chou International Co., Ltd., King Chou Investment & Development Ltd. and King Da International Ltd., Director of King Tai Technology Ltd., Chairman of Oceanmark International Co., Ltd., and Director of Chien Yeh Investment Co., Ltd. and Birkin Technology Co., Ltd.

Note 2: Chairman of King-Fish Marine Products Co., Ltd., Min Feng Ocean Co., Ltd. and Min Shuen Ocean Co., Ltd.

Note 3: Director of Kunshan King Chou Fish Net Mfg. Co., Ltd., King Chou (Vietnam) Marine Technology Co., Ltd., King Tai Technology Vietnam Co., Ltd., Trans-Ocean Fishing Supplies Co., Ltd., King Tai Technology Ltd. and Oceanmark International Co., Ltd., and Chairman of Shih Yun Investment Co., Ltd.

Note 4: Director of Kunshan King Chou Fish Net Mfg. Co., Ltd., Oceanmark International Co., Ltd. and Shih Yun Investment Co., Ltd.

Note 5: Where the Company’s Chairman and President or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and actions taken:

- Given the lean organizational structure and straightforward business nature, to achieve the business goals of creating maximum value for the Company and optimizing shareholders’ returns, it is reasonable and necessary for the Chairman to serve concurrently as the President in order to enhance operational efficiency and decision execution. Moreover, the Chairman is quite familiar with the industry in which the Company operates. With several decades of management experience, he has intimate knowledge of the industry and its associated technologies.
- Actions taken:
  - Align with competent authorities in promoting and implementing corporate governance policies
  - Arrange Directors to take professional training courses held by external institutions every year to improve the operational performance of the Board of Directors.
  - Have the majority of Directors not serving as employees or managerial officers
  - Have Independent Directors account for more than one-third of the number of Board members

3. Remuneration Paid to Directors, President and Vice President in the Most Recent Year

(1) Remuneration to Directors and Independent Directors

(In Thousands of New Taiwan Dollars)

Title	Name	Remuneration to Directors								Total of A, B, C and D and as a % of Net Income (Note 7)				Compensation Earned by Being an Employee of the Company or Its Consolidated Entities								Total of A, B, C, D, E, F and G and as a % of Net Income (Note 7)				Compensation from Investees other than the Subsidiaries or Parent Company (Note 8)
		Base Compensation (A) (Note 1)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 2)		Allowances (D) (Note 3)						Base Compensation, Bonus and Special Disbursement, etc. (E) (Note 4)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 5)								
		From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	From the Company	From All Consolidated Entities (Note 6)	Cash	Stock	Cash	Stock	From the Company	From All Consolidated Entities (Note 6)	None		
Chairman	Chia-Jen Chen	0	0	0	0	12,754	12,754	720	720	13,474	4.3428%	13,474	4.3428%	5,746	6,704	0	0	1,539	0	1,539	0	20,759	6.6908%	21,717	6.9996%	None
Director	Shueh-In Chen																									
Director	Birkin Technology Co., Ltd. Representative: Chien-Fu Chen																									
Director	Chuan Kuang Investment Co., Ltd. Representative: Yu-Chieh Chen																									
Independent Director	Chin-TSEN Chang	0	0	0	0	0	0	1,080	1,080	1,080	0.3481%	1,080	0.3481%	0	0	0	0	0	0	0	1,080	0.3481%	1,080	0.3481%	None	
Independent Director	Hong-Chih Sun																									
Independent Director	Su-Ching Chang																									
1. Please describe the policy, system, standard and structure of remuneration paid to Independent Directors and the correlation between factors such as responsibilities and risks assumed as well as time contributed and the amount of payment: Independent Directors of the Company are not entitled to remuneration to Directors. Instead, they are given a fixed monthly compensation.																										
2. Except for information disclosed above, remuneration paid for services rendered by Directors (e.g., being a non-employee consultant to the parent company/all consolidated entities/investees) in the most recent year: None.																										

Remuneration Paid to Directors

Ranges	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From the Company	All consolidated entities H	From the Company	All consolidated entities I
Under NT\$1,000,000	Su-Ching Chang, Chin-TSEN Chang, Hong-Chih Sun	Su-Ching Chang, Chin-TSEN Chang, Hong-Chih Sun	Su-Ching Chang, Chin-TSEN Chang, Hong-Chih Sun	Su-Ching Chang, Chin-TSEN Chang, Hong-Chih Sun
NT\$1,000,000 ~ NT\$1,999,999	0	0	0	0
NT\$2,000,000 ~ NT\$3,499,999	Shueh-In Chen Birkin Technology Co., Ltd., Chuan Kuang Investment Co., Ltd.	Shueh-In Chen Birkin Technology Co., Ltd., Chuan Kuang Investment Co., Ltd.	Birkin Technology Co., Ltd., Chuan Kuang Investment Co., Ltd.	Birkin Technology Co., Ltd., Chuan Kuang Investment Co., Ltd.
NT\$3,500,000 ~ NT\$4,999,999	Chia-Jen Chen	Chia-Jen Chen	0	0
NT\$5,000,000 ~ NT\$9,999,999	0	0	Shueh-In Chen	Shueh-In Chen
NT\$10,000,000 ~ NT\$14,999,999	0	0	Chia-Jen Chen	Chia-Jen Chen
NT\$15,000,000 ~ NT\$29,999,999	0	0	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0	0	0
NT\$100,000,000 and above	0	0	0	0
Total	7	7	7	7



- Note 1: Remuneration paid to Directors (including salaries, differential pay, severance pay, various bonuses and incentive pays, etc.) in the most recent year.
- Note 2: Compensation to Directors approved by the Board of Directors for distribution in the most recent year.
- Note 3: Expenses and perquisites of Directors (including travel allowance, special disbursement, various allowances, and payment in kind such as accommodations or vehicles, etc.) in the most recent year. For provision of housing, cars or other transportation means or specific personal expenses, the nature and cost of the assets provided as well as rents, fuel expense and other payments calculated based on the actual or fair market prices shall be disclosed. If a driver is assigned, please indicate payments made by the Company to the driver in the note section. However, this part is excluded from the remuneration.
- Note 4: Remuneration received by Directors for concurrently serving as an employee (including serving as a President, Vice President, other managerial officer, or employee) of the Company in the most recent year, such as salaries, differential pay, severance pay, various bonuses, incentive pays, travel allowance, special disbursement, various allowances, and payment in kind such as accommodations or vehicles, etc. For provision of housing, cars or other transportation means or specific personal expenses, the nature and cost of the assets provided as well as rents, fuel expense and other payments calculated based on the actual or fair market prices shall be disclosed. If a driver is assigned, please indicate payments made by the Company to the driver in the note section. However, this part is not included in the remuneration. Also, salary expenses recognized pursuant to IFRS 2 “Share-based Payment” shall include employee stock options, employee restricted stocks and shares subscribed for cash capital increase.
- Note 5: Compensation (including stocks and cash) earned by Directors for concurrently serving as an employee of the Company (including concurrently serving as a President, Vice President, other management and employees). Compensation approved by the Board of Directors for distribution in the most recent year shall be disclosed.
- Note 6: The sum of compensation paid by all entities in the consolidated financial report (including the Company) to the Company’s Director.
- Note 7: Net income refers to net income in the parent company only or individual financial statements of the most recent year.
- Note 8: a. Please fill in the amount of compensation received by the Company’s Director from investees other than the subsidiaries or the parent company. (Please fill in “None” where there is no such compensation.)  
b.If the Company’s Director received compensation from investees other than the subsidiaries or the parent company, the amount received shall be included in column I.  
c.Compensation refers to rewards and payments (including compensation to employees and remuneration to directors and supervisors) and allowances received by the Company’s Director for being a director, supervisor or manager in investees other than the subsidiaries or the parent company.

(2) Remuneration to President and Vice President

(In Thousands of New Taiwan Dollars)																
Title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonus and Special Disbursement (C) (Note3)		Employee Compensation (D) (Note4)				Total of A, B, C and D and as a % of Net Income (Note 5)				Compensation from Investees other than the Subsidiaries or Parent Company (Note9)
		From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company		From All Consolidated Entities		From the Company (Note8)		From All Consolidated Entities (Note8)		
								Cash	Stock	Cash	Stock					
President	Chia-Jen Chen	8,280	9,082	262	262	6,282	6,437	2,277	0	2,277	0	17,101	5.6765%	18,058	5.8202%	None
CEO of Sales	Shang-I Tsai															
Executive Vice President	Ming-Huang Tsai															
Vice President	Chung-Hsiao Chen															
Vice President	Shueh-In Chen															

Compensation Paid to President and Vice President

Ranges	Names of President and Vice President	
	From the Company (Note 6)	Parent Company and All Investees (E) (Note 7)
Under NT\$1,000,000	0	0
NT\$1,000,000 ~ NT\$1,999,999	0	0
NT\$2,000,000 ~ NT\$3,499,999	Shueh-In Chen, Shang-I Tsai, Chung-Hsiao Chen	Shueh-In Chen, Shang-I Tsai, Chung-Hsiao Chen
NT\$3,500,000 ~ NT\$4,999,999	Chia-Jen Chen, Ming-Huang Tsai	Ming-Huang Tsai
NT\$5,000,000 ~ NT\$9,999,999	0	Chia-Jen Chen
NT\$10,000,000 ~ NT\$14,999,999	0	0
NT\$15,000,000 ~ NT\$29,999,999	0	0
NT\$30,000,000 ~ NT\$49,999,999	0	0
NT\$50,000,000 ~ NT\$99,999,999	0	0
NT\$100,000,000 and above	0	0
Total	5	5

- Note 1: The names of President and Vice President shall be presented separately and payments shall be disclosed in aggregate.
- Note 2: Salaries, differential pay and severance pay of the President and Vice President in the most recent year.
- Note 3: Bonuses, incentive pays, travel allowance, special disbursement, various allowances, payment in kind such as dormitory and cars or other compensations to the President and Vice President in the most recent year. For provision of housing, cars or other transportation means or specific personal expenses, the nature and cost of the assets provided as well as rents, fuel expense and other payments calculated based on the actual or fair market prices shall be disclosed. If a driver is assigned, please indicate payments made by the Company to the driver in the note section. However, this part is not included in the remuneration. Also, salary expenses recognized pursuant to IFRS 2 “Share-based Payment” shall include employee stock options, employee restricted stocks and shares subscribed for cash capital increase.
- Note 4: Employee compensation (including stocks and cash) to the President and Vice President approved by the Board in the most recent year. If the amount cannot be estimated, the amount to be distributed this year shall be calculated in proportion to the actual payment amount last year and Table 1-3 shall be filled in.
- Note 5: The sum of compensation paid by all entities in the consolidated financial report (including the Company) to the President and Vice President of the Company.
- Note 6: Names of the President and Vice President in the appropriate range based on the sum of compensation paid by the Company.
- Note 7: The sum of compensation paid by all entities in the consolidated financial report (including the Company) to the President and Vice President of the Company, and the names of the President and Vice President in the appropriate range.
- Note 8: Net income refers to net income in the parent company only or individual financial statements of the most recent year.
- Note 9: a. Compensation received by the Company’s President and Vice President from investees other than the subsidiaries or the parent company. (Please fill in “None” where there is no such compensation.)  
b. If the Company’s President and Vice President received compensation from investees other than the subsidiaries or the parent company, the amount received shall be included in column E and the name of the field shall be changed to “Parent Company and All Investees.”  
c. Compensation refers to rewards and payments (including compensation to employees and remuneration to directors and supervisors) and allowances received by the Company’s President and Vice President for being a director, supervisor or manager in investees other than the subsidiaries or the parent company.
- \* Remuneration disclosed in the table differs from the concept of income defined in the Income Tax Act. Thus, this table is used for information disclosure, not for tax purposes.

- Note 9: a. Compensation received by the Company's President and Vice President from investees other than the subsidiaries or the parent company. (Please fill in "None" where there is no such compensation.)
- b. If the Company's President and Vice President received compensation from investees other than the subsidiaries or the parent company, the amount received shall be included in column E and the name of the field shall be changed to "Parent Company and All Investees."
- c. Compensation refers to rewards and payments (including compensation to employees and remuneration to directors and supervisors) and allowances received by the Company's President and Vice President for being a director, supervisor or manager in investees other than the subsidiaries or the parent company.

\* Remuneration disclosed in the table differs from the concept of income defined in the Income Tax Act. Thus, this table is used for information disclosure, not for tax purposes.

- (3) Separately compare and describe total remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents by the Company and all consolidated entities as a percentage of net income in the parent company only or individual financial statements in the past two years, and state the remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

- A. Analysis of remuneration and compensation paid to Directors, Supervisors, President and Vice Presidents as a percentage of net income in the parent company only or individual financial statements in the past two years

(In Thousands of New Taiwan Dollars)

Title	2023				2022			
	Total Remuneration		% to Net Income		Total Remuneration		% to Net Income	
	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities
Net Income	310,262	316,614			402,997	401,758		
Directors	21,839	22,797	7.25%	7.20%	26,982	27,940	6.70%	6.95%
Supervisors	0	0	0%	0%	1,588	1,588	0.39%	0.40%
President and Vice Presidents	17,101	18,058	5.68%	5.70%	16,545	17,502	6.32%	6.68%
Note: 1. As net income decreased in 2023, remuneration and compensation to Directors, President and Vice Presidents also decreased.								
2. The Company established the Audit Committee on June 14, 2022 to replace Supervisors.								

- B. Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

- (a) Remuneration policy, standards and composition:

- i. Remunerations to Directors and Supervisors: According to Article 23 of the Articles of Incorporation, remunerations to Directors and Supervisors for services rendered are determined based on individual's involvement and contributions to the Company with reference to industry standards by the Board. In addition, when the Company made a pre-tax profit in a fiscal year, the Company shall set aside remuneration to Directors and Supervisors at no higher than 3% of the balance in accordance with Article 26 of the Articles of Incorporation. Independent Directors do not participate in the Director remuneration scheme. Instead, they receive a fixed amount of monthly compensation.
- ii. Compensation to managers: Work allowances and bonuses are clearly defined in the Company's Payroll Management Rules as rewards to employees' contributions at work. Bonuses are determined based on the business performance, financial status and operation status of the Company as well as work performance of individuals during the year. In addition, according to Article 26 of the Articles of Incorporation, when the Company made a pre-tax profit in a fiscal year, it shall set aside compensation to employees at no less than 3% of the balance.

Performance evaluation items for managers:

- (i) Financial indicators: Based on the management profit or loss report, contributions of individual department to the Company's profits as well as the target achievement rate of managers.
  - (ii) Non-financial indicators: Use the practice of corporate core value, management capabilities and participation in sustainable operation to calculate compensation for business performance. Constantly review the system based on actual operation and relevant laws and regulations.
  - iii. Components to the compensation include monetary compensation, severance payments, various allowances and other measures with substantial incentives.
- (b) Procedures for determining the compensation
- Performance assessment and reasonableness of compensation for Directors, Supervisors and managers are regularly evaluated and reviewed by the Compensation Committee and the Board every year. Compensations take into account not only the performance achievement rate and contributions of individuals, but also the overall business performance of the Company as well as the future risk and developments of the industry. The system is reviewed constantly based on actual operation and relevant laws and regulations in addition to the current trends of corporate governance in order to achieve a balance between sustainable operation and risk control.
- (c) Correlation with operation performance and future risks:
- i. The overall business performance of the Company is the key factor in the review of payment standards and system for the compensation policy. Payment standards are set based on performance achievement rate and the level of contribution to enhance the efficiency of the Board and management as a team. Industry compensation standards are also taken into account to ensure our packages are competitive and can therefore retain outstanding talents.
  - ii. Key decisions of management are made after taking into account a variety of risk factors. The consequence of each decision would reflect on the profitability of the Company. Thus, compensation to the management is related to the risk control performance.

(4) Employee Compensation to Managers

	Title	Name	Stock (In Thousands of NT\$)	Cash (In Thousands of NT\$)	Total (In Thousands of NT\$)	Total as a % of Net Income
Managers	President	Chia-Jen Chen	0	2,611	2,611	0.84%
	CEO of Sales	Shang-I Tsai				
	Executive Vice President	Ming-Huang Tsai				
	Vice President	Chung-Hsiao Chen				
	Vice President	Shueh-In Chen				
	Assistant Vice President	Kuo-Jung Lo				
	Assistant Vice President	Mei-Li Chen				

Note 1: Employee compensation (including stocks and cash) to managers approved by the Board in the most recent year. Net income refers to net income in the parent company only or individual financial statements of the most recent year.

Note 2: The scope of managers is defined in the Official Order No. Tai-Cai-Zheng (3) 0920001301 issued on March 27, 2003 as follows:

- (1) President or personnel with equivalent position
- (2) Vice President or personnel with equivalent position
- (3) Assistant Vice President or personnel with equivalent position
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Personnel with the authority to manage corporate affairs and sign on behalf of the Company

#### 4. Corporate Governance Implementation

##### (1) Operation of the Board

A total of seven Board meetings (A) convened in 2023. The attendance status of Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Chairman	Chia-Jen Chen	7	0	100	None
Director	Shueh-In Chen	6	1	86	
Director	Chuan Kuang Investment Co., Ltd. Representative: Yu-Chieh Chen	7	0	100	
Director	Birkin Technology Co., Ltd. Representative: Chien-Fu Chen	6	1	86	
Independent Directors	Chin-TSEN Chang	6	1	86	
Independent Directors	Hong-Chih Sun	7	0	100	
Independent Directors	Su-Ching Chang	7	0	100	

##### Annotations:

- The Board meeting's date, session, and contents of motions, opinions of all Independent Directors, and actions taken by the Company regarding the opinions shall be specified if one of the following circumstances occurs:

##### (1) Matters specified in Article 14-3 of the Securities and Exchange Act

The Board meeting's date and session	Content of motions	Opinions of all Independent Directors	Actions taken by the Company regarding the Committee's opinions
Jan. 16 2023 (16-6)	Ratification of guarantees for the loan of US\$3 million from PT. Bank CTBC Indonesia by subsidiary, PT. KingDa Marine Technical Indonesia	None	N/A
Mar. 13 2023 (16-7)	Assessment on the independence and competence of CPAs retained by the Company.	None	N/A
	2022 "Assessment on the Effectiveness of Internal Control System" and "Statement of Internal Control System"	None	N/A
Aug. 9 2023 (16-10)	Ratification of guarantees for the loan of US\$2 million from E.SUN Bank by subsidiaries, King Da International Ltd.	None	N/A

The Board meeting's date and session	Content of motions	Opinions of all Independent Directors	Actions taken by the Company regarding the Committee's opinions
Dec. 10 2023 (16-12)	Ratification of guarantees for the loan of US\$7 million from CTBC Bank by subsidiaries, King Da International Ltd., PT. KingDa Marine Technical Indonesia and King Tai Technology Vietnam Co., Ltd.	None	N/A
	Formulation of "Computer Data Process Cycle" under the internal control system.	None	N/A

(2) Except for items specified above, other resolutions on which an Independent Director expresses objection or reservation, either by recorded statement or in writing: None

2. For situations where Directors recuse themselves from any motion due to conflict of interest, the Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None

3. The Companies shall disclose the frequency, period, scope, method and details of self (or peer) assessments on the Board of Directors:

Frequency	Annually
Period	January 1 and December 31, 2023
Scope	Performance assessment on the Board
Method	Internal assessment of the Board
Details	<ol style="list-style-type: none"> <li>1. Level of participation in corporate operations.</li> <li>2. Enhancement on the quality of Board decisions.</li> <li>3. Composition and structure of the Board.</li> <li>4. Election and continuing education of Directors.</li> <li>5. Internal control.</li> </ol>
Result	The Board had a relatively low score in the aspect of "Election and continuing education of Directors" as the Company has yet to have a succession plan. The Company will formulate a succession plan when the need arises.

Frequency	Annually
Period	January 1 and December 31, 2023
Scope	Performance assessment on individual Board members
Method	Self-assessment by Board members
Details	<ol style="list-style-type: none"> <li>1. Command over corporate goals and mission.</li> <li>2. Understanding of Directors' duties.</li> <li>3. Level of participation in corporate operations.</li> <li>4. Internal relationship management and communication.</li> <li>5. Specialty and continuing education of Directors.</li> <li>6. Internal control.</li> </ol>
Result	The Board members had a relatively low score in the aspect of "Specialty and continuing education of Directors", as four Directors did not take any courses. The Company will urge Directors to take up continuing education.

4. Objectives of strengthening the functionality of the Board of Directors in current and the most recent year and evaluation of the execution thereof.

(1) Strengthen the functionality of the Board:

- A. The seats of Independent Director will increase from three to four in 2024.
- B. The Audit Committee and the Compensation Committee were established under the Board of Directors.
- C. The convenors and members of the Audit Committee and the Compensation Committee are Independent Directors of the Company. Information on committee composition and operation is available in the annual report and on the corporate website.
- D. Committee members serve the function of preliminary review and help to enhance the efficiency and quality of discussions. Independent Directors shall fully express their professional opinions during discussion and demonstrate independence and professionalism.

(2) The Company has purchased liability insurance for Directors and key personnel to diversity their legal liability risk and enhance corporate governance.

(3) Improve information transparency: In addition to disclosing relevant information on the MOPS as required by laws, there are investor, stakeholder, corporate governance and sustainable development sections on the corporate website to timely disclose matters concerned by all stakeholders in detail.

(2) Operations of Audit Committee

- A. The Audit Committee was established on June 14, 2022 to replace the Supervisor system. Audit Committee members are Independent Directors of the Company. The Committee shall have a minimum of three members and at least one of them shall have expertise in accounting or finance.
- B. There were six (A) Audit Committee meetings convened in 2023. The attendance status of Independent Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Independent Director and the Convener	Chin-TSEN Chang	5	1	83	None
Independent Director	Hong-Chih Sun	6	0	100	
Independent Director	Su-Ching Chang	6	0	100	

Annotations:

1. When one of the following situations occurs, the date and session of Audit Committee meeting; content of motions; objections, reservations or major recommendations of Independent Directors; resolutions of the Committee and actions taken by the Company regarding the Committee's opinions shall be specified:

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

The date and session of Audit Committee meeting	Content of motions	Objections, reservations or major recommendations of Independent Directors	Resolutions of the Committee	Actions taken by the Company regarding the Committee's opinions
Jan. 16 2023 (1-3)	Ratification of guarantees for the loan of US\$3 million from PT. Bank CTBC Indonesia by subsidiary, PT. KingDa Marine Technical Indonesia	None	Approved by all attending members	N/A
Mar. 13 2023 (1-4)	2022 operation report and financial statements.	None	Approved by all attending members	N/A
	Assessment on the independence and competence of CPAs retained by the Company.	None	Approved by all attending members	N/A
	2022 "Assessment on the Effectiveness of Internal Control System" and "Statement of Internal Control System"	None	Approved by all attending members	N/A
Aug. 9 2023 (1-6)	Ratification of guarantees for the loan of US\$2 million from E.SUN Bank by subsidiaries, King Da International Ltd	None	Approved by all attending members	N/A
Dec. 10 2023 (1-8)	Ratification of guarantees for the loan of US\$7 million from CTBC Bank by subsidiaries, King Da International Ltd., PT. KingDa Marine Technical Indonesia and King Tai Technology Vietnam Co., Ltd.	None	Approved by all attending members	N/A
	Formulation of "Computer Data Process Cycle" under the internal control system.	None	Approved by all attending members	N/A

(2) Except for above-mentioned items, resolutions which were not approved by the Audit Committee but was approved by two-thirds or more of all Directors: None.

2. For situations where Independent Directors recuse themselves from any motion due to conflict of interest, the Independent Directors' names, content of motions, causes for the recusal, and participation in voting shall be specified: None.
3. Communications between the Independent Directors, the internal audit officer, and CPAs (including material issues concerning the finance and business of the Company, and the means and outcomes of communication):

ate	Attendees	Description	Outcome
Post-audit meeting on March 13, 2023	Independent Director Chin-TSEN Chang Independent Director Hong-Chih Sun Independent Director Su-Ching Chang Internal audit officer, Hui-Shu Wang CPA, Chia-Ling Chiang	<ol style="list-style-type: none"> <li>1. Duties and responsibilities of the governance unit</li> <li>2. Results of CPA's audit on the financial statements for the year ended December 31, 2022</li> <li>3. Analysis of financial statements</li> <li>4. Discussion and recommendations</li> <li>5. A summary on the preparation of Group financial statements</li> <li>6. Recently announced, amended or applicable laws and regulations and official orders.</li> <li>7. Pre-approval of non-assurance services</li> </ol>	Adopted improvement measures recommended by CPAs
Communication meeting between CPAs and governance unit on December 10, 2023	Independent Director Chin-TSEN Chang Independent Director Hong-Chih Sun Independent Director Su-Ching Chang Internal audit officer, Hui-Shu Wang CPA, Chia-Ling Chiang	<ol style="list-style-type: none"> <li>1. Quality management system of Deloitte &amp; Touche</li> <li>2. Audit scope and method</li> <li>3. Group audit</li> <li>4. Significant accounting policies, significant accounting estimates and significant events or transactions</li> <li>5. Significant risks</li> <li>6. Key audit items</li> </ol>	Accepted



(3) Implementation of Corporate Governance Practices and Non-compliance with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
1. Does the Company establish and disclose its corporate governance practices pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company’s “Code of Practice for Corporate Governance” is available at the corporate governance section on the corporate website and MOPS.	None
2. Ownership structure and shareholders’ rights		✓	(1) A. The Company’s Finance Department is responsible for handling shareholders’ affairs, managing shareholders’ recommendations and responding to questions raised. We have created the positions of spokesperson and deputy spokesperson as well as an investor mailbox. B. Shareholders’ disputes and litigations are handled by lawyers.	Internal operation procedures will be established when the need arises. ◦
(1) Does the Company have internal operation procedures to handle shareholders’ suggestions, concerns, disputes and litigations and proceed accordingly?		✓	(2) The Company possesses a list of its major shareholders and the ultimate owners of these major shareholders. The majority of major shareholders are insiders, their spouses or relatives within second-degree of kinship and juristic persons.	None
(2) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders?	✓		(3) The Company executes risk control mechanism and firewall management where affiliates are concerned in compliance with relevant policies and procedures, such as the “Rules for Financial and Business Dealings between Affiliates”, “Procedures for Acquisition or Disposal of Assets”, and “Procedures for Lending Funds to Other Parties and Provision of Endorsement and Guarantee.”	None
(3) Does the Company build and execute risk management and firewall mechanism between itself and affiliates?	✓		(4) The Company has established the “Procedures for Prevention of Insider Trading” and “Procedures for Internal Material Information.”	None
(4) Does the Company have internal rules to prevent insiders from using undisclosed information to trade securities?	✓			
3. Composition and duties of the Board of Directors				
(1) Has the Board established a diversification policy and specific management goals and	✓		(1) Please refer to page 10.	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
have them been implemented accordingly?				
(2) Other than Compensation and Audit Committees which are required by laws, does the Company set up other functional Committees voluntarily?		✓	(2) At present, the Company has both the Compensation Committee and the Audit Committee.	Depending on the scale, the Company may establish other functional committees.
(3) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?	✓		(3) The Company has established the “Methods for Evaluating Board of Directors’ Performance” and the assessment method. The outcome of performance evaluations of the Board of Directors, Board members and functional committees would be reported to the Board meeting before the end of the first quarter each year and served as a reference for compensation to individual Directors as well as nomination for reelection.	None
(4) Has the Company periodically evaluated the independence of its CPAs?	✓		(4) The Board and the Audit Committee assess the independence and competence of CPAs annually. Besides demanding CPAs to provide independence declarations and the Audit Quality Indicators (AQIs), assessments are conducted in accordance with the standards in the “CPA Competence and Independence Evaluation Form” on page 27. We also refer to the AQI data and verify that our CPAs’ audit experience, number of training hours, professional support, and audit involvement are comparable to those in the same industry; there has been no deficiency nor disciplinary action as a result of external inspections; and the CPA firm continues to adopt digital auditing tools to improve its audit quality.	None
4. Does the Company have an adequate number of qualified corporate governance personnel and appoint a chief governance officer to handle matters pertaining to corporate governance (including but not limited to provide information	✓		The Finance Department is in charge of corporate governance affairs. Kuo-Jung Lo, the Chief Financial Officer and the spokesperson, was appointed by the Board of Directors to serve concurrently as the chief governance officer on March 13, 2023.	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
required for business execution of directors, assist directors with regulatory compliance, handle matters pertaining to board meetings and shareholders' meetings according to laws and regulations, produce minutes of board meetings and shareholders meetings, etc.)?				
5. Has the Company established a communication channel for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder section at the corporate website to address their concerns on major corporate social responsibility issues?	✓		The Company has established communication channels for its stakeholders and created a stakeholder section on the corporate website. To respect the rights of stakeholders, the Company regularly identifies the types of stakeholders, provides contact information as well as communication channels to understand their reasonable expectations and needs, and addresses their concerns over major corporate social responsibility issues through proper communications.	None
6. Has the Company appointed a professional registrar to organize the shareholders' meetings?	✓		The Company has appointed the Stock Management Service Department of KGI Securities as the professional registrar.	None
7. Information disclosure				
(1) Has the Company established a corporate website to disclose information regarding the Company's finance, business and corporate governance?	✓		(1) The Company has established investor and corporate governance sections on the corporate website to disclose information regarding the Company's finance, business and corporate governance.	None
(2) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokesperson, and webcasting investor conference on the corporate website)?	✓		(2) With regard to information disclosure, in addition to annual report as required by laws, the Company makes public announcements or filing at information disclosure websites designated by the competent authority, on the corporate website as well as by the following measures: A. Designated personnel in charge of information collection and disclosure. B. The spokesperson system.	None
(3) Does the Company publicly announce and file its annual financial report within two months after the end of financial year, and its		✓	(3) The Company publicly announces and files its financial reports of the first three quarters prior to the prescribed deadlines.	Annual financial reports and operational

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
financial reports of the first three quarters as well as operational status of each month prior to the prescribed deadlines?				status of each month would be publicly announced and filed prior to the prescribed deadlines if the circumstances permit.
8. Does the Company have other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to rights and welfare of employees, investor relations, supplier relations, rights of stakeholders, continuing education of directors, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and liability insurance for directors provided by the Company) ?	✓		<p>(1) Rights of employees: The Company adheres to the principle of integrity when dealing with employees and establishes the Employee Welfare Committee pursuant to relevant laws and regulations to care for employees. All employees are covered by labor and health insurances and the Company appropriates pension reserves as required by laws.</p> <p>(2) Welfare of employees: The Company organizes employee health examinations regularly and convenes labor-management meeting every quarter for employees to express their opinions, enhancing the level of employee participation and creating a smooth two-way communication channel. Personnel rules and policies are available on the intranet for employees to access.</p> <p>(3) Investor relations: The Company proactively ensures the integrity of investors' rights. Measures taken are as follows:  A. An "Investor Relations" section is created on the corporate website with a MOPS website link for investors to access relevant information and gain a better understanding of the Company.  B. The Company has established the spokesperson system and provided contact information on the corporate website to maintain a sound relationship with investors.</p> <p>(4) Supplier relations: The Company chooses qualified suppliers</p>	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>to secure product assurance while reducing inventory level in order to satisfy customers' expectations and demand.</p> <p>(5) Rights of stakeholders: The Company has established "Investor Relations" and "Stakeholder" sections on the corporate website with contact information as communication channels for shareholders and stakeholders in order to assist with relevant issues or suggestions. For legal issues, the Company would appoint lawyers to protect the rights of stakeholders.</p> <p>(6) Continuing education of Directors: To enhance Board functions, the Company would notify Directors to take professional courses.</p> <p>(7) Implementation of risk management policies and risk evaluation standards: The Company is fully committed to the operation and development of its core business and does not engage in high-risk or high-leverage investing activities. Except for hedging purposes, we would avoid engaging in derivative trading. Counterparties of financing, endorsement and guarantees activities have all been properly assessed. There is internal control system in place for relevant procedures and the execution statuses are assessed by the internal audit system. All executions have been smooth.</p> <p>(8) Implementation of customer policies: We understand customer demand through customer services in hope to provide quality products and professional competence exceeding customers' expectations. We strive to become long-term partners to customers and achieve win-win solutions together.</p> <p>(9) The Company purchases liability insurance for Directors annually.</p>	

9. Improvements based on the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center in the most recent year and the priority of pending issues:  
The Company ranked in the 36%~50% interval in the 10<sup>th</sup> Corporate Governance Evaluation. Improvement measures for items which the Company failed to score are set out below:

No.	Evaluation Indicator	Improvement Measures
1.3	Did the majority of Directors and the Audit Committee Convener attend the annual shareholders' meeting in person, and did the Company disclose in the minutes the names of those who attended?	The Company has invited the Directors and the Convener of the Audit Committee to attend the 2024 annual shareholders' meeting.
2.25	Did all of the Company's independent Directors complete the number of hours of continuing education required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies"?	The Company urges Directors to take up to 6 hours of continuing education every year.
3.2	Did the Company disclose material information in English and Chinese simultaneously?	The Company discloses material information in English and Chinese simultaneously starting 2024.
4.4	Did the Company, following the Global Reporting Initiative (GRI) Standards, prepare and upload its sustainability report to the MOPS and the corporate website by the end of September?	The Company schedules to complete its sustainability report by the end of August 2025 and upload it to the MOPS and the corporate website.
4.11	Did the Company disclose the annual emissions of greenhouse gases (GHG), water consumption, and total weight of waste for the past two years?	The Company has disclosed its water consumption and total weight of waste for the past two years, and will disclose its 2025 GHG emissions in 2026.
4.12	Did the Company set management policies for the reduction of GHG emissions, water use, or other waste, including reduction targets, promotion measures and achievement status?	The Company schedules to complete the management policies for the reduction of GHG emissions, water use, or other waste in 2027.

**King Chou Marine Technology Co., Ltd.**  
**2023 CPA Competence and Independence Evaluation Form**

Explanation:

1. In accordance with Article 29 of the Company's Code of Practice for Corporate Governance, the Company shall regularly (at least once per year) assess the independence and competence of its CPAs.
2. Audit Committee and Board resolution: The evaluation results shall be reported to the Audit Committee and Board and serve as the reference for the engagement or reengagement of CPAs.
3. CPAs: Chia-Ling Chiang and Hung-Ju Liao of Deloitte & Touche

No.	Evaluation Indicator	Yes	No	Explanation
1	The CPAs have remained unchanged for seven years.		✓	N/A
2	Audit team members, partners of the CPA firm or affiliates or network firms of the CPA firm have breached the independence requirements where the Company is concerned.		✓	N/A
3	The CPAs or audit team members have been a Director, or manager of the Company or assumed a position of the Company which would have significant influence over the audit engagement within the last two years.		✓	N/A
4	The CPAs or audit team members are relatives to the Company's Directors, managers or an employee with significant influence over the audit engagement.		✓	N/A
5	CPAs have significant financial interest in the Company, either directly or indirectly.		✓	N/A
6	CPAs are employees of the Company or its affiliates.		✓	N/A
7	The provision of business consultation or non-audit services would have direct impact on subject matter of the audit engagement.		✓	N/A
8	There is potential employment relationship between the CPAs and the Company.		✓	N/A
9	CPA enters into a contingent fee arrangement relating to the audit engagement with the Company.		✓	N/A
10	CPAs promote or act as a broker of shares or other securities issued by the Company.		✓	N/A
11	CPAs accept gifts or preferential treatment of significant value from the Directors, managers or major shareholders of the Company.		✓	N/A
12	CPAs serve as advocates in litigations or disputes between the Company and other third parties.		✓	N/A
13	Whether the audit quality of CPAs has met the industry standards.	✓		Upon review, the audit quality of our CPAs falls within a reasonable range.
<p>● Upon assessment, we have confirmed the independence and competence of our CPAs and consequently the reliability of financial reports issued.</p>				

Evaluated by: Finance Department

(4) The Composition and Operations of the Compensation Committee:

The Board of Directors resolved to establish the Compensation Committee on December 15, 2011. The Compensation Committee shall exercise due care of a good administrator and duly carry out its responsibilities. It shall regularly review and determine the payroll and compensation of Directors, Supervisors and managers, and submit its recommendations to the Board for discussion.

A. Members of Compensation Committee

April 14, 2024

Title	Name	Condition	Professional Qualifications and Experience	Independence Status			Number of Other Public Companies in Which the Individual is Concurrently Serving as a member of the Compensation Committee
				Whether the Directors, their spouses or their relatives within the second degree of kinship serve as a director, supervisor, or employee of the Company or any of its affiliates	Number and percentage of shares of the Company held by the Director, their spouses or their relatives within the second degree of kinship (or through nominee arrangement)	Whether the individual serves as a director, supervisor, or employee of financial, accounting services rendered to the Company or its affiliates in the past two years (refer to subparagraphs 5-8, paragraph 1, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange")	
Independent Director and the Convener	Chin-TSEN Chang	Please refer to "Directors" on page 6 for details. The Director has industry knowledge and over 30 years of experience in international trade and business management.	1. Except for being an Independent Director of the Company, Chin-TSEN Chang does not assume any position within the Company or any of its affiliates. 2. His spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	Chin-TSEN Chang owns 18,779 shares (0.02%) of the Company. His spouse and relatives within the second degree of kinship owns 0 share of the Company.	-	0	0
Independent Director	Hong-Chih Sun	Please refer to "Directors" on page 6 for details. The Director has over 6 years of experience in auditing, business management and industries of banking and construction.	1. Except for being an Independent Director of the Company, Hong-Chih Sun does not assume any position within the Company or any of its affiliates. 2. His spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	0	-	0	0
Independent Director	Su-Ching Chang	Please refer to "Directors" on page 6 for details. The Director has over 20 years of experience in accounting, tax and business management.	1. Except for being an Independent Director of the Company, Su-Ching Chang does not assume any position within the Company or any of its affiliates. 2. Her spouse or relatives within the second degree of kinship do not assume any position within the Company or any of its affiliates.	0	-	0	0



B. Operations of Compensation Committee

- (a) The Company's Compensation Committee comprises three members who are appointed by the Board of Directors. The majority of its members shall be Independent Directors.
- (b) Tenure of current members: Tenure of the Compensation Committee starts on June 23, 2022 and expires on June 13, 2025. The Compensation Committee held two meetings in 2023. The attendance status is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remark
Independent Director and the Convener	Chin-TSEN Chang	2	0	100	None
Independent Director	Hong-Chih Sun	2	0	100	
Independent Director	Su-Ching Chang	2	0	100	

Annotation:

1. If the Board of Directors declined to adopt or modified a recommendation of the Compensation Committee, the date and session of the Board meeting, contents of motions, resolution and actions taken by the Company regarding the Committee's opinions shall be specified:

In 2023 and as of the date of this annual report, the Board of Directors did not reject nor modify proposals raised by the Compensation Committee.

2. As for the resolutions of the Compensation Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date and session of the committee meeting, contents of motions, all members' opinions and actions taken regarding the opinions shall be specified:

In 2023 and as of the date of this annual report, members of the Compensation Committee did not express objections nor reservations on resolutions of the Committee.

- (c) Major resolutions of Compensation Committee and actions taken:

Date	Session	Major Resolutions	Actions Taken
2023/01/16	5-3	Distribution of 2022 year-end bonus to managers.	Approved by all attending members and reported to the Board
2023/04/06	5-4	Distribution of 2022 employee compensation to managers, Directors and Supervisors.	Approved by all attending members and reported to the Board

(5) Implementation of Sustainable Developments and Non-compliance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
1. Does the Company establish a governance structure for promoting sustainable developments and set up an exclusively (or concurrently) dedicated sustainability unit with senior management being authorized by the Board to handle relevant issues under the supervision of the Board?		✓	The Company promotes corporate governance, social welfare and environmental sustainability on an ongoing basis.	The Company will establish a governance structure for promoting sustainable developments and set up an exclusively (or concurrently) dedicated sustainability unit with senior management being authorized by the Board to handle relevant issues under the supervision of the Board when the need arises.
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note)		✓	The Company conducts risk assessments on internal operations annually.	The Company will conduct risk assessments on environmental, social and corporate governance issues related to the Company’s operations and formulate relevant risk management policies or strategies when the need arises.
3. Environmental issues (1) Does the Company establish environmental management system designed to fit industry characteristics?  (2) Is the Company committed to improving the efficiency of various resources and utilizing renewable materials that have low environmental impact?		✓  ✓	(1) The Company proceeds in accordance with the stationary pollution source operating permits, water pollution control plan, water pollution control permits and waste disposal plan.  (2) A.The Company uses ocean recycled yarns to reduce marine litter. B. The Company purchases colored yarns to eliminate the dyeing process, thereby mitigating the impact on water resource. C. The Company uses gas boilers to reduce air pollutants. D.The Company builds solar power systems in the	When needed, an environmental management system would be established and verified against international standards.  The Company would formulate policies to enhance the utilization efficiency of resources and use materials that have low environmental impact when the need arises.

Assessment Item	Status			Non-compliance and Reasons																				
	Yes	No	Description																					
<p>(3) Does the Company assess the present and future potential risks and opportunities of climate change for the entity, and takes measures to respond to climate-related issues?</p> <p>(4) Does the Company calculate its GHG emissions, water consumption and total waste weight in the past two years, and formulate policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?</p>	✓	✓	<p>Hsinyuan Factory and Pingnan Factory II to indirectly lower thermal power consumption and fulfill our corporate social responsibilities.</p> <p>(3) Extreme temperatures create a challenging environment for our distant-water fishing customers, which indirectly affect the Company’s performance. Thus, we have been committed to increase the proportion of aquaculture nets.</p> <p>(4) The water consumption, total waste weight and intensities thereof of the Hsinyuan Factory and Pingnan Factory II are as follows:</p> <table><tr><th rowspan="2">Item Year</th><th rowspan="2">Water (MT)</th><th rowspan="2">Water Intensity</th><th colspan="2">Waste (MT)</th><th rowspan="2">Waste Intensity</th></tr><tr><th>Hazardous</th><th>Non-hazardous</th></tr><tr><td>2023</td><td>23,670</td><td>0.01</td><td>0</td><td>79.67</td><td>0.00003</td></tr><tr><td>2022</td><td>28,562</td><td>0.01</td><td>0</td><td>77.02</td><td>0.00002</td></tr></table>	Item Year	Water (MT)	Water Intensity	Waste (MT)		Waste Intensity	Hazardous	Non-hazardous	2023	23,670	0.01	0	79.67	0.00003	2022	28,562	0.01	0	77.02	0.00002	<p>None</p> <p>The Company schedules to complete the calculation of GHG emissions by 2027. Management policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste will be formulated when the need arises.</p>
Item Year	Water (MT)	Water Intensity	Waste (MT)				Waste Intensity																	
			Hazardous	Non-hazardous																				
2023	23,670	0.01	0	79.67	0.00003																			
2022	28,562	0.01	0	77.02	0.00002																			
4. Social issues																								
<p>(1) Does the Company formulate appropriate management policies and procedures according to related laws and regulations and the International Bill of Human Rights?</p>		✓	<p>(1) Employee welfares are in compliance with the Labor Standards Act as well as rules of competent authorities. There are also work rules and associated management measures in place. The Company does not employ child labor and complies with the “Act of Gender Equality in Employment” and “Employment Service Act.” All employees are entitled to the same work rights regardless of gender, age, marital status and race.</p>	<p>The Company may incorporate International Human Rights Conventions into management policies and procedures when needed.</p>																				
<p>(2) Does the Company formulate and execute reasonable employee welfare measures (including compensation, leaves and other benefits), and have the operating performance or results properly reflected in employee compensation?</p>	✓		<p>(2) A. Leaves are given in accordance with the Labor Standards Act.</p> <p>B. Year-end bonuses are paid based on the performance of the Company and individual employees annually.</p> <p>C. According to the Articles of Incorporation, when the Company made a pre-tax profit in a fiscal year, it shall set aside compensation to employees at no less than 3% of the balance.</p> <p>D. In accordance with the Company’s “Rules Governing the</p>	<p>None</p>																				

Assessment Item	Status			Non-compliance and Reasons										
	Yes	No	Description											
(3) Does the Company provide a safe and healthy work environment and regular safety and health training?	✓		<p>Transfer of Repurchased Shares to Employees”, employees have the rights to subscribe to the Company’s treasury shares.</p> <p>E. The Company offers employee health examination subsidies in accordance with the Company’s “Health Examination Management Rules.”</p> <p>F. The Company hosts lucky draws in accordance with the Employee Welfare Committee’s “Rules on Year-end Party Lucky Draws.”</p> <p>G. The Employee Welfare Committee provides allowances such as holiday cash bonuses and New Year gift boxes to employees.</p> <p>H. The Company makes pension contributions for employees with seniorities under the old retirement system pursuant to the Labor Standards Act, and to the employees’ individual pension accounts pursuant to the Labor Pension Act, providing a certain degree of security for employees’ retirement.</p> <p>I. According to the Company’s “Rules on Application for Child Care Allowance”, employees are entitled to child care allowances when they have children under 12 years old.</p> <p>J. Gender diversity indicators</p> <table><tr><th>Indicator</th><th>%</th></tr><tr><td>Females/Total employees</td><td>36.76</td></tr><tr><td>Females/Entry-level managers</td><td>26.09</td></tr><tr><td>Females/Mid-level manager</td><td>33.33</td></tr><tr><td>Females/Top-level manager</td><td>0</td></tr></table> <p>(3) A. The Company has established the “Occupational Safety and Health Management Plan” and the “Rules for Occupational Safety and Health” to prevent occupational accidents and safeguard the safety and health of employees.</p>	Indicator	%	Females/Total employees	36.76	Females/Entry-level managers	26.09	Females/Mid-level manager	33.33	Females/Top-level manager	0	None
Indicator	%													
Females/Total employees	36.76													
Females/Entry-level managers	26.09													
Females/Mid-level manager	33.33													
Females/Top-level manager	0													

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>B. Education and training on knowledge required in work are provided.</p> <p>(a) New recruits and employees shall take at least three hours of general safety and health courses. However, employees engaging in production machinery and equipment, windlass and arc welding shall take an additional three hours for each operation. Newly recruited supervisors or employees rotating to different operation shall take an additional six hours of training and education.</p> <p>(b) Pursuant to the Occupational Safety and Health Education and Training Rules, employees engaging in certain operations shall take safety and health education and training and be trained and certified by government-accredited institutions.</p> <p>C. Operators shall carry out daily inspections prior to operation, conduct monthly inspections on machinery and equipment and engage professionals for annual maintenance. As for dangerous machinery and equipment, the Company commissions the Industrial Safety and Health Association (ISHA) of the R.O.C. to perform annual inspection.</p> <p>D. Personal protective equipment is provided to all units.</p> <p>E. ISHA is commissioned to perform environmental monitoring every six months to ensure our employees have a safe and healthy work environment.</p> <p>F. Pursuant to the "Labor Health Protection Rules", employees shall undergo the general physical examinations every three years and special physical examinations based on the environmental monitoring results every year.</p> <p>G. Fire drills are conducted every six months to raise</p>	

Assessment Item	Status				Non-compliance and Reasons																														
	Yes	No	Description																																
(4) Has the Company established effective career development training programs for employees?	✓		<p>employees’ awareness on emergency relief and fire safety.</p> <p>H. (a) In 2023, there were 9 occupational accidents, with 9 people injured, accounting for 5% of the total number of employees.</p> <p>(b)Improvement measures: The Company has purchased more professional personal protective equipment for employees and enhanced their hazard awareness.</p> <p>I. There was no fire accident in 2023.</p> <p>(4) New recruits are to first learn about industry knowledge and corporate culture and take internal and external training courses. Next, they could advance towards specialized fields based on personal aptitudes or preferences.</p> <table><tr><th>Item</th><th>Participant</th><th>No. of Session</th><th>Attendance</th><th>Duration</th></tr><tr><td>Orientation</td><td>New recruits</td><td>13</td><td>20</td><td>60</td></tr><tr><td>Professional Training</td><td>Directors and employees</td><td>29</td><td>47</td><td>315</td></tr><tr><td>Management Competence</td><td>Managers of all levels</td><td>10</td><td>10</td><td>86</td></tr><tr><td>General/Self-development Training</td><td>Employees</td><td>32</td><td>36</td><td>163</td></tr><tr><td colspan="2">Total</td><td>84</td><td>113</td><td>624</td></tr></table>		Item	Participant	No. of Session	Attendance	Duration	Orientation	New recruits	13	20	60	Professional Training	Directors and employees	29	47	315	Management Competence	Managers of all levels	10	10	86	General/Self-development Training	Employees	32	36	163	Total		84	113	624	None
Item	Participant	No. of Session	Attendance	Duration																															
Orientation	New recruits	13	20	60																															
Professional Training	Directors and employees	29	47	315																															
Management Competence	Managers of all levels	10	10	86																															
General/Self-development Training	Employees	32	36	163																															
Total		84	113	624																															
(5) Has the Company complied with related regulations and international standards for issues of customer health and safety, customer privacy, marketing and labeling of products and services, and formulated relevant consumer or customer protection policies and complaint procedures?	✓		(5) The Company mainly engages in B2B transactions. Upon receiving customer complaints, sales personnel would proceed in accordance with the Company’s “Customer Complaints Management Rules.”		The Company will establish policy to protect customers’ rights when the need arises.																														
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and the implementation results?	✓		(6) The Company has yet to establish a supplier management policy.		The Company will establish supplier management policy when the need arises.																														

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
5. Has the Company referred to the internationally accepted report preparation standards or guidelines for its preparation of sustainability or other reports which disclose the Company's non-financial information? Do the aforementioned reports obtain a third-party assurance or verification statement?		✓	The Company has yet to compile a sustainability report.	The Company plans to compile the sustainability report in 2025.
6. If the Company has established its sustainable principles according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please specify any discrepancy between the principles and their implementation: The Company has yet to establish the sustainable development best practice principles.				
7. Other important information to facilitate the promotion of sustainable developments: (1) Environmental Protection: The Company has established the “Water Pollution Control Plan” and “Waste Disposal Plan”, and abide by relevant environmental laws and regulations during the production process. We sort industrial waste and engage waste management professionals or agencies for disposal, and strive to minimize wastewater discharge to achieve waste reduction. Additionally, we improve and maintain existing environmental protection facilities for long-term environmental works. (2) Community participation, contribution to society, social services and public welfare: 1. Donation of NT\$5,000 to the Creation Opera Institute 2. Sponsorship of NT\$6,000 for activities at Kang Lung Temple, Pingtung County 3. Donation of NT\$6,000 to the HsunSheng Traditional Culture and Arts Association, Pingtung County 4. Donation of NT\$8,000 to the 10th Senior Club, Pingtung County 5. Donation of NT\$10,000 to Gang Xi Elementary School, Pingtung County 6. Donation of NT\$10,000 to the ShanLiang Temple, Pingtung County 7. Donation of NT\$10,000 to Huashan Social Welfare Foundation 8. Donation of NT\$12,000 to the Kanghsi Community Development Associations, Pingtung County 9. Sponsorship of NT\$20,000 for the third-term Sunfar Run for Future 10. Donation of NT\$25,000 to Chang Le Elementary School, Pingtung County 11. Donation of NT\$30,000 to the 1919 Food Bank of Chinese Christian Relief Association 12. Donation of NT\$100,000 to the Chiang Wei-shui's Cultural Foundation 13. Scholarships of NT\$200,000 for the Junior and Senior High Divisions of Pingtung Donggang Senior High School, Pingtung County 14. Donation of NT\$200,000 to the Liver Disease Prevention & Treatment Research Foundation (3) Human rights: The Company complies with the “Labor Standards Act”, “Act of Gender Equality in Employment” and “Employment Service Act.” All employees are entitled to the same work rights regardless of gender, age, marital status and race. (4) Safety and health: The Company has established the “Occupational Safety and Health Management Plan” and “Rules for Occupational Safety and Health” to prevent occupational accidents and diseases, creating a safe and healthy work environment.				

Note: Materiality principle refers to environmental, social and corporate governance issues which have material impact on the investors and other stakeholders of the Company.

(6) Climate-related Information

Item	Implementation status		
1. Describe the oversight and governance of the Board and management on climate-related risks and opportunities.	The Company has set up a GHG reduction task force, and reports the status of GHG inventory and verification disclosure at each quarterly Board meeting.		
2. Describe how the identified climate risks and opportunities would affect the business, strategy, and finances of the entity (short, medium, and long-term).	Identifying Climate Risk Impact	Risk and Opportunity	Strategy
	Short-term	Transition risks: Increased operating costs due to increased regulations and policies.	Where the risk of changes in regulatory compliance and green standards is concerned, the Company not only proactively complies with international regulations, but also seeks guidance from professional third parties to enhance our ability in responding to climate-related risks and opportunities.
	Medium-term	Physical risks: Increased severity of extreme weather events, such as typhoons and abnormal temperatures, poses a threat to the Company's revenue.	The Company has formulated an emergency response plan and leverages insurance to mitigate operational losses caused by disaster risks. Additionally, we adopt more efficient production and distribution processes to increase revenue.
	Long-term	Transition risks: Low-carbon and energy policies have yet to be finalized in various countries, and future operations are guided by goals aiming at transitioning to a low-carbon economy.	The Company participates in renewable energy projects and adopts energy-saving measures. Through our collaboration with Formosa Chemicals & Fibre Corporation, we stay committed to the recycling and reuse of nylon nets, aiming to become a green, high-value-added production industry.
3. Describe the financial impact of extreme weather events and transition activities.	In view of the possible effects of abnormal climate on business performance, the Company has taken responsive measures. Initial assessments indicate no significant financial impact so far.		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Risks and opportunities are identified annually, communicated with each responsible unit, confirmed by senior executives, and disclosed in the sustainability report.		



Item	Implementation status
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 scenario analysis is in the pipeline.
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 transition plan is in the pipeline.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company doesn't use 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.	The climate-related targets are in the pipeline.
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).	Not applicable

(7) Performance in Ethical Management and Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>1. Establishment of ethical management policies and schemes</p> <p>(1) Does the Company formulate ethical management policies approved by the Board of Directors and clearly express ethical management policies and actions as well as the Board and senior management’s commitment to implement those policies in the Company’s internal rules and external documents?</p> <p>(2) Does the Company establish assessment mechanism for risk arising from unethical conducts, regularly analyze and assess operating activities with higher risk of unethical conduct within its business, and formulate preventive schemes accordingly, which at least contain preventive measures for conducts set forth in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Does the Company have clear statements regarding relevant procedures, conduct guidelines, disciplinary measures and compliant system in the schemes to prevent unethical conduct, and does the Company implement them accordingly and regularly review those schemes?</p>		<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) A. The Company’s “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct” were approved by the Board on March 20, 2015 and August 9, 2023, respectively. B. Each director signs a declaration upon assuming office, affirming he/she has not violated the ethical principles.</p> <p>(2) The Company has established “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Code of Ethical Conduct for Directors and Managers” and “Procedures for Prevention of Insider Trading” to build a corporate culture of ethical management.</p> <p>(3) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct.”</p>	<p>The Company will set out ethical management policies and actions in the Company’s internal rules and external documents when the need arises.</p> <p>The Company will establish assessment mechanisms for risks arising from unethical conducts when the need arises.</p> <p>The Company will establish disciplinary and compliant systems for non-compliance when the need arises.</p>
<p>2. Implementation of ethical management</p> <p>(1) Does the Company review the counterparty’s history of ethical conduct and include the compliance of business ethics as a clause in the contract?</p>		<p>✓</p>	<p>(1) The Company has yet to established mechanisms for supplier and customer assessment.</p>	<p>The Company will review the counterparty’s history of ethical conduct and include the compliance of business ethics as a clause in the contracts</p>

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(2) Has the Company established an exclusively (or concurrently) dedicated department under the Board to promote ethical conducts and report regularly (at least once every year) its ethics policies and preventive schemes for unethical conducts as well as implementation status to the Board of Directors?		✓	(2) The Company has yet to established an exclusively (or concurrently) dedicated unit under the Board of Directors to promote ethical management.	when the need arises. The Company will establish an exclusively (or concurrently) dedicated unit under the Board to promote ethical management when the need arises.
(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels and thoroughly implement the policies?	✓		(3) A. The Company has established the “Code of Ethical Conduct for Directors and Managers” to regulate the recusal for conflict of interests of Directors and managers. B. Reporting channel Reporting of unethical conducts: <a href="http://www.king-net.com.tw/tw/news-tc/148-whistleblower-info-tc.html">http://www.king-net.com.tw/tw/news-tc/148-whistleblower-info-tc.html</a>	None
(4) Has the Company established effective accounting and internal control systems for the implementation of ethics policies and had the internal audit unit formulating relevant audit plans based on the assessment outcome of risk associated with unethical conducts? Has the Company then performed audits on the compliance with the preventive schemes for unethical conducts accordingly, or entrust the CPAs to conduct the audits?	✓		(4) Legal compliance associated with the implementation of ethical management is regularly examined by the sound systems of internal auditing, accounting and internal control. The Company implements internal control systems annually where the Audit Office would conduct self-assessments and audit the nine major operating cycles. CPAs also carry out audits on the nine major operating cycles as well as computer audits. The Company’s accounting system has remained effective for many years. CPAs are engaged every year to conduct audits and issue independent auditors’ reports. The Company’s “Principles of Business Ethics” clearly state that the internal audit unit shall formulate audit plans based on the assessment outcome of risk associated with unethical conducts and perform audits on compliance with the preventive schemes for unethical conducts accordingly. It may entrust CPAs to conduct the audits or engage professionals when the need arises.	None

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(5) Has the Company regularly held internal and external training sessions on business ethics?		✓	(5) The Company has yet to regularly held training sessions on business ethics.	The Company will regularly hold internal and external training sessions on ethical management when the need arises.
3. Implementation of whistleblowing system				
(1) Has the Company established specific whistleblowing and reward systems, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received?		✓	(1) A. The Company has established the “whistleblowing system.” B. Complaint hotline: (07)535-2939#307 (Audit Office) Complaint email: audit@mail.king-net.com.tw Reporting of unethical conducts: <a href="http://www.king-net.com.tw/tw/news-tc/148-whistleblower-info-tc.html">http://www.king-net.com.tw/tw/news-tc/148-whistleblower-info-tc.html</a>	Reward systems will be established when the need arises.
(2) Has the Company established standard operating procedures for investigating the complaints received, actions to be taken upon the completion of investigation, and mechanisms for confidentiality?	✓		(2) A. Principles of acceptance (a) Scope of complaint i. Acts that violate applicable laws and regulations of the Company, as well as the Company’s policies, systems, or ethical standards. ii. Any act that harms the Company’s rights and interests or poses a threat to them, such as fraud, misappropriation of company assets, or acceptance of improper benefits. iii. Any form of fraudulent behavior by the Company’s management or employees. (b) A whistleblower shall at least provide the following information: i. Valid contact information of the whistleblower, e.g., phone number, correspondence address, fax number or e-mail address. ii. Details of the alleged wrongdoer, e.g., the name, department, and job title. iii. Specific facts, the location of the misconduct, or audio or video recordings that can be used for investigation. B. Investigation procedures and deadlines (a) Upon receiving a whistleblower complaint, the	None

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>receiving unit shall register the complaint and assess whether to accept it based on documents or records and related information provided.</p> <p>Complaints involving general employees shall be reported to their department supervisors. Complaints involving Directors, Independent Directors or managers with rankings equivalent to department supervisors or above shall be reported to the Audit Committee.</p> <p>(b) The receiving unit shall complete the investigation within three months from the day it initiates the investigation. If it deems necessary to extend the investigation period before the expiration date, it may do so, provided that the extension is limited to one month and one time only.</p> <p>C. Mechanism for follow-up actions</p> <p>(a) The Company shall immediately request the reported individual to cease relevant behavior and take necessary preventive or emergency measures</p> <p>(b) Relevant department shall submit written reviews and improvement measures to the designated unit for the latter to track the progress until the improvements are completed.</p> <p>(c) For cases involving material breaches or significant damage to the Company, relevant departments shall separately report to the Audit Committee on follow-up actions and reviews on improvement measures.</p> <p>(d) When necessary, the Company would seek damages through legal proceedings to protect the Company's reputation and interests.</p> <p>D. Confidentiality mechanism</p> <p>The Company's personnel handling the complaint shall keep the identity of the whistleblower and the details of the complaint confidential, and shall not disclose information that can be used to identify the individuals</p>	

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
			involved in the case, including any items that could potentially reveal their identity. However, this does not apply if the whistleblower consents to or voluntarily discloses his/her identity, or if the disclosure is required by law and regulations.	
(3) Has the Company established measures to protect whistleblowers from retaliation?	✓		(3) A. The Company shall not dismiss, terminate the employment of, demote, reduce the salary of, or otherwise disadvantage whistleblowers for the complaint. Whistleblowers shall not suffer any adverse consequences affecting their rights under laws, contracts, or customary practices. However, this does not apply if the Company undergoes reorganization, merger, or downsizing necessary for business or operation, provided that such actions are not specifically targeted at the whistleblower; or in cases where the whistleblower is subject to disciplinary actions pursuant to relevant regulations due to his/her illegal or inappropriate behavior substantiated by the Company. B. There were no complaints in 2023.	None
4. Enhancement on information disclosure Does the Company disclose its principles of business ethics and information about implementation of such guidelines on its website and MOPS?		✓	The Company discloses its Principles of Business Ethics on its corporate website and MOPS.	The Company would promote its Principles of Business Ethics internally when the need arises.
5. If the Company has established ethical conduct policies based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please specify any discrepancy between the policies and their implementation: None.				
6. Other important information to facilitate better understanding of the Company’s ethical conduct practices (e.g., the Company reviews and revises its Principles of Business Ethics, etc.): The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting act and other laws and regulations associated with business activities as the basis for ethical management.				

(8) For companies with guidelines and regulations on corporate governance, access shall be disclosed:  
Corporate governance principles and regulations are available in the “Corporate Governance” section of the corporate websites at <http://www.king-net.com.tw>.

(9) Other important information to facilitate better understanding of the Company’s corporate governance:

A. In addition to timely public announcements at the MOPS website (<https://mops.twse.com.tw/mops/web/index>) as required by the competent authorities, the Company also updates information pertaining to finance, business and corporate governance as well as the implementation status thereof on the corporate website either regularly or on a timely basis depending on the information.

B. The Company proactively passes on information of corporate governance sessions to Directors in order to continually enrich its corporate governance data. Continuing education of Directors in 2023 is as follows:

Title	Name	Onboard Date	Date	Host	Class	Duration	Total Hours
Director	Shueh-In Chen	2022.06.14	2023.03.16	Accounting Research and Development Foundation	Analysis of Legal Liabilities and Cases Related to “Contest for Corporate Control” of Companies	3	6
			2023.09.04	Securities & Futures Institute	The 14th Taipei Corporate Governance Forum	3	
Independent Director	Hung-Chih Sun	2022.06.14	2023.02.07	Taiwan Corporate Governance Association	Enacting Information Security Governance (ISG) Practices: Analyzing Critical Business Issues	3	12
			2023.02.14	Taiwan Corporate Governance Association	New Challenge to Corporate Governance as ESG Knocking	3	
			2023.06.26	Taiwan Corporate Governance Association	Board Meetings: Common Board Meeting Mistakes for Listed Companies	3	
			2023.08.24	Taipei Exchange	Seminar for TPEx and Emerging Stock Board Companies on Insider Shareholding	3	
Independent Director	Su-Ching Chang	2022.06.14	2023.03.31	CPA Associations of the R.O.C.	Directors' Fiduciary Obligations and Liabilities for Misstatement of Financial Statements	3	12
			2023.07.26	CPA Associations of the R.O.C.	Analysis of Money Laundering and Insider Trading Cases	3	
			2023.08.24	Taipei Exchange	Seminar for TPEx and Emerging Stock Board Companies on Insider Shareholding	3	
			2023.10.02	CPA Associations of the R.O.C.	Negligent Behavior of Accountants Liable for Misstatement of Financial Statements	3	

C. For managers to have correct understanding on corporate governance, they are organized by the Company to attend corporate governance courses held by external institutions for a thorough implementation of corporate governance. Their continuing education in 2023 is as follows:

Title	Name	Onboard Date	Date	Host	Class	Duration	Total Hours
Vice President of Strategic Planning Unit	Shueh-In Chen	1981.06.23	2023.03.16	Accounting Research and Development Foundation	Analysis of Legal Liabilities and Cases Related to “Contest for Corporate Control” of Companies	3	6
			2023.09.04	Securities and Futures Institute	The 14th Taipei Corporate Governance Forum	3	
Assistant Vice President of Finance Department	Kuo-Jung Lo	1998.11.16	2023.04.25~26	Securities& Futures Institute	Workshop for (Independent) Directors, Supervisors and Corporate Governance Officers	12	30
			2023.04.27	Securities& Futures Institute	Advanced Seminar for (Independent) Directors, Supervisors and Corporate Governance Officers - Board Performance Evaluation	3	
			2023.05.22	Taipei Exchange	Seminar on Sustainable Development Action Plans for TPEX-listed Companies	3	
			2023.07.13~14	National Cheng Kung University	Continuing Education for Principal Accounting Officers	12	



(10) Internal Control System Execution Status:

A. Statement of Internal Control System

**Statement of Internal Control System**

March 13, 2024

Based on the findings of a self-assessment, King Chou Marine Technology Co., Ltd. (King Chou) states the following with regard to its internal control system for 2023:

1. King Chou's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets); reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and King Chou takes immediate remedial actions in response to any deficiencies identified.
3. King Chou 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 internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. King Chou has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, King Chou believes that, as of December 31, 2023, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. This Statement will be an essential part of King Chou's annual report and prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been approved in the Board of Directors' meeting on March 13, 2024, with 0 of the 7 attending Directors expressing objectives, and the remainder all affirming the content of this Statement.

King Chou Marine Technology Co., Ltd.  
Chairman: Chia-Jen Chen  
President: Chia-Jen Chen

B. Where CPAs are retained to audit the internal control system, please disclose the CPAs' audit report: None.

(11) Any penalties imposed upon the Company or internal personnel by laws, punishment imposed by the Company on internal personnel for violation of the Company's internal control system, major defects and improvement thereof in the most recent year and as of the date of this annual report: None.

(12) Major resolutions of shareholders' meetings and Board meetings in the most recent year and as of the date of this annual report:

A. Major resolutions and execution thereof for 2023 annual shareholders' meeting

Date	Major Resolutions	Execution
2023/06/12	Major resolutions of 2023 annual shareholders' meeting <b>Proposed Resolutions</b> 1. Approved the 2022 operation report and financial statements. 2. Approved the 2022 earnings distribution.	Set July 9, 2023 as the ex-dividend record date. Distribution was completed on July 19, 2023 per the resolution of shareholders' meeting. (Cash dividend of NT\$2.9 per share)

B. Major resolutions and execution thereof for 2023 Board meetings

Date	Session	Major Resolutions	Outcome
2023/01/16	16-6	2022 year-end bonus to managers.	Approved unanimously by all attending Directors.
		Ratification of guarantees for the loan of US\$3 million from PT Bank CTBC Indonesia by subsidiary, PT. KingDa Marine Technical Indonesia	Approved unanimously by all attending Directors.
2023/03/13	16-7	1. 2022 operation report and financial statements.	Approved unanimously by all attending Directors and submitted to the 2023 annual shareholders' meeting for acceptance.
		2. 2022 operation report and financial statements.	Approved unanimously by all attending Directors and submitted to the 2023 annual shareholders' meeting for acceptance.
		3. 2022 compensation to employees and remuneration to Directors and Supervisors.	Approved unanimously by all attending Directors and submitted to the 2023 annual shareholders' meeting for reporting.
		4. Determine the date, venue and proposals for the 2023 annual shareholders' meeting.	Approved unanimously by all attending Directors and proceed accordingly.
		5. Assessment on the independence and competence of CPAs retained by the Company.	Approved unanimously by all attending Directors.
		6. Appointment of Kuo-Jung Lo, the Assistant Vice President of Finance Department, to serve concurrently as the chief governance officer.	Approved unanimously by all attending Directors.

Date	Session	Major Resolutions	Outcome
		7. Amendments to the Rules of Corporate Governance Best Practice Principles	Approved unanimously by all attending Directors.
		8. Amendments to the Rules of Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises	Approved unanimously by all attending Directors.
		9. Amendments to the “Standard Procedures for Managing Director Requests”	Approved unanimously by all attending Directors.
		10. 2022 “Assessment on the Effectiveness of Internal Control System” and “Statement of Internal Control System”	Approved unanimously by all attending Directors.
2023/04/06	16-8	Distribution of 2022 employee compensation to managers and remuneration to Directors and Supervisors.	Approved unanimously by all attending Directors.
2023/05/10	16-9	Consolidated financial statements for the three months ended March 31, 2023	Approved unanimously by all attending Directors.
2023/08/09	16-10	Consolidated financial statements for the six months ended June 30, 2023	Approved unanimously by all attending Directors.
		Ratification of guarantees for the loan of US\$2 million from E.SUN Bank by subsidiaries, King Da International Ltd.	Approved unanimously by all attending Directors.
2023/11/10	16-12	1. Consolidated financial statements for the nine months ended September 30, 2023.	Approved unanimously by all attending Directors.
		2. Ratification of guarantees for the loan of US\$7 million from CTBC Bank by subsidiaries, King Da International Ltd., PT. KingDa Marine Technical Indonesia and King Tai Technology Vietnam Co., Ltd.	Approved unanimously by all attending Directors.
		3. Amendments to the “Methods for Evaluating Board of Directors’ Performance”	Approved unanimously by all attending Directors.
		4. Formulation of “Computer Data Process Cycle” under the internal control system.	Approved unanimously by all attending Directors.
		5. The 2024 internal audit plan.	Approved unanimously by all attending Directors.

(13) Different opinions expressed by Directors regarding major resolutions, either by recorded statement or in writing, in the most recent year and as of the date of this annual report: None.

(14) Resignation or discharge of Chairman, President and Officers of Accounting, Finance, Internal Audit and Research and Development in the most recent year and as of the date of this annual report: None.

#### 5. Audit Fees for CPA

(In Thousands of New Taiwan Dollars)

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Note
Deloitte & Touche	Chia-Ling Chiang Hung-Ju Liao	January 1 to December 31, 2023	4,655	Transfer pricing of NT\$330 thousand	4,985	None

- (1) Non-audit fees paid to CPAs, CPA's accounting firms and their affiliates exceeding 25% of the audit fees: None.
- (2) Change of accounting firms with audit fee paid in the year of change being less than the previous year: Not applicable.
- (3) Over 10% decrease in audit fee on a year-to-year basis: None.

6. Information on Replacement of CPAs:

(1) Information regarding the former CPAs

Date of replacement	April 1 2024		
Reason for replacement and explanation	To maintain the independence of accountants, accounting firms conduct internal rotation.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	N/A	N/A
	No longer accepted (discontinued) the engagement	N/A	N/A
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	✓	
	Specify details : None		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

(2) Information Regarding the Successor CPAs

Name of accounting firm	Deloitte
Names of CPAs	Tzu-Yuan, CHANG 、 Chiu-Yen, WU
Date of engagement	March 13 2024
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None

7. Any of the Company's Chairman, President, or Managers in Charge of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in the Most Recent Year: None.
8. Changes in Shareholding and Shares Pledged by Directors, Managers and Shareholders with 10% Shareholdings or More in the Most Recent Year and as of the Date of this Annual Report:

Title	Name	2023		January 1 to April 14, 2024	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman/ President	Chia-Jen Chen	0	0	0	0
Director / Vice President	Shueh-In Chen	0	0	0	0
Director	Birkin Technology Co., Ltd.	0	0	0	0
	Representative: Chien-Fu Chen	0	0	0	0
Director	Chuan Kuang Investment Co., Ltd.	0	0	0	0
	Representative: Yu-Chieh Chen	4,000	0	5,000	0
Independent Director	Chin-TSEN Chang	0	0	0	0
Independent Director	Hong-Chih Sun	0	0	0	0
Independent Director	Su-Ching Chang	0	0	0	0
CEO of Sales	Shang-I Tsai	0	0	0	0
Executive Vice President	Ming-Huang Tsai	0	0	0	0
Vice President	Chung-Hsiao Chen	0	0	0	0
Principal Finance Officer/Principal Accounting Officer/Assistant Vice President	Kuo-Jung Lo	0	0	0	0
Assistant Vice President	Mei-Li Chen	0	0	0	0

9. Top 10 Shareholders Who are Related Parties, Spouses, or within Second-Degree of Kinship to Each Other

As of April 14, 2024

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Shih Yun Investment Co., Ltd. Representative: Shueh-In Chen	6,398,618	7.62%	0	0%	0	0%	Chia-Jen Chen	Relatives within the second degree of kinship	-
							Chiung-Yu TSENG	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Chia-Hui Kuo	Relatives within the second degree of kinship	
							Chuan Kuang Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Chuan Kuang Investment Co., Ltd. Representative: Chia-Hui Kuo	4,351,261	5.18%	0	0%	0	0%	Chia-Jen Chen	Relatives within the second degree of kinship	-
							Chiung-Yu TSENG	Relatives within the second degree of kinship	
							Shueh-In Chen	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Shih Yun Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Chiung-Yu TSENG	3,469,807	4.13%	2,150,574	2.56%	0	0%	Chia-Jen Chen	Spouse	-
							Chien-Fu Chen	Relatives within the first degree of kinship	
							Shueh-In Chen	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Chia-Hui Kuo	Relatives within the second degree of kinship	
							Chien Yeh Investment Co., Ltd.	Relatives within the first degree of kinship to the representative	
							Birkin Technology Co., Ltd.	Relatives within the first degree of kinship to the representative	
							Shih Yun Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
							Chuan Kuang Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Birkin Technology Co., Ltd. Representative: Chien-Fu Chen	3,079,006	3.67%	0	0%	0	0%	Chia-Jen Chen	Relatives within the first degree of kinship	-
							Chiung-Yu TSENG	Relatives within the first degree of kinship	
							Chien Yeh Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Mei-Li Chen	2,196,344	2.62%	0	0%	0	0%	Chia-Jen Chen	Relatives within the second degree of kinship	-
							Chiung-Yu TSENG	Relatives within the second degree of kinship	
							Shueh-In Chen	Relatives within the second degree of kinship	
							Chia-Hui Kuo	Relatives within the second degree of kinship	
							Shih Yun Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
							Chuan Kuang Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Chia-Jen Chen	2,150,574	2.56%	3,469,807	4.13%	0	0%	Chiung-Yu TSENG	Spouse	-
							Chien-Fu Chen	Relatives within the first degree of kinship	
							Shueh-In Chen	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Chia-Hui Kuo	Relatives within the second degree of kinship	
							Chien Yeh Investment Co., Ltd.	Relatives within the first degree of kinship to the representative	
							Birkin Technology Co., Ltd.	Relatives within the first degree of kinship to the representative	
							Shih Yun Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
							Chuan Kuang Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Chia-Hui Kuo	1,643,249	1.96%	28,282	0.03%	0	0%	Chuan Kuang Investment Co., Ltd.	A representative	-
							Chia-Jen Chen	Relatives within the second degree of kinship	
							Chiung-Yu TSENG	Relatives within the second degree of kinship	
							Shueh-In Chen	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Shih Yun Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Chien-Fu Chen	1,600,913	1.91%	720	0%	0	0%	Birkin Technology Co., Ltd.	A representative	-
							Chia-Jen Chen	Relatives within the first degree of kinship	
							Chiung-Yu TSENG	Relatives within the first degree of kinship	
							Chien Yeh Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Shueh-In Chen	1,587,662	1.89%	28,635	0.03%	0	0%	Shih Yun Investment Co., Ltd.	A representative	-
							Chia-Jen Chen	Relatives within the second degree of kinship	
							Chiung-Yu TSENG	Relatives within the second degree of kinship	
							Mei-Li Chen	Relatives within the second degree of kinship	
							Chia-Hui Kuo	Relatives within the second degree of kinship	
							Chuan Kuang Investment Co., Ltd.	Relatives within the second degree of kinship to the representative	
Chien Yeh Investment Co., Ltd. Representative: I-Chen Chen	1,545,018	1.84%	0	0%	0	0%	Chia-Jen Chen	Relatives within the first degree of kinship	-
							Chiung-Yu TSENG	Relatives within the first degree of kinship	
							Chien-Fu Chen	Relatives within the second degree of kinship	
							Birkin Technology Co., Ltd.	Relatives within the second degree of kinship to the representative	

Note: The table contains data as of the last share transfer suspension prior to the date of this annual report.



10. Number of Shares Held and Shareholding Percentage of the Company, the Company's Directors, Managers and Directly or Indirectly Controlled Entities on the Same Investee

Investee	Investment by the Company		Investment by Directors, Managers and Directly or Indirectly Controlled Entities		Total	
	Shares	%	Shares	%	Shares	%
Trans-Ocean Fishing Supplies Co., Ltd.	9,400	94	500	5	9,900	99
Oceanmark Int'l Corporation	98	98	2	2	100	100
King Chou Investment & Development Limited	6,775,619	100	0	0	6,775,619	100
King Chou Fish Net Mfg. Co., Ltd.	0	0	0	100	0	100
Quanzhou King Chou Marine Technology Ltd.	0	0	0	100	0	100
King Da Int'l Ltd.	4,807,000	50.6	0	0	4,807,000	50.6
PT. KingDa Marine Technical Indonesia	0	0	0	50.6	0	50.6
King Tai Technology Ltd.	678,000	11.3	1,750,760	29.18	2,428,760	40.48
King Tai Technology Vietnam Co., Ltd.	0	0	0	40.48	0	40.48
King Chou (Vietnam) Marine Technology Co., Ltd.	0	100	0	0	0	100
King Chou Int'l Co., Ltd.	4,600,000	100	0	0	4,600,000	100
Jin Dar Vietnam International Co., Ltd.	0	0	0	100	0	100

Note: Investments accounted for using the equity method of the Company.

## IV. Capital Overview

### 1. Capital and Shares

#### (1) Source of Capital:

##### A. History

Year/ Month	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source	Capital Increase by Assets Other than Cash	Official Approval
2017.08	10	100,000,000	1,000,000,000	83,971,399	839,713,990	Capitalization of earnings of NT\$16,366,350	None	No. Jin-Guan- Zheng- Fa- 1060022478 No. Jing-Shou- Shang- 10601117280

##### B. Type of capital

Type	Authorized Capital			Remark
	Outstanding	Unissued Shares	Total	
Common Shares	83,971,399 shares	16,028,601 shares	100,000,000 shares	TPEX-listed shares

##### C. Shelf Registration: Not applicable.

#### (2) Shareholder Composition

As of April 14, 2024

Type Quantities	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	3	0	62	9,474	43	9,582
Shares	20	0	20,088,407	61,434,050	2,448,922	83,971,399
%	0	0	23.92	73.16	2.92	100

#### (3) Shareholding Distribution

##### A. Shareholding distribution of common shares:

As of April 14, 2024

Shareholding	Number of Shareholders	Number of Shares	%
1 ~ 999	3,310	455,917	0.54
1,000 ~ 5,000	4,633	9,439,412	11.24
5,001 ~ 10,000	814	6,115,284	7.28
10,001 ~ 15,000	274	3,391,469	4.04
15,001 ~ 20,000	153	2,763,060	3.29
20,001 ~ 30,000	151	3,802,742	4.53
30,001 ~ 40,000	66	2,299,313	2.74
40,001 ~ 50,000	38	1,721,714	2.05
50,001 ~ 100,000	61	4,088,054	4.87
100,001 ~ 200,000	41	5,701,142	6.79

Shareholding	Number of Shareholders	Number of Shares	%
200,001 ~ 400,000	15	4,529,326	5.39
400,001 ~ 600,000	8	4,150,729	4.94
600,001 ~ 800,000	4	2,618,349	3.12
800,001 ~ 1,000,000	1	859,702	1.02
Over 1,000,001	13	32,035,186	13
Holding less than one thousandth	13	32,035,186	13
Total	8,468	83,971,399	9,490

B. Preference share: None.

- (4) Major Shareholders: Name, number of shares and shareholding percentage of shareholders with holdings equal to or exceed 5% or the top 10 shareholders:

As of April 14, 2024

Shareholding	Shares	%
Major Shareholders		
Shih Yun Investment Co., Ltd.	6,398,618	7.62
Chuan Kuang Investment Co., Ltd.	4,351,261	5.18
Chiung-Yu TSENG	3,469,807	4.13
Birkin Technology Co., Ltd.	3,079,006	3.67
Mei-Li Chen	2,196,344	2.62
Chia-Jen Chen	2,150,574	2.56
Chia-Hui Kuo	1,643,249	1.96
Chien-Fu Chen	1,600,913	1.91
Shueh-In Chen	1,587,662	1.89
Chien Yeh Investment Co., Ltd.	1,545,018	1.84

- (5) Market Price, Net Worth, Earnings and Dividends Per Share and Relevant Information in the Past Two Years

In NT\$

Year			2022	2023	01/01/2024 to 03/31/2024
Item					
Market Price per Share	Highest		40.60	44.20	39.95
	Lowest		32.00	36.60	38.30
	Average (Note 1)		35.70	40.49	39.15
Net Worth per Share	Before Distribution		32.66	32.96	34.12
	After Distribution (Note 2)		32.66	To be distributed	To be distributed
Earnings per Share	Weighted Average No. of Shares (in thousands of shares)	Before retrospective adjustment	83,971	83,971	83,971
		After retrospective adjustment (Note 2)	83,971	To be distributed	To be distributed
	Earnings per Share	Before retrospective adjustment	4.80	3.69	0.44
		After retrospective adjustment (Note 2)	4.80	To be distributed	To be distributed
Dividends per Share (Note 1)	Cash Dividends		2.9	To be distributed	To be distributed

Item \ Year			2022	2023	01/01/2024 to 03/31/2024
	Stock Dividends	Earnings	0	To be distributed	To be distributed
		Capital Surplus	0	To be distributed	To be distributed
	Accumulated Undistributed Dividends		0	To be distributed	To be distributed
Analysis on Investment Return	Price/Earnings Ratio (Note 3)		7.44	10.97	88.98
	Price/Dividend Ratio (Note 4)		12.31	-	-
	Cash Dividend Yield (Note 5)		8.12	-	-

Note 1: Average market price of common shares for the year= Transaction value for the year / Transaction volume for the year

Note 2: The numbers are based on the number of shares outstanding at the end of year and the distribution plan approved in the Board meeting or the shareholders' meeting in the year after.

Note 3: Price/Earnings Ratio = Average Closing Price per Share for the Year / Earnings per Share

Note 4: Price/Dividend Ratio = Average Closing Price per Share for the Year / Cash Dividends per Share

Note 5: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price per Share for the Year

#### (6) Dividend Policy and Its Execution Status

##### A. Dividend policy in the Articles of Incorporation:

Dividends of the Company will be distributed in a combination of stocks or cash. The dividend distribution ratio shall take into account foreign and domestic business competitions, the Company's present and future funding needs for operation, financial structures and the level of earnings and is expected to be no less than 30% of the net income after deducting the amount appropriated for reserves.

As the Company's business environment is in the growth stage, dividends will be paid in the form of stock or cash in the future. In principle, cash dividend would not be less than 10% of the total dividends unless it is less than NT\$0.3 per share, in which cash, the Company may switch to stock dividends.

##### B. Dividend distribution plan proposed in the shareholders' meeting is as follows:

(a) Cash dividend: NT\$2 per share.

(b) Stock dividend: NT\$0 per share.

##### C. Explanation on expected significant changes in dividend policy: None.

#### (7) Impact of Stock Dividends on Operation Performance and Earnings per Share: Not applicable.

#### (8) Compensation to Employees and Directors

##### A. Percentage or range of compensation to employees and remuneration to Directors in the Articles of Incorporation

For profit before income tax of the year, if any, the Company shall set aside compensation to employees at no less than three percent of such profit (i.e., the profit before income tax and compensation to employees, Directors) and compensation to Directors at no higher than three percent of the balance. However, if the Company has an accumulated deficit (including the adjustments to undistributed earnings), the profit shall cover the deficit before it can be used for compensation by the aforementioned percentages.

Compensation to employees in the preceding paragraph may be distributed in the form of stock or cash. Parties eligible to the compensation shall include employees in affiliated companies who met certain conditions. Compensation to Directors in the preceding paragraph can only be distributed in cash. Compensations referred to in the two preceding

paragraphs shall be approved by the Board and reported in the shareholders' meeting.

- B. Accrual basis of compensation to employees and remuneration to Directors, calculation basis for number of shares distributed as employee compensation and accounting treatments for difference between the accrued and actual payment amount:

Significant changes in the distribution amount resolved in the Board meeting after the year of appropriation (i.e., the year where compensation to employees and remuneration to Directors was recognized) are recognized as expenses in the year of appropriation. As for changes in the distribution amount resolved in the shareholders' meeting, they are accounted for as changes in accounting estimates and recognized in the year of the resolution.

- C. Compensation approved by the Board:

- (a) For compensation to employees and remuneration to Directors in the form of cash or stock, if the amount distributed differs from the amount accrued in the year when expense was recognized, the differences, reasons and actions taken shall be disclosed.

Compensation to employees: NT\$15,500,000

Remuneration to Directors: NT\$12,754,000

- (b) Amount of stock distributed as employee compensation and as a percentage to net income of parent company only or individual financial statements and aggregate compensation to employees: This is not applicable as the Company proposes to distribute compensation to employees in the form of cash.

- D. Actual payment of compensation to employees and remuneration to Directors in 2023 (including the number of shares, dollar amount and share price). If amount paid differs from the amount recognized, the differences, reasons and actions taken shall be disclosed:

In Thousands of New Taiwan Dollars

Item	Amount Recognized in the Financial Statement	Actual Payment	Difference	Status
Compensation to Employees	15,500,000	15,500,000	0	Fully distributed
Remuneration to Directors	12,754,000	12,754,000	0	Fully distributed

- (9) A. Buyback of Common Shares (Transactions Completed)

Batch number	Eighth
Purpose	Shares transferred to employees
Period	2015/12/16~2016/01/26
Price range	NT\$21.84~57.18
Type and number of shares	503,000 common shares
Amount	NT\$16,588,729
Number of shares repurchased to number of shares to be repurchased	25.12%
Number of shares cancelled and transferred	503,000 shares
Cumulative number of company shares held	0 shares
Cumulative number of company shares held to total number of shares issued	0.00%

B. Buyback of Common Shares (Ongoing transactions): None.

2. Corporate Bonds: None.
3. Preferred Shares: None.
4. Global Depositary Shares: None.
5. Employee Stock Options: None.
6. Employee Restricted Stock: None.
7. New Shares Issued in Connection with Mergers, Acquisitions or Acquisition of Shares of Other Companies: None.
8. Execution of Financing Plans: None.

## V. Operational Highlights

### 1. Business:

#### (1) Business Scope:

##### A. Main businesses of the Company are as follows:

- (a) Manufacturing, processing and domestic/export sales of a variety of fishing gears, nets, twines and ropes.
- (b) Manufacturing, trading and import/export of relevant raw materials, materials, finished products and semi-finished products.
- (c) Manufacturing, trading and import/export of machinery and equipment for fishing net factories.
- (d) Trading and import/export of fish products.
- (e) Trading and import/export of fish meal, red beans and soya beans.
- (f) Operation of small-sized carrying vessels.
- (g) Operation and reinvestment of afore-mentioned businesses.

##### B. Main products and their weightings:

(In Thousands of New Taiwan Dollars)

Major Products	2023		2022	
	Revenue	Weighting	Revenue	Weighting
Nets	2,202,227	75	2,588,220	79.22
Twines	234,728	8	230,849	7.07
Ropes	101,116	3.43	101,759	3.11
Trading of raw yarns	198,120	6.75	138,746	4.25
Others	200,180	6.82	207,386	6.35
Total	2,936,371	100.00	3,266,960	100.00

##### C. Main products and services of the Company

- (a) Nets
  - i. Fishing nets
  - ii. Aquaculture nets
  - iii. Camouflage nets for military use
  - iv. Safety nets for construction works
  - v. Nets for baseball batting cage, golf driving range, tennis, volleyball, football, etc.
  - vi. Agricultural nets for cultivation purposes
- (b) Twines
- (c) Ropes
- (d) Trading of raw yarns
- (e) Others: metal parts, fishing net machinery and equipment, ropes, processing, etc.

#### D. Development of New Products and Services

- (a) The development of new types of nylon nets (twines) with enhanced tensile strength and wear resistance for fishing nets to extend the useful life of purse seine nets.
- (b) The use of high tenacity chemical fibres to create cage nets that are more durable in harsh environment and prevent algae growth on the fishing nets.

### (2) Industry Overview

#### A. Industry Status and Development

Ocean covers more than three quarters of the surface of our planet. The history of fisheries sector is the evolution of fishing vessels and fishing nets. Fishers sail out with the hope of a harvest and the quality of fishing nets is crucial to whether the fishing gears can be operated smoothly. Over the past few decades, the global production of capture fisheries continues to fall while the production from aquaculture rises rapidly as overfishing has worsened the depletion of marine resources worldwide. As the world's population grows, coupled especially with the recent economic recoveries in China and Southeast Asia, people start to pay attention to meal quality. Above all, the demand for fish protein gradually increases and oceans serve as the world's largest protein source. Nevertheless, the global production of capture fisheries has nearly reached its limits. Moreover, under restrictions imposed by international fishing quotas, countries with fishing rights are now adopting catch control approaches or even quota controls. Trawling has been banned in many marine protected areas and bans are imposed during the breeding season in certain areas to ensure the recovery and sustainability of global marine resources. Fish catches has slowly decreased for both inshore and distant-water fishing, as can be seen from the changing dynamics of fishing gears and cage farming.

King Chou was founded in 1978, specializing in the manufacturing, assembling and design of professional nets. Our technology, machinery and equipment as well as raw materials are on the same level as advanced countries in the western world and Japan. At our early stage, we acquired technologies from Japanese manufacturers. Later, we cooperated with Casamar, an U.S. company, in 1990 and introduced large purse seine technology to Taiwan. Instead of cost-oriented pricing strategy, we target markets of high-quality and customized products. Traceability is crucial for raw materials; thus, we source from domestic leading companies such as Formosa Chemicals & Fibre Corporation and Far Eastern New Century Corporation. By differentiating our market from peers targeting low-price fishing nets in the Southeast Asia, we lay a solid foundation for expansion into the global market.

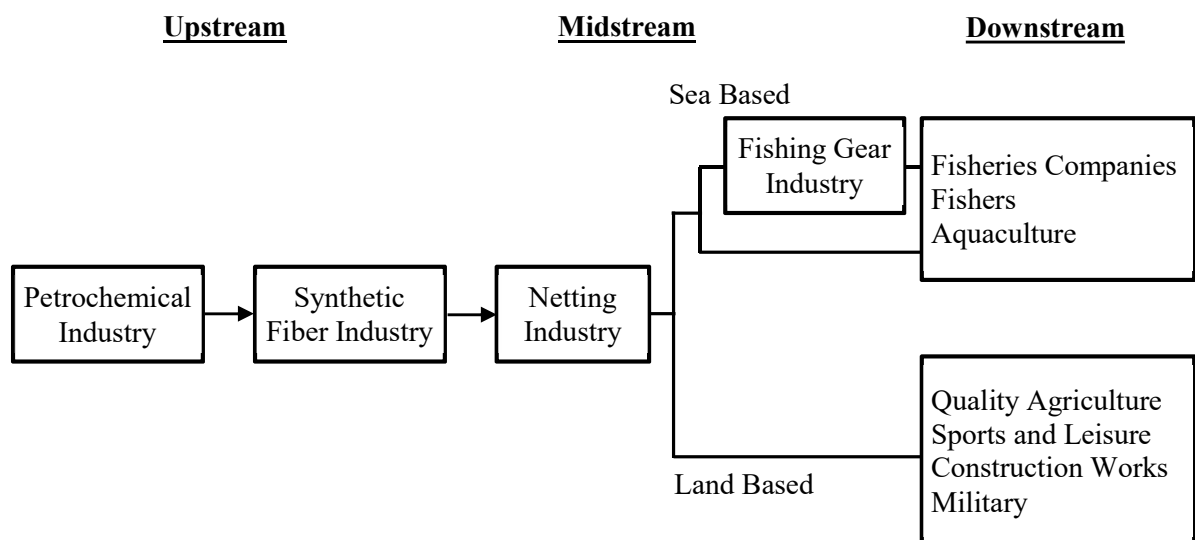
During over 40 years of solid business performance, King Chou has never engaged in price wars. We acquire Japanese technologies and collaborate with U.S. corporations in developing a variety of products. Our product applications gradually widen to cover ropes serving different purposes inland, including safety nets for construction works, sports nets for golf and baseball, agricultural nets for cultivation, cargo nets for trucks and camouflage nets for the military. Quality has been the priority for marine nets with high unit prices (e.g., purse seine nets and cage nets). Technicians from Europe and the U.S. would conduct inspections on sites and exchange ideas. King Chou is the first fishing gear manufacturer to receive the ISO9002 certification as well as the first fishing net manufacturer to receive the aquaculture standard NS-9415 certification in Taiwan. We are also one of the few companies possessing the capabilities of customized production, design and research and development.



With regard to our global expansion, as net manufacturing industry requires a huge amount of labor during the netting and assembling stages, we set up factories at Kunshan, China, at Binh Duong, Vietnam and at Semarang, Indonesia with considerations to labor costs and sales markets. We have always embraced the philosophy of quality first and integrity management, providing customers with excellent services.

#### B. Supply Chain:

Raw materials of the netting industry are primarily industrial grade nylon, polyester as well as monofilament and multifilament fibres from the petrochemical industry and synthetic fibre industry. Renowned suppliers in Taiwan include Formosa Chemicals & Fibre Corporation and Far Eastern New Century Corporation. Our industry employs vertical manufacturing. Once we acquire raw materials, operations ranging from twisting and braiding, netting, dyeing, heat treatment to finished goods are vertically integrated within our factories. Our products have extensive applications, which can be divided into two main categories: nets for offshore fishing and aquaculture, and nets for inland agricultural cultivation, construction works, sports and leisure, and military use. The entire supply chain is demonstrated in the figure below:



#### C. Product Development Trends and Competitions

##### (a) Robust developments in mariculture drive the demand for cage nets

In recent years, overfishing has resulted in declining annual catches. In addition, the rising conservation awareness worldwide brings countries with fishing rights to impose controls on catches. However, fish remains an essential source of animal protein for mankind and consequently, cage aquaculture has emerged. Furthermore, the economic growth in China and Southeast Asia boosts national income, thereby raising demand for pricey seafood. With the growing trend of staying pure, mariculture, which uses natural seawater, has become a favorite in the aquaculture industry. As the quality of fishes from mariculture nearly match the wild catches, mariculture production is likely to narrow the gap of decreasing catches caused by overfishing. Mariculture is thriving in Japan, Norway, Chili, the U.S., Canada, the U.K., France, Spain, Greece, Australia and Taiwan. The wide range of fishes in the seafood markets has been sourced from offshore cage culture in recent years.

Regarding business opportunities stemming from cage aquaculture, King Chou has engaged in the manufacture of cage nets long before 2000 and maintained a good relationship with fish farmers, developing better cage nets for aquaculture to create a win-win situation. Moreover, enhancing cage aquaculture engineering and

developing automation systems are also integral parts to the process. We have successfully developed submersible cage nets. However, we would need to work on the overall planning and technology developments of cage net systems to satisfy the requirements of different aquatic farms. Besides safety, ease of operation and the costs of facilities shall both be taken into consideration to truly improve production efficiency and lower the costs.

Overfishing forces governments around the world to resort to alternative measures in order to supplement the shortage in catches. After years of hard work, offshore cage culture has finally caught the international markets' attention. Although purse seine net continues to be our primary product which generates considerable profits over the years, our management has noticed the annual decline in global catches after the production volume reached its peak earlier on. Having the foresight, King Chou starts to engage in cage aquaculture technology beforehand, targeting aquaculture farmers particularly in the Nordic countries. The work has achieved impressive results.

Facilitated by geographical advantages, advanced reproduction and aquaculture techniques, and booming peripheral industries, Taiwan has first established its cage mariculture industry with cobia being the primary species, joining efforts from the industry, government, academia and institution sectors.

(b) Strengthen after-sale services and maintain good customer relations

Net manufactures may maintain good customer relations if customers only need to be concerned with ordering and deployment while the manufacturers take charge of the rest of the processes and outcomes including the extension of production lines, expansion of processing scope, assembling of a variety of netting products as well as the strengthening of net installation and repair or even the recycling of old products.

In general, the sailing time of fishing companies is between one to three years and nets may be disposed or repaired depending on their usability afterwards. Customers of King Chou are entitled to after-sale repair services which cover the repair of nets, metal parts, iron chains and floats. Our customers are usually long-term buyers and the stable customer base generates continuous income for the Company.

(3) Technology and Research and Development

A. R&D expenses amounted to NT\$2,296 thousand and NT\$575 thousand in 2023 and for the three months ended March 31, 2024, respectively.

B. Technology or Product Developed

- (a) Used monofilament nylon fibres to improve the usability of fishing nets, providing diversity and high added-value.
- (b) Refined the accuracy of mesh sizes, flexibility of nets, tensile strength of twines and tightness of knots.
- (c) Invested in raw material production and improved existing processes to streamline production, reduce delivery time and lower production costs. Examples included researches on one-shot molding resin and netting of small nets by batches. In-house researches on assembling facilities were also conducted to enhance production efficiency and cut down fixed costs.

- (d) Improved existing machinery through the recycling and reuse of thermal energy, thereby reducing fuel consumption, lowering production costs and protecting the environment.
- (4) Long and Short-term Business Development Plans:
- A. Short-term Development Plans:
- (a) Marketing strategy
    - i. Push the sales of assembled net and increase the added value of products to generate higher profits.
    - ii. Coastal areas are considered our potential markets. Develop new customers to increase revenue.
  - (b) Production strategy
    - i. Implement quality assurance system to better stabilize product quality in order to satisfy customer needs.
    - ii. Acquire new machines and offer new products to satisfy market demand.
    - iii. Expand the degree of vertical integration to stabilize the supply of products and reduce production costs as well as delivery period.
  - (c) Product development strategy
 

Besides developing new products and techniques for the design and assembling of cage nets, we improve processes and carry out studies for our products to achieve the goals of high quality and low cost. From upstream raw materials to midstream manufacturing and product assembly at the end including after-sales services, King Chou adopts vertical integration with costs in mind to shorten the production period in hope to make on-time deliveries.
  - (d) Financial strategy and business planning
    - i. Financial strategy: With a sound financial structure, short-term financing needs are met with profits generated from daily operations. The finance department manages shortages, if any, with unused lines of credit or low-interest preferential loans from financial institutions.
    - ii. Business planning: We expand our scale through fundamental technologies developed over the years, along with production process enhancements, equipment improvement and production procedures established via ISO with a focus on the research and development of new markets and products. King Chou is the first fishing net manufacturer to receive the ISO9002 certification as well as the aquaculture standard NS-9415 certification in Taiwan. We are also one of the few companies in the world to possess the capabilities of customized production, design and research and development. We strive to explore business opportunities for inland nets as well as nets for other industries in order to expand the breadth of our products.
- B. Long-term Development Plans:
- (a) Marketing strategy
 

With quality and design being our competitive advantages, we focus on product enhancements and new product developments to boost our market share. We also nurture professional talents for domestic and export sales to maintain our leading position in the industry.

(b) Production strategy

We implement production and quality testing, and acquire automation facilities to improve the technical-level of products. We also strengthen the technical researches on assembled nets to cut down process time. For labor-intensive processes or products, we constantly look for new production sites to reduce costs and further our sales competitive advantages through international division of labor. The expansion of production base allows for further specialization of yarns, twines and nets.

(c) Product development strategy

- i. Execute vertical integration and further research and development on upstream and downstream products to maintain consistency of products.
- ii. Integrate production process vertically from raw materials to finished goods to ensure the quality of netting products and reduce the waiting periods during production, thereby gaining better control over delivery time.

(d) Financial strategy and business planning

- i. Financial strategy: Utilize diverse funding sources to obtain funds at the lowest costs for scale expansion and business growth. Use various investment channels to boost both operating and non-operating incomes.
- ii. Business planning: Develop two-way international trades where customers purchase nets from the Company and from their catches, produce fish meal and fish products which are marketed and sold by the Company, thereby expanding our business and increase profits.

2. Market and Sales Overview

(1) Market Analysis

A. Sales Distribution by Region

(In Thousands of New Taiwan Dollars)

Item \ Year		2023		2022	
		Amount	%	Amount	%
Domestic		613,492	21	499,805	15
Overseas	America	335,477	11	619,363	19
	Europe	482,666	17	692,024	21
	Asia	1,326,214	45	1,267,678	39
	Others	178,522	6	188,090	6
	Subtotal	2,322,879	79	2,767,155	85
Total		2,936,371	100	3,266,960	100

B. Future Supply and Demand, Expected Sales Volume and Basis for the Estimates, Competitive Advantage and Favorable and Unfavorable Factors for Long-term Developments

(a) Supply

Major net manufacturers are located mostly in Asia. Although there are few manufacturers in Europe and the Central and South America, they provide mainly for domestic markets while most of the regions still rely on imports. Several Taiwanese manufacturers have shifted to China or countries in the Southeast Asia

where wages are relatively low and they have initiated expansion plans. The same can be said for net manufacturers in mainland China. Thus, the supply of nets is expected to increase in the future.

(b) Demand

Fishing nets are considered production goods as well as consumer goods. As the demand for aqua products continues to rise, the demand for fishing nets also enjoys a stable growth, especially the demand for cage nets which has shown an upward trend around the world. With the rising demand for agriculture nets, sports nets and safety nets, there is ample room for growth in the net market.

(c) Competitive advantage and favorable and unfavorable factors for long-term developments

i. Competitive advantage

Since our establishment, maintaining high-quality products has been our marketing strategy. We own a stable source of supplies which allow us to enjoy better purchasing prices and a steady supply of raw materials. Also, we have professional insights regarding the state and future development trends of the industry, actively participate in international exhibitions to stay current with market dynamics and explore new customers.

ii. Favorable factors for long-term developments

ii-1 Obtain ISO certifications to enhance quality reliability

Fishing nets are produced in small-scale facilities in Taiwan where quality requirements are not standardized across the board. To build customer trust, besides setting up a dedicated quality control department, our subsidiaries, Kunshan King Chou Fish Net Mfg. Co., Ltd. and King Chou (Vietnam) Marine Technology Co., Ltd., have received ISO9001:2008 certification and ISO9001:2015 certification, respectively. Through ISO quality assurances, we have established a comprehensive quality control system, earning recognitions for our product quality as well as enhancing our competitiveness.

ii-2 Improve production equipment and process

We have continuously acquired new production facilities, such as the high-speed rotary-type netting machines from Japan, to replace the old ones in recent years. We have also purchased dyed yarns to shorten our process in pursuit of better production efficiency and capacity as well as product quality, thereby lowering costs and improving product competitiveness. To achieve the aforementioned goals, the R&D Department has worked closely with the R&D teams on product and facility enhancement and has successfully developed net haulers and improved the process efficiency of assembling. In addition, advancements in cage nets have created new business opportunities for aquaculture nets.

ii-3 Product quality differentiation

We use cutting edge machinery, technology and premium raw materials for the manufacturing of monofilament nets, enjoying competitive advantages over peers where equipment and raw materials are concerned. The raw yarns used are produced from granules made by Japanese companies. Monofilament manufactured by machinery of Uniplas, a top

Japanese brand, is known for excellent transparency, softness and tensile strength as well as even diameter. These characteristics allow us to seize business opportunities and create greater profits.

ii-4 Technical cooperation with tier-one global companies to enhance international competitiveness

Our products have secured the place as market leaders. However, to improve quality, we constantly seek opportunities to collaborate with tier-one global companies. We have now cooperated with customers in the U.S. and Europe in developing purse seine nets, especially the cage net markets. They would provide the technology and equipment required for us to produce high-quality nets to be exported to Europe. The collaboration puts us further ahead of peers in terms of quality and secures a stable stream of orders.

ii-5 Diversified products and flexible production adapting to customer needs

- (i) As the Company owns a large number of netting machines, orders of different specifications can be easily allocated to different production stations. Flexible production policies allow optimal allocation of resources to achieve economies of scale.
- (ii) Our subsidiaries have introduced new machinery and equipment to produce multi-purpose ropes and twines. Product applications cover daily needs in terms of food, clothing, housing and transportation. They have developed inland nets, twines and ropes, such as ropes for safety nets used in construction work, agriculture nets for cultivation, anti-bird netting, golf practice nets, and baseball and softball nets.

ii-6 Increased competitiveness of our Vietnam factory

Besides low labor costs, Vietnam is one of the ten nations in the Association of Southeast Asian Nations (ASEAN), as well as a member of WTO, TPP and RCEP. The enormous business opportunities arise from the significant drop in tariffs would broaden the sales markets and competitiveness of the Company.

ii-7 Further development of local markets for our Indonesia factory

Indonesia is also an ASEAN country, as well as a member of WTO and RCEP. Its abundant human resources, No. 2 ranking worldwide in terms of fishing industry output value and robust domestic demand could bring new sales and profits.

iii. Unfavorable factors

iii-1 Rising labor costs

Southeast Asian countries have replaced China as the world's factory. To safeguard labor rights, local governments annually raise the minimum wage threshold, leading to a continuous increase in production costs, which has become a bottleneck for industry development.

Countermeasures:

- (i) Strengthen product enhancement and increase the capacities of subsidiaries in Vietnam and Indonesia to lower labor costs.
- (ii) Improve labor conditions and welfare measures to maintain sound labor-management relations as well as minimize the turnover rate. Enhance operation quality and production efficiency to lower costs. Reward local workers and offer bonuses to ones with special skills. Moreover, incentive bonuses would be distributed during peak seasons to boost morale.

iii-2 Foreign exchange risk

Foreign exchange risk is mitigated by receivables and payables denominated in the same currency for consolidated sales which are not denominated in the functional currency of the transacting entity within the Group.

Countermeasures:

- (i) To diminish the impact of exchange rate fluctuations on profits, the Company has opened foreign-currency accounts to manage its exposure. Payments to overseas vendors are made by closing our foreign currency positions at the appropriate time or with foreign currencies from sales.
- (ii) Our sales team would take into account future currency volatility when negotiating prices with customers. Quotes may be adjusted to reflect such changes in order to mitigate the impact of exchange rate fluctuations on revenues and profits of the Company.
- (iii) Finance personnel of the Company stay in close contact with the foreign exchange division of our banks to stay current on market information for projections pertaining to the long and short-term currency trends.
- (iv) To lower the foreign currency risk, the Company would carry out derivative trading for hedging purposes (e.g., the buying or selling of forward exchange contracts) in accordance with the “Procedures for Acquisition or Disposal of Assets” in order to minimize the impact of foreign currency fluctuations on profits.

iii-3 Competitions from emerging countries

With cheap labors, manufacturers from countries in the Southeast Asia and China put pressure on the netting industry in Taiwan by selling poor-quality, low-price products across the world.

Countermeasures:

Confronted by such cost disadvantages, we proactively improve our production process, production efficiency as well as design capabilities in order to differentiate our products from the competitors. We also commission our subsidiaries in Vietnam and Indonesia for processing, thereby lowering costs and enhancing the global competitiveness of our products.

#### iii-4 Key materials from limited suppliers

There are only a few manufacturers of industrial nylon fibres in Taiwan, of which Formosa Chemicals & Fibre Corporation provides diverse products with stable quality. Thus, we have high supplier concentration.

##### Countermeasures:

- (i) Maintain a reasonable level of safety stock for raw materials and strengthen inventory management.
- (ii) Identify new suppliers to secure alternative sources of raw materials.

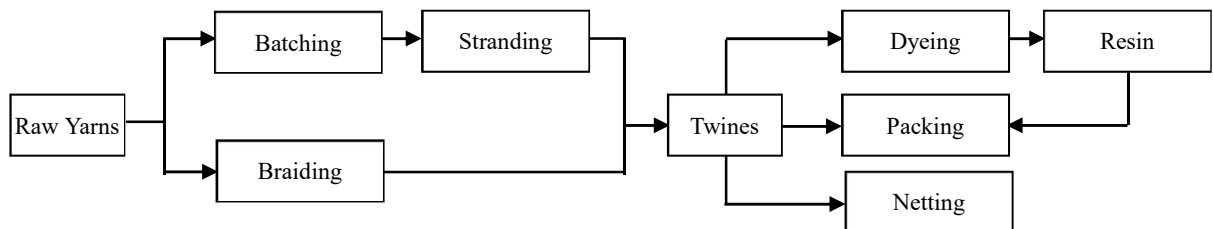
#### (2) Main Purpose and Manufacturing Process of Key Products:

##### A. Main Purpose of Key Products:

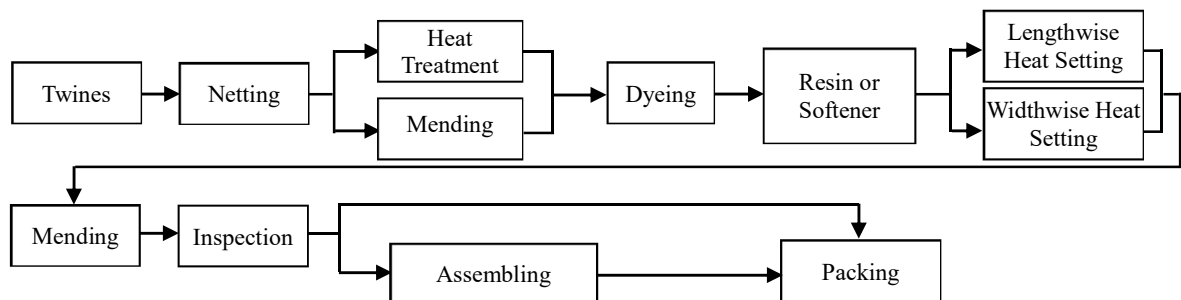
Product	Main Purpose	
Nets	Fishing net	1. Fishing nets: purse seine nets, trawl nets, Danish seine nets, trammel net, trap nets, etc. 2. Aquaculture nets: cage nets, set nets, etc.
	Inland net	1. Camouflage nets for military use 2. Safety nets for construction works 3. Nets for baseball batting cage, tennis, volleyball, football, golf driving range, etc. 4. Agricultural nets for cultivation purposes
Twines	For the production or repair of nets as well as packaging	
Others	Metal parts, fishing net machinery and equipment, ropes, processing, etc.	
Trading of raw yarns	Indonesia King Da, the subsidiary, purchases nylon yarns from the Company	

##### B. Manufacturing process of key products

###### (a) Twines:



###### (b) Nets:





C. Supply of Key Raw Materials:

Suppliers of key raw materials are as follows:

Key Raw Material	Main Source	Supply
1.Nylon yarns	Formosa Chemicals & Fibre Corporation is the key supplier, accounted for roughly 80% of our demand. To diversify sources, the Company also purchases raw yarns from overseas suppliers.	Sufficient
2.Polyester yarns	Far Eastern New Century Corporation in Taiwan is the key supplier.	Sufficient
3.Nylon monofilament and multifilament fibres	Produced by the subsidiary, King Chou (Vietnam) Marine Technology Co., Ltd.	Sufficient
4.Nylon chips	Basf Taiwan Ltd. is the key supplier.	Sufficient
5.PP and PE twines and ropes	The subsidiary, PT. KingDa Marine Technical Indonesia and King Tai Technology Vietnam Co., Ltd. are the key suppliers	Sufficient

D. Key Suppliers and Customers in the past two years

(a) Customers account for 10% or more of sales in one of the past two years:

Of the net revenue of NT\$2,936,371 thousand in 2023, NT\$233,671 thousand came from the largest customer of the consolidated entity.

(b) Suppliers account for 10% or more of purchases in one of the past two years and their purchase amount as well as weightings:

(In Thousands of New Taiwan Dollars)

	2022				2023				Up to the Latest Quarter in 2024			
Item	Name	Amount	Percentage to Annual Net Purchases (%)	Relationship with the Company	Name	Amount	Percentage to Annual Net Purchases (%)	Relationship with the Company	Name	Amount	Percentage to Net Purchases of the Latest Quarter (%)	Relationship with the Company
1	Supplier A	650,458	46	None	Supplier A	499,053	45	None	Supplier A	107,477	56	None
2	Others	772,072	54	None	Others	615,580	55	None	Others	83,691	44	None
	Net Purchase	1,422,530	100		Net Purchase	1,114,633	100		Net Purchase	191,168	100	

E. Production Volume and Value in the past two years

In MT; Thousands of New Taiwan Dollars

Year	2023			2022		
Production Product	Capacity	Output Volume	Output Value	Capacity	Output Volume	Output Value
Nets	12,000	8,805	1,672,924	12,000	9,913	1,814,079
Twines	1,213	1,213	184,671	1,207	1,207	177,429
Ropes	2,000	616	89,320	2,000	1,062	138,060
Total	15,213	10,634	1,946,915	15,207	12,182	2,129,568

Note: Twines of the Company were mainly used in net manufacturing and only parts of its production were for sale. The capacity and output in the table above only listed the parts which were for sale.

## F. Shipments and Sales in the past two years

In MT; Thousands of New Taiwan Dollars

Year	2023				2022			
Production Product	Domestic		Overseas		Domestic		Overseas	
	Shipment	Sales	Shipment	Sales	Shipment	Sales	Shipment	Sales
Nets	2,076	550,279	6,478	1,651,948	1,670	450,891	8,515	2,137,329
Twines	48	8,800	1,165	225,928	53	9,327	1,154	221,522
Ropes	21	2,905	595	98,211	13	1,894	650	99,865
Raw yarns	0	0	1,947	198,120	7	278	1,025	138,468
Others		51,508		148,672		37,415		169,971
Total		613,492		2,322,879		499,805		2,767,155

Note: Others included purse seine accessories purchased, such as metal parts, floats and lead. As the measurement units were different, shipment numbers were not listed.

### 3. Human Resources in the Past Two Years and as of the Date of this Annual Report (No. of Employees, Average Year of Service and Age, and Education)

Year		2022	2023	As of March 31, 2024
No. of Employees	Direct	2,435	2,351	2,367
	Indirect	251	248	245
	Manager	18	15	15
	Total	2,704	2,614	2,627
Average Age		33.16	33.80	33.59
Average Year of Service		4.7	5.15	4.89
Education	Ph.D.	0.00	0.00	0.00
	Master's Degree	0.41	0.61	0.61
	Bachelor's Degree	3.91	4.06	4.11
	Senior High School	21.47	28.26	29.65
	Below Senior High School	74.21	67.07	65.63

### 4. Expenditure Related to Environmental Protection

In the most recent year and as of the date of this annual report, the aggregate amount of loss (including indemnity and violations of environmental protection laws and regulations identified during environmental audits with the disposition date, disposition reference number, articles and details of the laws and regulations violated and details of the disposition specified; the estimated amount at present or in the future; and action plans) and punishments as a result of pollution, action plans (including improvement measures) and expected spending (including possible losses, penalties and indemnity for not taking any actions, and if the amounts cannot be estimated reasonably, please state the reasons): None.

## 5. Employment Relations

- (1) Employees' welfare, education, training and retirement system and implementation thereof as well as labor-management relations and protection of employees' rights:

### A. Employee welfare

- (a) In 1979, the Company established the Employee Welfare Committee (EWC) which was registered per No. Ping-Fu-Zhu-Zheng 67596. Since its establishment, the Committee has operated pursuant to the "Charter for Employee Welfare Committee." Welfare funds to the EWC are appropriated in accordance with relevant rules.

EWC members regularly hold meetings to discuss the budget, expenditures and allocation of welfare funds and supervise the execution status.

Subsidies from the welfare funds include year-end lottery; New Year gift boxes; cash gifts for New Year, Dragon Boat Festival and Mid-autumn Festival; and birthday gift certificates as well as subsidies for wedding, childbirth, new house, hospitalization and funerals.

- (b) Employee salaries include salaries, allowances and year-end bonuses which depends on work performance of individual employees.
- (c) For profit before income tax of the year, if any, the Company shall set aside compensation to employees at no less than three percent of such profit.
- (d) Employees are covered by labor, health and group insurances.
- (e) Subsidies for health examination are available
- (f) Child care allowance is available.
- (g) Employees are entitled to treasury share subscription.
- (h) Free dormitories at the Hsinyuan Factory for foreign workers.
- (i) The head office has set up an employee lounge with dining tables and chairs, TV, massage armchairs, and sports equipment. There is also a nursery room for female employees.

### B. Education and training

To enhance human capital and development advantages, the Company has formulated education and training rules in order to lay a solid foundation for sustainable operation and developments. Training hours and expenditures in 2023 are as follows:

Item	No. of Session	Attendance	Duration	Total expenditures
Orientation	13	20	60	0
Professional Training	29	47	315	59,970
Management Competence	10	10	86	23,000
General/Self-development Training	32	36	163	6,500
Total	84	113	624	89,470

### C. Retirement system and implementation thereof

- (a) The Labor Pension Act (the new pension system) took effect on July 1, 2005. Employees subject to the Labor Standards Act (the old pension system) prior to the activation of the new system may choose to remain under the old system or switch to the new one while retaining prior seniority, which would be governed by the Labor

Standards Act. The Company has made nearly full contributions under the old pension system. Currently, a monthly contribution of NT\$ 5,000 is deposited to the pension reserve account at the Bank of Taiwan for future pension payments to employees when they meet the retirement requirements.

- (b) Employees recruited after July 1, 2005 are subject to the Labor Pension Act, where the Company makes a monthly contribution equal to 6% of employees' salaries to their individual pension accounts at the Bureau of Labor Insurance.
- (c) Employees may apply for voluntary retirement under any of the following conditions:
  - i. Employees subject to the old pension system
    - (i) have worked for over 10 years and aged 60 years and above
    - (ii) have worked for over 15 years and aged 55 years and above
    - (iii) have worked for over 25 years
  - ii. Employees subject to the new pension system: aged 60 years and above.
  - iii. Employees under the age of 65 but have worked for 30 years in the Company are subject to the Company's "Preferential Retirement Rules"
- (d) Retirement procedures

The Personnel Section would fill out the "Resignation and Retirement Application Form" for employees applying for voluntary or mandatory retirement. The form is to be reviewed and approved by managers of all levels before being submitted to the President for approval.

- i. Employees subject to the old pension system
  - (i) The Company's Labor Pension Fund Supervisory Committee would fill out the "Pensions Application Form" to be reviewed by the Finance Department before being submitted to the President for approval.
  - (ii) The "Pensions Application Form" is then sent to the Bank of Taiwan for review.
  - (iii) Once approved, the Bank of Taiwan would remit the pensions to the "designated pension account under Labor Standards Act" of the financial institution in which the employees maintain their accounts, and send a notification letter to the employees.
- ii. Employees are to apply to the Bureau of Labor Insurance on their own.

#### D. Labor-management relations and measures to protect employee rights

The Company is committed to maintain a good employment relation. Labor management meetings are held on a quarterly basis as a channel for two-way communication and coordination to solve problems. As of the date of this annual report, there was no major labor disputes pending.

The Company complies with relevant labor laws and regulations as well as rules of the competent authority. There are Code of Conduct and relevant management measures in place to protect employees' legal rights.

Employees may file complaints with managers or the Audit Office. Cases would be handled in a discreet manner. Employees may rest assured that the Company is committed to protect the whistleblowers against retaliation.

Audit Office complaint hotline: (07)535-2939 ext.307

Audit Office complaint email: [audit@mail.king-net.com.tw](mailto:audit@mail.king-net.com.tw)

Reporting of unethical conducts: <http://www.king-net.com.tw/tw/news-tc/148-whistleblower-info-tc.html>

E. Code of Conduct or Ethics

To establish rules concerning corporate and work ethics, enhance work efficiency and maintain workplace disciplines, the Company has formulated management rules and regulations such as the Code of Conduct for employees to understand the correct behaviors and ethics.

F. Safety measures at work place and for employees

(A) To safeguard the rights and safety of employees, the Company has established the “Rules for Occupational Safety and Health”, which shall be strictly followed by all employees.

a. Safety and health standards of professional work

(a) Dyeing machines

Dyeing machines are enclosed facilities with high temperature and high pressure. Accidents could lead to devastating consequences. Thus, workers must be familiar with the operating procedures as well as knowledge concerning machine maintenance and work safety:

- I. Prior to operation, inspections shall be carried out in accordance with items listed on the voluntary inspection form.
- II. Except for operators, personnel are strictly prohibited from accessing the control panel, switches and buttons.
- III. The work area shall be kept clean and tidy to allow a smooth flow of operation.
- IV. No one shall be allowed under the suspended loads when the fixed cranes (hereinafter, the “crane”) are in operation. Loads shall be moved in a steady and smooth motion to avoid sway induced by motion for safety reasons.
- V. While the crane is in operation, operators shall monitor the path of the load to prevent the load from passing over workers or equipment.
- VI. When the crane is not in operation, loads shall not be attached to the hook. The hook shall be lifted to a proper height and securely fastened to avoid strike hazard.
- VII. The operation and crane buttons shall be kept clean and dry. The switches shall not be damaged.
- VIII. The hoisting of a tank into the dyeing machine shall be done slowly and steadily to prevent the tank from colliding with the chamber and the lid. The tank shall not touch the rubber seal alongside the chamber rims to avoid damage to the seal which would adversely affect the airtightness of the dyeing machine. When dyes are added, the main pump shall be switched off and the operators shall stand on the opposite side of the lid to avoid being hurt by a sudden drop of the lid.
- IX. After the preparation work is completed, operators shall reexamine whether the seal and safety mechanisms have been executed. Only when

these actions have been confirmed can the lid be closed and the main pump as well as the pressure switch be turned on.

- X. Operators shall not leave their work stations when pressure is applied. They shall frequently check the pressure measurements of the pressure gauge and watch out for abnormal noises. When the pressure applied has reached 2 kg/cm<sup>2</sup>, the pressure switch shall be turned off.
- XI. Computer programs and buttons shall not be tampered with by unauthorized personnel to prevent program malfunction which could lead to accidents.
- XII. When the temperature inside the chamber reaches 80 degrees Celsius for acetic acid to be added, the pressure inside the chamber is about 2.8 kg/cm<sup>2</sup>. Operators shall increase the pressure inside the acetic acid tank to approximately 1 kg over the pressure inside the chamber before turning on the switch to pour acetic acid into the chamber. Once acid is added, the pressure inside the chamber shall not exceed 3.5 kg/cm<sup>2</sup>. When the temperature inside the chamber reaches 105 degrees Celsius, the pressure is between 4 kg/cm<sup>2</sup> and 4.2 kg/cm<sup>2</sup>. Once all procedures have been completed, the main pump shall be turned off. Operators shall then turn on the drain and overflow switch to drain the water and release the pressure before checking the reading of the pressure gauge. Only when the gauge returns to zero can operators turn on the residual pressure switch to release residual pressure before opening the chamber lid.
- XIII. Before getting off work, operators shall close the chamber lids and park the cranes to the side with the hooks lifted to a certain height to avoid strike hazard. Also, the main switch shall be turned off.
- XIV. While the machines are in operation, operators are prohibited from leaving their work stations.

(b) Boiler

I. Prior to the operation

i. Boilers and associated devices

- (i) There shall be no gas leakage from the boiler room.
- (ii) Stacks shall be installed correctly and the air vents shall be clear.
- (iii) There shall be no water leakage from the boiler.
- (iv) Proper ventilation shall be maintained in the boiler room.
- (v) Inflammables shall not be placed within 45 cm of the boiler.
- (vi) Water supplied shall be softwater.
- (vii) The level of chemicals within the chemical feeder shall be maintained at 2/3 or above.
- (viii) There shall be no leakage of chemicals.
- (ix) The main steam valve shall be properly closed.

ii. Preparation for water, electricity and fuel supply

- (i) The main circuit breaker shall be activated.
- (ii) The water gate valve shall be fully opened.

- (iii) The (petroleum) gas tap shall be fully turned on.
  - (iv) Readings of the gas pressure gauge shall be kept within the specified range. (Pressure shall be between 9.81 kpa and 19.6 kpa).
  - (v) Open the front lid of the boiler.
  - (vi) The gas pressure shall be kept within the specified range.
  - (vii) In operation
- iii. Turn on the “Operation” switch
- Activate the water level control and chemical control functions once the green light is on:
- (i) The red light would be on if the water level within the tank is below the specified range, whereas the green light would be on if the water level is within the specified range.
    - (a) When the status light turns green, the boiler would undergo processes in the sequence of air flow, ignition, low combustion and high combustion.
- iv. Monitoring
- (i) Check the status indicators of boiler
    - (a) Green light indicates normal operation
    - (b) Yellow light indicates attention is required
    - (c) Red light indicates a fault has occurred
  - (ii) Check water level fluctuation
 

Open the front lid and observe from the water gauge to ensure there is no violent water level fluctuation:

    - (a) During high combustion, examine the water level fluctuation.
    - (b) During low combustion, water level cannot be seen.
    - (c) If the readings fluctuate widely, contact the boiler supplier immediately.
    - (d) Violent water level fluctuation within the chamber may lower steam quality, leading to abnormal pressure within the chamber.
  - (iii) Check gas pressure
    - (a) When activating the boiler, operators shall make sure the gas pressure is within the specified range (9.81 kpa ~ 19.6 kpa) until the boiler proceeds to the high combustion process.
    - (b) If the readings fall outside the specified range, turn off the boiler and contact the boiler supplier immediately.
  - (iv) Check steam pressure
    - (a) Operators shall ensure the pointer of pressure gauge does not move violently or display abnormal readings.
    - (b) In case of abnormality, turn off the boiler and contact the boiler supplier immediately.



- (v) Check noises and smells
  - (a) There shall be no abnormal noise.
  - (b) There shall be no abnormal smell.
  - (c) During operation, examine the surrounding area.

## II. After the operation

### i. Normal shutdown

- (i) Operators shall make sure the steam on the load side has stopped.
- (ii) Close the main steam valve.
- (iii) Close the water gate valve.
- (iv) Close the main gas supply valve.

### ii. Discharge

When the yellow light of the status indicator is on and the panel shows “discharge required”, operators shall proceed to discharge immediately:

- (i) If the warning message of “discharge required” appears on the panel during operation, operators do not need to proceed to discharge immediately.
- (ii) After the warning message of “discharge required” has appeared on the panel, operators shall carry out discharge before commencing operation the next day.
- (iii) The discharge valve of the boiler tank shall be opened slowly for the discharge to avoid burn hazard from steam and hot water rushing out.

## III. Matters requiring attention

- i. Operators shall turn off the switch before restarting if the ignition fails.
- ii. If the ignition fails three times, operators shall turn off the boiler and contact the boiler supplier.

## (c) Liquefied petroleum gas (liquefied natural gas) tanks

### I. Liquefied petroleum gas (LPG) tanks

- i. The safety valves of the tank shall be kept open.
- ii. The pressure of the tanks shall be maintained between 10 kg/cm<sup>2</sup> and 18 kg/cm<sup>2</sup>.
- iii. The temperature of the tanks shall be below 40°C.
- iv. When the liquid level indicated by the level gauge is below 30%, gas delivery shall be arranged immediately to avoid materials shortage which may affect the manufacturing process.
- v. During LPG injection, the liquid level indicated by the level gauge shall not exceed 90%.
- vi. The red pipeline is for LPG and its valves shall be kept open.
- vii. The grey pipeline connects the tank and the evaporator and its valve shall be opened at 45-degree angle.

- viii. The orange pipeline is for vaporized LPG and the valve shall be kept open.
- ix. Normally, the air compressor shall deliver air supply and the emergency shut-off valve shall be kept open. For emergency situation, the compressor would stop the air supply and the shut-off valve would be closed automatically.

## II. Evaporator

- i. The liquid level of evaporator shall not be under 50%. Tap water shall be added when the level drops below the required level.
- ii. The temperature of the evaporator shall be maintained between 80°C and 100°C. (The working temperature in the evaporator shall be set at around 85°C.)
- iii. The pressure of the evaporator shall be close to the tank. The pressure is normally at 8 kg/cm<sup>2</sup>.
- iv. The safety valve of the evaporator shall be kept open.

## III. Oil and water separator

- i. The outlet valve shall be kept open.
- ii. Pressure of the oil and water separator shall be below 1 kg/cm<sup>2</sup>.

## IV. Fixed crane

- i. Prior to operation, inspections shall be carried out in accordance with items listed on the voluntary inspection form.
  - (A) Loads lifted shall not exceed the load capacity.
- ii. The hook or lifting sling shall be equipped with devices to prevent the load from falling. Faulty parts shall not be used.
- iii. Loads shall not be lifted at an angle or dragged horizontally.
- iv. No one shall stay under a suspended load and the load shall not pass over workers.
- v. Operators shall proceed with only one action at a time. When the load is travelling horizontally, avoid up and down movements.
- vi. Once the operation is completed, the fixed crane shall be parked to the side with the hook lifted to a certain height to avoid strike hazard. Also, the main switch shall be turned off.
- vii. The pendant control station shall not be dropped or smacked and the station shall be placed in a fixed place after use to avoid personnel injury or damaging buttons.

## V. Forklift

- i. Prior to operation, inspections shall be carried out in accordance with items listed on the voluntary inspection form.
- ii. Avoid overloading and lifting the load while moving to avoid forklift overturning.
- iii. When goods are stacked too high or the fork is raised too high, there could easily be blind spots for the operators. If the situation cannot be

avoided, the forklift shall travel in reverse and the operators shall be aware of the surroundings.

- iv. Loads shall lean against the backrest before travelling to prevent collapsing and crushing other people.
- v. There shall be no other passenger on the forklift.
- vi. Forklift shall be driven under the speed limit within the factory. When the operation is completed, the fork shall be lowered to the ground. Operators shall turn the power off and set the brakes before leaving their seats.

(B) Education and training on knowledge required in work

- a. New recruits and employees shall take at least three hours of general safety and health courses. However, employees engaging in production machinery and equipment, windlass and arc welding shall take an additional three hours for each operation. Newly recruited supervisors or employees rotating to different operation shall take an additional six hours of training and education.
- b. Pursuant to the Occupational Safety and Health Education and Training Rules, employees engaging in certain operations shall take safety and health education and training and be trained and certified by government-accredited institutions.
- c. Pursuant to Article 14 of the Occupational Safety and Health Education and Training Rules, employees engaging in special operation (e.g., the use of acetylene welding devices) shall take safety and health education and training and be trained and certified by government-accredited institutions.
- d. Operators of dangerous machinery and equipment (e.g., fixed crane, boiler, high pressure gas equipment, and Category I pressure vessels) shall be trained by government-accredited institutions or obtain technical skill certificates.
- e. Pursuant to Article 17-1 of the Occupational Safety and Health Education and Training Rules, regular on-the-job education and training are required for occupational safety and health (OSH) supervisors, OSH management personnel, operators of dangerous machinery and equipment, operators of special operations, first aid personnel, and members of the OSH committee.

(C) Operators shall carry out daily inspections prior to operation, conduct monthly inspections on machinery and equipment and engage professionals for annual maintenance. As for dangerous machinery and equipment, the Company shall commission the ISHA of the R.O.C. to perform annual inspection.

(D) Fire drills are conducted every six months to raise employees' awareness on emergency relief and fire safety.

- a. Kaohsiung office: Fire drills and inspections on firefighting equipment are organized by building manager regularly.
- b. Hsinyuan factory: Fire safety personnel shall organize fire drills every six months and commission firefighting equipment suppliers to carry out monthly inspection.

(E) ISHA is commissioned to perform environmental monitoring every six months to ensure our employees have a healthy and safe work environment.

(F) Pursuant to the Labor Health Protection Rules, employees shall undergo special physical examinations based on the environmental monitoring results every year and the general physical examinations every three years.

(G) Personal protective equipment (e.g., helmets, safety glasses, gas masks, earplugs, protective coverall, gloves, etc.) is provided to all units.

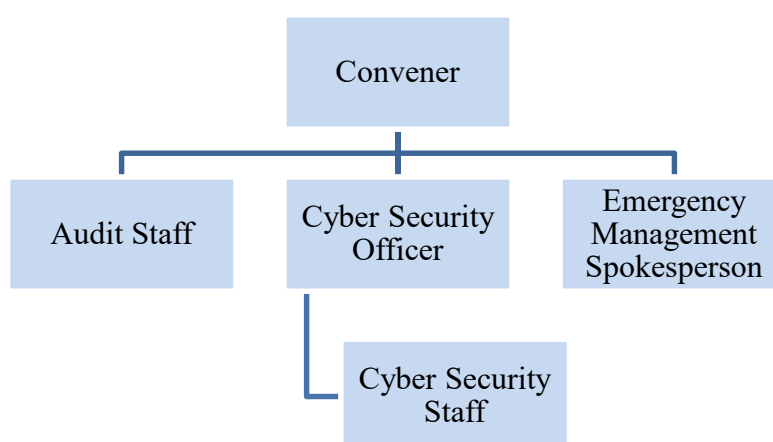
(2) In the most recent year and as of the date of this annual report, the aggregate amount of loss incurred due to industrial disputes (including violations of the Labor Standards Act identified during labor inspections with the disposition date, disposition reference number, articles and details of the laws and regulations violated and details of the disposition specified); the estimated amount at present or in the future; and action plans:

A. Loss incurred due to industrial disputes in the most recent year and as of the date of this annual report: None.

B. Estimated amount of losses at present or in the future and actions taken: None.

## 6. Cyber Security Management

(1) Describe the risk management structure, policy, management plans and resources of cyber security:



A. The Company has set up a “Cyber Security Task Force” with the President being the convener, and one employee assigned to each of the following positions: emergency management spokesperson, audit staff, cyber security officer and cyber security staff.

B. The Task Force formulates and implements cyber security policies. It regularly gives overview reports to the Chairman on the Company’s cyber security governance.

C. The Task Force regularly convenes “cyber security management meetings” every year to review cyber security-related issues for a better understanding on the Company's cyber security governance.

D. The cyber security staff has passed the MOEA proficiency assessment of the “Information Security Engineer - Specialist Level.”

E. The Company has established the “Cyber Security Procedures” and the “Core Business Continuity Plan.”

F. The cyber security staff takes inventory of information and cyber assets, and assesses relevant risks pursuant to the “Information and Cyber Asset Inventory and Risk Assessment Form.” The audit staff then audits the inventory results, and prepares plans and specific measures based on the inventory and risk assessment results. The progresses of improvements are monitored regularly to minimize the internal cyber security risk.

G. The Company carries out disaster recovery drills for important operating systems every year to ensure that these systems can return to normal in the shortest possible time when a disaster occurs.

H. The Company has joined the “Taiwan Computer Emergency Response Team/Coordination Center” to receive the latest cyber security information.

- (2) Loss, impacts and action plans due to major cyber security incidents in the most recent year and as of the date of this annual report, where losses cannot be reasonably estimated, please state the reasons: None.

7. Material Contracts

Supply and sales contracts, technical cooperation contracts, construction contract, long-term borrowing contracts and other material contract which may affect shareholders' equity as of the date of the annual report which are still effective or will expire in the most recent year: None.

## VI. Financial Highlights

### 1. Condensed Balance Sheet and Statement of Comprehensive Income from 2019 to 2023

#### (1) Condensed Balance Sheet and Statement of Comprehensive Income (Consolidated)

##### A. Condensed Balance Sheet (Consolidated)

(In Thousands of New Taiwan Dollars)

Year Item		Highlights from 2019 to 2023 (Note 1)					As of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Current Assets		2,485,516	2,490,727	2,584,603	3,032,057	2,903,873	2,874,019
Property, Plant and Equipment (Note 3)		1,499,004	1,388,745	1,384,090	1,452,785	1,470,991	1,867,713
Intangible Assets		380	524	1,209	832	2,056	1,883
Other Assets		313,225	342,010	325,683	348,588	414,077	416,325
Total Assets		4,298,125	4,222,006	4,295,585	4,834,262	4,790,997	5,159,940
Current Liabilities	Before Distribution	1,159,720	910,725	1,009,885	1,287,545	1,149,390	1,384,337
	After Distribution (Note 4)	1,327,663	1,120,653	1,186,225	1,531,062	To be distributed	To be distributed
Non-Current Liabilities		423,612	457,804	419,856	382,762	453,056	466,130
Total Liabilities	Before Distribution	1,583,332	1,368,529	1,429,741	1,670,307	1,602,446	1,850,467
	After Distribution (Note 4)	1,716,872	1,158,601	1,253,401	1,913,824	To be distributed	To be distributed
Equity Attributable to Shareholders of the Parent		2,332,592	2,426,312	2,458,983	2,742,193	2,767,902	2,865,187
Capital		839,713	839,713	839,713	839,713	839,713	839,713
Capital Surplus		38,917	38,917	38,917	38,917	38,917	38,917
Retained Earnings	Before Distribution	1,591,576	1,740,100	1,793,086	2,026,418	2,097,024	2,133,702
	After Distribution (Note 4)	1,423,633	1,530,172	1,616,746	1,782,901	To be distributed	To be distributed
Other Equity		(137,614)	(192,418)	(212,733)	(162,855)	(207,752)	(147,145)
Treasury Shares		0	0	0	0	0	0
Non-controlling Interests		382,201	427,165	406,861	421,762	420,649	444,286
Total Equity	Before Distribution	2,714,793	2,853,477	2,865,844	3,163,955	3,188,551	3,309,473
	After Distribution (Note 4)	2,546,850	2,643,549	2,689,504	2,920,438	To be distributed	To be distributed

Note 1: Data have been audited by CPAs.

Note 2: Data have been reviewed by CPAs.

Note 3: Land of the Company was reevaluated in July 1996 with gains on revaluations of NT\$7,435 thousand. After deducting the reserve for land value increment tax of NT\$3,235 thousand, the net gains came to NT\$4,200 thousand, which was recognized under capital surplus and later capitalized.

Note 4: The number after distribution was based on the resolution of the Board meeting or the shareholders' meeting in the year after.

## B. Condensed Statement of Comprehensive Income (Consolidated)

(In Thousands of New Taiwan Dollars, except for Earnings per Share (NT\$))

Item \ Year	Highlights from 2019 to 2023 (Note 1)					As of March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Net Revenue	2,898,777	2,632,079	2,379,223	3,266,960	2,936,371	562,333
Gross Profit	714,899	712,099	693,984	964,342	740,592	138,026
Operating Profit	364,659	351,877	331,775	536,755	390,920	86,327
Non-operating Income and Expenses	38,796	175,412	22,418	30,563	47,652	(29,487)
Profit Before Income Tax	403,455	527,289	354,193	567,318	438,572	56,840
Net Profit of Continuing Operations	298,374	411,092	265,112	401,758	316,614	37,337
Loss from Discontinued Operations	0	0	0	0	0	0
Net Profit	298,374	411,092	265,112	401,758	316,614	37,337
Other Comprehensive Income (Loss), Net of Tax	(36,777)	(85,472)	(30,200)	74,827	(43,825)	68,579
Total Comprehensive Income	261,597	325,620	234,912	476,585	272,789	105,916
Net Profit Attributable to Shareholders of the Parent	301,241	315,609	261,836	402,977	310,262	36,964
Net Profit Attributable to Non-controlling Interests	(2,867)	95,483	3,276	(1,219)	6,352	373
Total Comprehensive Income Attributable to Shareholders of the Parent	269,124	261,663	242,599	459,550	269,226	97,571
Total Comprehensive Income Attributable to Non-controlling Interests	(7,527)	63,957	(7,687)	17,035	3,563	8,345
Earnings per Share (Note 3)	3.59	3.76	3.12	4.80	3.69	0.44

Note 1: Data have been audited by CPAs.

Note 2: Data have been reviewed by CPAs.

Note 3: Earnings per share is calculated using the weighted-average number of shares outstanding after retrospective adjustment.

(2) Condensed Balance Sheet and Statement of Comprehensive Income (Parent Company Only)

A. Condensed Balance Sheet (Parent Company Only)

(In Thousands of New Taiwan Dollars)

Item \ Year		Highlights from 2019 to 2023 (Note 1)				
		2019	2020	2021	2022	2023
Current Assets		1,444,015	1,614,718	1,652,620	1,982,995	1,723,045
Property, Plant and Equipment (Note 2)		390,789	423,952	438,452	456,605	520,987
Intangible Assets		134	306	1,057	699	1,912
Other Assets		2,267,713	2,330,918	2,424,523	2,799,599	2,976,844
Total Assets		4,102,651	4,369,894	4,516,652	5,239,898	5,222,788
Current Liabilities	Before Distribution	1,517,051	1,554,958	1,707,071	2,132,365	2,064,792
	After Distribution (Note 3)	1,684,994	1,764,886	1,883,411	2,375,882	To be distributed
Non-Current Liabilities		253,008	388,624	350,598	365,340	390,094
Total Liabilities	Before Distribution	1,770,059	1,943,582	2,057,669	2,497,705	2,454,886
	After Distribution (Note 3)	1,938,002	2,153,510	2,234,009	2,741,222	To be distributed
Equity Attributable to Shareholders of the Parent		2,332,592	2,426,312	2,458,983	2,742,193	2,767,902
Capital		839,713	839,713	839,713	839,713	839,713
Capital Surplus		38,917	38,917	38,917	38,917	38,917
Retained Earnings	Before Distribution	1,591,576	1,740,100	1,793,086	2,026,418	2,097,024
	After Distribution (Note 3)	1,423,633	1,530,172	1,616,746	1,782,901	To be distributed
Other Equity		(137,614)	(192,418)	(212,733)	(162,855)	(207,752)
Treasury Shares		0	0	0	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	2,332,592	2,426,312	2,458,983	2,742,193	2,767,902
	After Distribution (Note 3)	2,164,649	2,216,384	2,282,643	2,498,676	To be distributed

Note 1: Data have been audited by CPAs.

Note 2: Land of the Company was reevaluated in July 1996 with gains on revaluations of NT\$7,435 thousand. After deducting the reserve for land value increment tax of NT\$3,235 thousand, the net gains came to NT\$4,200 thousand, which was recognized under capital surplus and later capitalized.

Note 3: The number after distribution was based on the resolution of the Board meeting or the shareholders' meeting in the year after.



## B. Condensed Statement of Comprehensive Income (Parent Company Only)

(In Thousands of New Taiwan Dollars, except for Earnings per Share (NT\$))

Item \ Year	Highlights from 2019 to 2023 (Note 1)				
	2019	2020	2021	2022	2023
Net Revenue	2,262,190	2,082,138	1,956,720	2,755,247	2,301,278
Gross Profit	461,081	433,736	385,906	551,266	417,571
Operating Profit	273,122	250,244	175,825	278,503	226,166
Non-operating Income and Expenses	109,178	145,889	145,867	232,044	172,199
Profit Before Income Tax	382,300	396,133	321,692	510,547	398,365
Net Profit of Continuing Operations	301,241	315,609	261,836	402,977	310,262
Loss from Discontinued Operations	0	0	0	0	0
Net Profit	301,241	315,609	261,836	402,977	310,262
Other Comprehensive Income, Net of Tax	(32,117)	(53,946)	(19,237)	56,573	(41,036)
Total Comprehensive Income	269,124	261,663	242,599	459,550	269,226
Net Profit Attributable to Shareholders of the Parent	269,124	261,663	242,599	459,550	269,226
Net Profit Attributable to Non-controlling Interests	0	0	0	0	0
Total Comprehensive Income Attributable to Shareholders of the Parent	269,124	261,663	242,599	459,550	269,226
Total Comprehensive Income Attributable to Non-controlling Interests	0	0	0	0	0
Earnings per Share (Note 2)	3.59	3.76	3.12	4.80	3.69

Note 1: Data have been audited by CPAs.

Note 2: Earnings per share is calculated using the weighted-average number of shares outstanding after retrospective adjustment.

### (3) Names and opinions of independent auditors from 2019 to 2023:

Year of Audit	Accounting Firm	CPAs	Audit Opinion
2019	Deloitte & Touche	Chen-Li Chen, Li-Yuan Kuo	An unqualified opinion
2020	Deloitte & Touche	Chia-Ling Chiang, Hung-Ju Liao	An unqualified opinion
2021	Deloitte & Touche	Chia-Ling Chiang, Hung-Ju Liao	An unqualified opinion
2022	Deloitte & Touche	Chia-Ling Chiang, Hung-Ju Liao	An unqualified opinion
2023	Deloitte & Touche	Chia-Ling Chiang, Hung-Ju Liao	An unqualified opinion

## 2. Financial Analysis from 2019 to 2023

### (1) Financial Analysis (Consolidated)

Item (Note 4) \ Year		Financial Analysis from 2019 to 2023 (Note 1)					As of March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial Structure %	Debt Ratio	36.83	32.41	33.28	34.55	33.44	35.86
	Long-term Fund to Property, Plant and Equipment Ratio	209.36	238.43	237.39	244.13	247.56	202.15
Liquidity Analysis %	Current Ratio	214.32	273.48	255.93	235.49	252.64	207.61
	Quick Ratio	119.82	159.60	137.20	138.09	154.08	120.73
	Times Interest Earned	17.49	37.91	46.39	34.78	14.34	6.24
Operating Performance	Average Collection Turnover (Times)	3.78	3.69	3.60	4.41	3.81	3.70
	Days Sales Outstanding	96.56	98.91	101.38	82.76	95.80	98.65
	Inventory Turnover (Times)	2.23	2.00	1.70	2.10	2.03	1.61
	Average Payment Turnover (Times)	32.13	30.03	25.70	45.82	43.14	36.89
	Average Inventory Turnover Days	163.67	182.50	214.70	173.80	179.80	226.71
	Property, Plant and Equipment Turnover (Times)	2.03	1.82	1.71	2.30	2.00	1.35
	Total Assets Turnover (Times)	0.67	0.62	0.55	0.71	0.61	0.45
Profitability	Return on Total Assets (%)	7.33	9.91	6.36	9.06	7.07	3.57
	Return on Equity (%)	11.09	14.76	9.27	13.32	9.96	4.60
	Net Profit before Income Tax to Paid-in Capital Ratio (%)	48.05	62.79	42.18	67.56	52.22	27.08
	Net Margin (%)	10.29	15.61	11.14	12.29	10.78	6.63
	Earnings per Share (NT\$) (Note 3)	3.59	3.76	3.12	4.80	3.69	1.76
Cash Flow	Cash Flow Ratio (%)	41.95	48.24	23.47	25.73	58.33	19.18
	Cash Flow Adequacy Ratio (%)	100.64	93.58	74.82	83.95	103.42	57.37
	Cash Flow Reinvestment Ratio (%)	6.59	6.33	0.61	3.25	8.68	1.92
Leverage	Operating Leverage	1.89	1.98	2.07	1.77	1.81	1.47
	Financial Leverage	1.07	1.04	1.02	1.03	1.09	1.14

Explanations for ratios varying by over 20% in the past two years are as follows:

1. Decrease in times interest earned: Due to the rising interest rates of U.S. dollars in 2023, which led to an increase in finance costs.
2. Decrease in return on total assets, return on equity and earnings per share: Due to a decrease in 2023 operating revenue, which led to a decrease in net profit.
3. Decrease in net profit before income tax to paid-in capital ratio: Due to a decrease in 2023 operating revenue, which led to a decrease in profit before income tax
4. Increase in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Due to an increase in net cash provided by operating activities.

Note 1: The consolidated data have been audited by CPAs.

Note 2: The consolidated data have been reviewed by CPAs.

Note 3: Earnings per share is calculated using the weighted-average number of shares outstanding after retrospective adjustment.

Note 4: Financial analysis is based on the following formulas:

A. Financial Structure

- (a) Debt to Asset Ratio = Total Liabilities / Total Assets
- (b) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment

B. Liquidity Analysis

- (a) Current Ratio = Current Assets / Current Liabilities
- (b) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (c) Times Interest Earned = Income before Taxes and Finance Cost / Finance Cost

C. Operating Performance

- (a) Average Collection Turnover (includes accounts receivable and notes receivable from operations) = Net Revenue / Average Accounts Receivables (includes accounts receivable and notes receivable from operations)
- (b) Days Sales Outstanding = 365 / Average Collection Turnover
- (c) Inventory Turnover = Cost of Sales / Average Inventory
- (d) Average Payment Turnover (includes accounts payable and notes payable from operations) = Cost of Sales / Average Accounts Payables (includes accounts payable and notes payable from operations)
- (e) Average Inventory Turnover Days = 365 / Inventory Turnover
- (f) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment
- (g) Total Assets Turnover = Net Revenue / Average Total Assets

D. Profitability Analysis

- (a) Return on Total Assets = (Net Profit (Loss) + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets
- (b) Return on Equity = Net Profit (Loss) / Average Equity
- (c) Net Margin = Net Profit (Loss) / Net Revenue
- (d) Earnings per Share = (Net Profit Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

E. Cash Flow

- (a) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (b) Cash Flow Adequacy Ratio = Five-year Sum of Net Cash Provided by Operating Activities / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (c) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

F. Leverage

- (a) Operating Leverage = (Net Revenue - Variable Operating Cost and Expenses) / Operating Profit
- (b) Financial Leverage = Operating Profit / (Operating Profit - Finance Cost)

(2) Financial Analysis (Parent Company Only)

Item (Note 3) \ Year		Financial Analysis from 2019 to 2023 (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure %	Debt Ratio	43.14	44.48	45.56	47.67	47.00
	Long-term Fund to Property, Plant and Equipment Ratio	661.64	663.98	640.80	680.57	606.16
Liquidity Analysis %	Current Ratio	95.19	103.84	96.81	93.00	83.45
	Quick Ratio	54.70	65.43	54.13	59.18	53.21
	Times Interest Earned	50.51	66.53	66.11	65.31	36.98
Operating Performance	Average Collection Turnover (Times)	4.17	3.91	3.70	4.43	3.57
	Days Sales Outstanding	87.53	93.35	98.65	82.39	102.24
	Inventory Turnover (Times)	3.21	2.90	2.57	3.32	3.01
	Average Payment Turnover (Times)	29.67	28.39	28.46	56.95	45.97
	Average Inventory Turnover Days	113.71	125.86	142.02	109.94	121.26
	Property, Plant and Equipment Turnover (Times)	7.40	5.11	4.54	6.16	4.71
	Total Assets Turnover (Times)	0.56	0.49	0.44	0.56	0.44
Profitability	Return on Total Assets (%)	7.57	7.56	5.98	8.39	6.10
	Return on Equity (%)	13.08	13.26	10.72	15.50	11.26
	Net Profit before Income Tax to Paid-in Capital Ratio (%)	45.52	47.17	38.30	60.80	47.44
	Net Margin (%)	13.31	15.15	13.38	14.62	13.48
	Earnings per Share (NT\$) (Note 2)	3.59	3.76	3.12	4.80	3.69
Cash Flow	Cash Flow Ratio (%)	23.36	23.35	6.45	12.86	21.42
	Cash Flow Adequacy Ratio (%)	97.67	101.19	70.62	92.44	103.09
	Cash Flow Reinvestment Ratio (%)	5.21	6.49	-3.31	2.95	6.14
Leverage	Operating Leverage	1.66	1.71	2.17	1.95	1.80
	Financial Leverage	1.03	1.02	1.03	1.03	1.05

Explanations for ratios varying by over 20% in the past two years are as follows:

1. Decrease in times interest earned: Due to the rising interest rates of U.S. dollars in 2023, which led to an increase in finance costs.
2. Increase in days sales outstanding: Due to an increase in accounts receivable collections in 2023, which led to a decrease in average payment turnover.
3. Decrease in property, plant and equipment turnover and total assets turnover: Due to a decrease in 2023 operating revenue.
4. Decrease in return on total assets, return on equity and earnings per share: Due to a decrease in 2023 operating revenue, which led to a decrease in net profit.
5. Decrease in net profit before income tax to paid-in capital ratio: Due to a decrease in 2023 operating revenue, which led to a decrease in profit before income tax.
6. Increase in cash flow ratio and cash flow reinvestment ratio: Due to an increase in 2023 net cash provided by operating activities.

Note 1: Data have been audited by CPAs.

Note 2: Earnings per share is calculated using the weighted-average number of shares outstanding after retrospective adjustment.

Note 3: Formulas are as follows:

A. Financial Structure

- (a) Debt to Asset Ratio = Total Liabilities / Total Assets
- (b) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment

B. Liquidity Analysis

- (a) Current Ratio = Current Assets / Current Liabilities
- (b) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (c) Times Interest Earned = Income before Taxes and Interest / Interest Expenses

C. Operating Performance

- (a) Average Collection Turnover (includes accounts receivable and notes receivable from operations) = Net Revenue / Average Accounts Receivables (includes accounts receivable and notes receivable from operations)
- (b) Days Sales Outstanding = 365 / Average Collection Turnover
- (c) Inventory Turnover = Cost of Sales / Average Inventory
- (d) Average Payment Turnover (includes accounts payable and notes payable from operations) = Cost of Sales / Average Accounts Payables (includes accounts payable and notes payable from operations)
- (e) Average Inventory Turnover Days = 365 / Inventory Turnover
- (f) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment
- (g) Total Assets Turnover = Net Revenue / Average Total Assets

D. Profitability Analysis

- (a) Return on Total Assets = (Net Profit (Loss) + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets
- (b) Return on Equity = Net Profit (Loss) / Average Equity
- (c) Net Margin = Net Profit (Loss) / Net Revenue
- (d) Earnings Per Share = (Net Profit (Loss) Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

E. Cash Flow

- (a) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (b) Cash Flow Adequacy Ratio = Five-year Sum of Net Cash Provided by Operating Activities / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (c) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

F. Leverage

- (a) Operating Leverage = (Net Revenue - Variable Operating Cost and Expenses) / Operating Profit
- (b) Financial Leverage = Operating Profit / (Operating Profit - Interest Expenses)

3. Audit Committee's Review Report for 2023

### **Audit Committee's Review Report**

The Board of Directors of King Chou Marine Technology Co., Ltd. has prepared the Company's 2023 parent company only and consolidated financial statements, earnings distribution proposal and operation report. Certified public accountants of Deloitte & Touche, Ms Chia-Ling Chiang and Mr. Hung-Ju Liao, were retained by the Board to audit the financial statements. The above-mentioned financial statements, earnings distribution proposal and operation report have been reviewed and determined to be correct and accurate by us. Thus, according to Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act, we hereby submit this report.

To: The 2024 Annual Shareholders' Meeting of King Chou Marine Technology Co., Ltd.

Convener of the Audit Committee: Chin-TSEN Chang

March 13, 2024

4. Audited Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022: Please refer to page 105 to 166.
5. Audited Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022: Please refer to page 167 to 221.
6. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year and as of the Date of this Annual Report, and Their Impact on the Company's Financial Position: None.

## VII. Review and Analysis of Financial Position and Business Performance and Risk Management

### 1. Financial Position

#### Analysis and Comparison of Financial Position

(In Thousands of New Taiwan Dollars)

Item \ Year	December 31, 2023	December 31, 2022	Difference	
			Amount	%
Current Assets	2,903,873	3,032,057	(128,184)	(4)
Non-current Assets	1,887,124	1,802,205	84,919	5
Total Assets	4,790,997	4,834,262	(43,265)	(1)
Current Liabilities	1,149,390	1,287,545	(138,155)	(11)
Non-current Liabilities	453,056	382,762	70,294	18
Total Liabilities	1,602,446	1,670,307	(67,861)	(4)
Total Capital	839,713	839,713	0	0
Capital Surplus	38,917	38,917	0	0
Retained Earnings	2,097,024	2,026,418	70,606	3
Total Equity	3,188,551	3,163,955	24,596	1

Reasons and impact of significant changes (changes by over 20% year-over-year with dollar amount of at least NT\$10 million): None

### 2. Financial Performance

#### (1) Analysis and Comparison of Performance

(In Thousands of New Taiwan Dollars)

Item \ Year	2023	2022	Increase (Decrease)	Variance (%)
Total Operating Revenue	2,945,412	3,272,028	(326,616)	(10)
Less: Sales Returns and Allowances	9,041	5,068	3,973	78
Net Revenue	2,936,371	3,266,960	(330,589)	(10)
Operating Costs	2,195,779	2,302,618	(106,839)	(5)
Gross Profit	740,592	964,342	(223,750)	(23)
Operating Expenses	349,672	427,587	(77,915)	(18)
Operating Income	390,920	536,755	(145,835)	(27)
Non-operating Income and Expenses	47,652	30,563	17,089	56
Profit before Income Tax	438,572	567,318	(128,746)	(23)
Income Tax	121,958	165,560	(43,602)	(26)
Net Profit	316,614	401,758	(85,144)	(21)

Analysis on changes in ratios (changes by over 20% year-over-year):

- A. Decrease in gross profit 、operating income 、profit before income tax and net profit : Due to an decrease in operating revenue.
- B. Increase in non-operating income and expenses: Due to an increase in Gain on financial assets mandatorily at FVTPL.

(2) Expected Sales Volume with Basis, Possible Impact on the Company's Finance and Business and Action Plans:

A. Expected sales volume with basis: Sales are estimated based on the industry environment, future market supply and demand as well as business expansion. The Company expects a steady growth of shipment with sufficient support from production capacity.

B. Impact on the Company's finance and business and action plans: None.

3. Cash Flows

(1) Variance analysis of cash flows in the most recent year:

(In Thousands of New Taiwan Dollars)

Item \ Year	2023	2022	Variance (%)
Cash Flow Ratio (%)	21.42	25.73	67
Cash Flow Adequacy Ratio (%)	103.09	83.95	12
Cash Flow Reinvestment Ratio (%)	6.14	3.25	108

Analysis on changes in ratios (changes by over 20% year-over-year):

The increase in cash flow ratio and cash flow reinvestment ratio was mainly due to an increase in net cash generated by operating activities in 2023

(2) Improvement plans for insufficient liquidity:

A. PT. KingDa Marine Technical Indonesia started to generate profits as it was not affected by foreign exchange losses in 2023.

B. King Da International generated profits as it recognized its proportionate share of gains from PT. KingDa Marine Technical Indonesia

(3) Liquidity analysis for 2024:

A. Net cash of operating activities: Net profit in 2024 is expected to create net cash inflows from operating activities.

B. Net cash of investing activities: Acquisition of property, plant and equipment in 2024 is expected to result in cash outflows from investing activities.

C. Net cash of financing activities: Repayments of borrowings and distribution of cash dividends in 2024 is expected to result in cash outflows from financing activities.

4. Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Business: None.

5. Reinvestment Policies in the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Next Year.

(1) Reinvestment policies: Reinvestment policies aim to build supply chain relations in line with the core business in order to control the sources of materials, strengthen after-sales services and maintain long-term relationship with customers, thereby facilitating future developments.

(2) Main reasons for investment gains or losses and improvement plans:

A. Gains of Indonesia King Da in 2023 was due to unrealized foreign exchange gains.

B. Gains of King Da International in 2023 was due to the company's recognition of its proportionate share of gains from Indonesia King Da.

(3) Investment plans of the next year: None.



6. Analysis of Risks in the Most Recent Year and as of the Date of this Annual Report:

(1) Impacts of Fluctuations in Interest Rates and Foreign Exchange Rates and Inflation on the Company's Profitability and Associated Action Plans:

(In Thousands of New Taiwan Dollars; %)

Item	2023	2022
Interest income (expense), net	Gain of 621	Expense of 473
Foreign exchange gain (loss), net	Gain of 39,101	Gain of 38,704
Interest income (expense) as a percentage of net revenue	0.02	0.01
Interest income (expense) as a percentage of profit before tax	0.14	0.08
Foreign exchange gain (loss) as a percentage of net revenue	1.33	1.18
Foreign exchange gain (loss) as a percentage of profit before tax	8.92	6.82

- A. Interest rate fluctuations: Interest rate risk mainly comes from short-term purchases and short-term liabilities for operating activities. To mitigate the risk, the Company allocates short-term borrowings effectively.
- B. Foreign exchange rate fluctuations: Since the major source of raw materials is a domestic supplier, Formosa Chemicals & Fibre Corporation, while products are sold to overseas customers, foreign exchange rate fluctuations would result in foreign exchange gain (loss) of sales. The Company will place greater importance on changes in international finance and exchange rates, closely monitor exchange rate fluctuations and enter derivative transactions with financial institutions for hedging purpose in order to mitigate the foreign currency risk.
- C. Inflation: The Company has been closely monitoring changes in economic situation and raw material markets, purchases raw materials needed for production and strengthens inventory controls to mitigate the impact of changes in raw materials prices on the profitability of the Company.
- (2) Policies, Main Reasons for Gains or Losses and Action Plans with Respect to High-risk, Highly-leveraged Investments, Lending Funds to Other Parties, Endorsement and Guarantee and Derivative Trading:
- A. High-risk, highly-leveraged investments: The Company focuses on its core businesses and does not engage in high-risk, highly-leveraged investments pursuant to the principles of prudence and practicality.
- B. Lending funds to other parties, endorsement and guarantee: Endorsement and guarantees are provided mainly to secure bank borrowings for subsidiaries. The Company proceeds in accordance with the Procedures for Lending Funds to Other Parties and Provision of Endorsement and Guarantee.
- C. Derivative trading: Trading is engaged pursuant to the Company's Procedures for Acquisition or Disposal of Assets for hedging purpose to mitigate the impact of exchange rate fluctuations as well as risk to operation.
- (3) Future Research and Development Plans and Estimated Expenses:
- The Company continually carries out research and development of high gross margins, high value-added products as well as process improvement. Research and development expenditure accounts for about 0.1% of the revenue every year.
- (4) Impacts of Changes in Major Domestic and Overseas Policies and Regulations on Company's Finance and Business and Associated Action Plans:

The Company closely monitors changes in major policies and regulations both at home and abroad and provides relevant information to the management. There had been no change in the policies and regulations which would have a material impact on the Company's finance and business.

(5) Impacts of Changes in Technology (including Cyber Security Risk) and Industry on Company's Finance and Business and Associated Action Plans:

- A. The Company has proactively adopted electronic operating system in recent years. By integrating resources to streamline information flows, it effectively improves work flows as well as operational efficiency. Thus, changes in technology had a positive impact on the finance and business of the Company.
- B. Manufacturing of fishing nets is considered labor-intensive for the operation of information equipment and enhancement on management tools and techniques of industrial engineering.

(6) Impacts of Changes in Corporate Image on Corporate Risk Management and Associated Action Plans:

The Company has adhered to the belief of integrity for many years, building a professional image for itself in the industry and staying well-recognized by international corporations. To promote social economy and protect employee welfares, we rigorously comply with laws and regulations of the competent authority. As of the date of this annual report, there was no significant change in our corporate image to raise the need for enterprise crisis management.

(7) Expected Benefits and Risks Relating to Merger and Acquisition: None.

(8) Expected Benefits and Risks Relating to Plant Expansion: None.

(9) Risks of Concentrated Sources of Purchases or Sales: None.

(10) Impact and Risk of Transfer or Sale of Significant Number of Shares by the Directors or Shareholders with Over 10% of Shareholding: None.

(11) Impact and Risk of Change in Management: None.

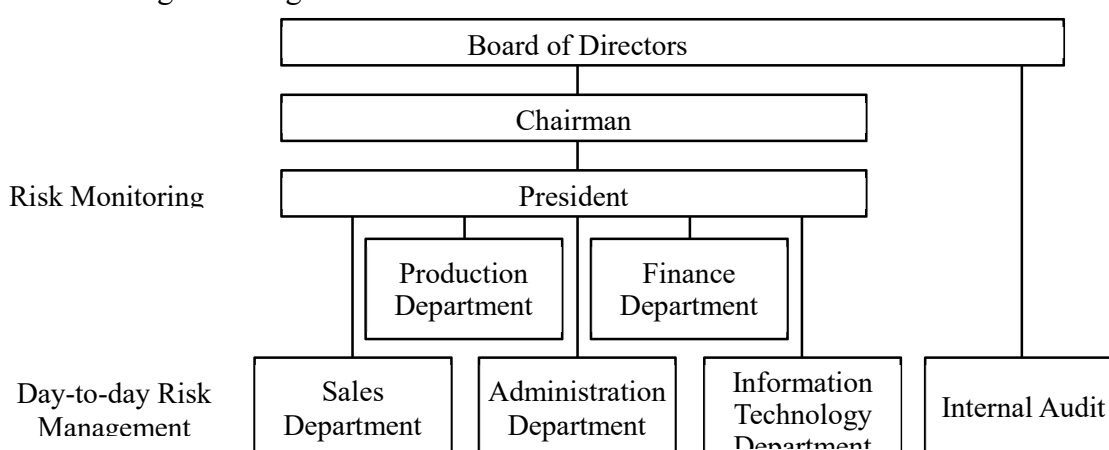
(12) For Major Litigations, Non-litigations, or Administrative Disputes which Involve the Company, Directors, President, De Facto Responsible Person, Major Shareholders with Over 10% of Shareholding and Affiliates and Have Significant Impacts on the Interests of Shareholders or Share Prices, the Facts, Amount in Dispute, Commencement Date, Major Parties Involved, and the Status as of the Date of This Annual Report Shall be Disclosed: None.

(13) Other Significant Risks and Associated Action Plans: None.

7. Other Significant Matters:

(1) Risk Management

A. Risk management organizational structure



- B. Key risk management item - Day-to-day risk management
  - (a) Sales Department: Credit and accounts receivable
  - (b) Production Department: Production efficiency and efficacy
  - (c) Administration Department: Administrative and general affairs
  - (d) Finance Department: Financing and investing activities of the Company and several subsidiaries
  - (e) Information Technology Department: Computer operations and cyber security
  - (f) Internal Audit: Regulatory compliance and controls over various operations of the Company and subsidiaries
- (2) Evaluation Basis and Ground for the Provision of Valuation Accounts under Liabilities
  - A. Policy for the provision of allowance for bad debts:
    - (a) Provision basis:
 

The amount of allowance for bad debts is assessed quarterly by the ages of accounts receivables and credit status of individual customers as well as the economic environment.
  - B. Policy for the provision of allowance to reduce inventory to market:
    - (a) Inventory valuation table - Valuation of ending inventory is conducted pursuant to the International Financial Reporting Standards:
 

Materials are evaluated by comparing the costs of ending inventories with their net realizable value (NRV).

Work in progress and finished goods are evaluated by comparing the costs of ending inventories with their NRV.

NRV is the unit price of inventory \* NRV ratio

NRV ratio = (Operating revenue - Variable selling expenses) / Operating revenue

Ending inventory is measured as the lower of cost or NRV, i.e., when the cost is lower than the NRV, inventories are stated at cost and vice versa. In other words, inventory write-downs are recognized whereas increases in market prices are not recognized as the inventories have yet to be sold and the increases remain unrealized.
    - (b) The difference between inventories and their NRV in the LCM inventory valuation table shall be compared to the overall amount of allowance to reduce inventory to market. When the NRV is less than the cost and the difference exceeds the overall amount of the said allowance, additional allowance shall be recognized.
- (3) Assessment and Analysis of Information Security Risk and Associated Action Plans:
 

The Company has established a network and computer security defense system to control or maintain key corporate functions including manufacturing, operation and accounting.

Details are set out below by the divisions of internal control management:

  - A. IT Department functions and division of authority
    - (a) The IT Department organizes and adjusts IT systems in accordance with requirements raised by the user units.
    - (b) Monitor and verify services provided by outsourced vendors.
  - B. Controls over system development and program modification

- (a) System modification applications initiated by user units shall be approved by managers of all levels.
  - (b) Maintenance contracts are required when outsourcing system developments to external parties in order to lower the development risk.
- C. Control over computer system documents
  - (a) Only users with system access rights can access the system operation manuals.
- D. Program and data access control
  - (a) E-approval applications are required for changes in access rights and accounts of the ERP system. Department managers shall review the access rights annually.
  - (b) Only when the e-approval applications have been approved can access rights be modified for personnel changes.
  - (c) When the system requires maintenance, the service providers shall be assisted and monitored by the IT personnel. Links shall be disconnected immediately after the work has been completed.
  - (d) All users are required to change their passwords regularly.
- E. Control over data input and output
  - (a) Documents from data input transactions of the ERP system are controlled by serial numbers. Missing numbers or documents shall be tracked immediately to ensure data integrity.
- F. Control over data processing
  - (a) Major abnormalities associated with the mainframe shall be documented in the work journal of the server room with details regarding the abnormalities and actions taken for tracking purpose.
  - (b) Data processing records shall be maintained for processing performed by application systems for auditing purpose.
- G. Safety control over file and equipment
  - (a) Backup copies are stored remotely in the bank safe deposit box.
  - (b) Access rights management and regular backups are implemented for file systems.
  - (c) Backup files of the file systems are set to be read-only so that the content would not be damaged by viruses.
  - (d) Before disposal, data in hard disks shall be erased completely followed by confirmations from the managers to prevent data breach.
- H. Acquisition, use and maintenance control on hardware and system software
  - (a) Software and hardware purchase requests shall be initiated by users. Once the requests have been reviewed by the IT unit and approved by the managers, they would be passed on to the procurement unit for purchases.
  - (b) Maintenance contracts with outsourced vendors shall contain information security and confidentiality agreements to safeguard the information which vendors have access to when providing services.
- I. Control over system recovery plans and testing procedures
 

The Company conducts disaster recovery tests annually in hope to promptly resume normal operations when disasters occur.

J. Cyber security management

- (a) The Company engages professional vendors to perform network health checks annually. Every computer in the Company has performed security vulnerability updates for the operating system.
- (b) Designated personnel are assigned to key software and hardware facilities (including firewall) of the Company.
- (c) Anti-virus software is installed in each computer. Programs and virus definition files are updated in a timely manner.
- (d) Systems are equipped with mechanisms for regular password changes.
- (e) Cyber security staff would notify employees of material information security news via e-mail to take precautions.

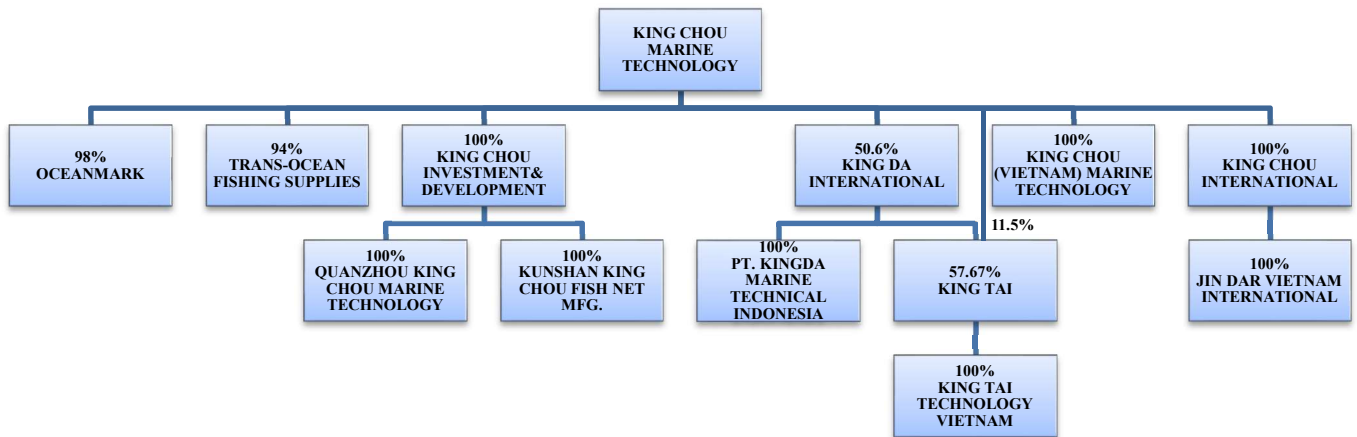
K. Filing of public information

Finance Department has designated staff to complete the filing of public information accurately at MOPS in a timely manner.

## VIII. Special Notes

### 1. Overview on Affiliates

#### (1) Chart of affiliates



- (2) Companies with controlling and subordinate relation pursuant to Article 369-3 of the Company Act: None.
- (3) Name, date of incorporation, address, paid-in capital and main business of affiliates (Attachment 1).
- (4) Industries in which the affiliates operate
  - A. Production and sales of nylon and polyester nets, twines and ropes as well as netting machines, fishing net accessories and gears.
  - B. Manufacturing and processing of fishing gears and nets as well as twines and ropes.
  - C. Trading and export/import of raw materials, supplies, finished goods and semi-finished goods of aforementioned products.
  - D. Use of regenerated scraps and synthetic fibre products for the production of advanced high-tenacity PE, PP and nylon monofilament and multifilament fibres.
- (5) Details on division of labor between affiliates whose businesses are related to one another:
 

Nylon chips provided by King Chou Marine Technology to King Chou (Vietnam) Marine Technology are processed to produce monofilaments, which are then used by King Chou (Vietnam) Marine Technology and Kunshan King Chou Fish Net Mfg. to produce nets for export or to be shipped back to Taiwan. Alternatively, nets could be assembled by Jin Dar Vietnam International, which is commissioned by King Chou (Vietnam) Marine Technology for exports. King Chou Marine Technology also provides nylon yarns to Kunshan King Chou Fish Net Mfg. and King Chou (Vietnam) Marine Technology to produce nets for exports or to be shipped back to Taiwan for further processing before export.
- (6) Name of Directors, Supervisors and Presidents of the affiliates and their shareholdings or capital contributions (Attachment 2).
- (7) Operational highlights and performance of affiliates: (Attachment 3).

(8) Representation Letter - Consolidated Financial Statements of Affiliates

**Representation Letter - Consolidated Financial Statements of Affiliates**

The entities that are required to be included in the combined financial statements of King Chou Marine Technology Co., Ltd. as of and for the year ended December 31, 2023, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, King Chou Marine Technology Co., Ltd. does not prepare a separate set of combined financial statements.

Very truly yours,

King Chou Marine Technology Co., Ltd.

By

Chia-Jen Chen

Chairman

March 13, 2024

(9) Affiliation reports: Not applicable.

2. Private Placement of Securities in the Most Recent Year and as of the Date of this Annual Report: None.
3. The Company’s Shares Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Date of this Annual Report: None.
4. Other Necessary Supplement:
  - (1) Domestic and overseas certifications obtained by finance, accounting and auditing personnel:
    - A. Certified Internal Auditor: One Audit office staff.
    - B. Qualified Internal Auditor: One Audit office staff.
    - C. Basic Proficiency Test for Business Internal Control of the Securities and Futures Institute: One Audit office staff and one Finance Department staff.
5. Any Events in the Most Recent Year and as of the Date of this Annual Report that had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

**Attachment 1**
**Basic Information on Affiliates**

(In Thousands of New Taiwan Dollars)

Name	Date of Incorporation	Address	Paid-in Capital	Main Business or Product
King Chou Marine Technology Co., Ltd.	December 24, 1973	No. 12, Hsingan Rd., Kanghsi Vil., Hsinyuan Township, Pingtung County, Taiwan (R.O.C.)	\$ 839,713	Manufacturing, processing, domestic/export sales and export/import trade of a variety of fishing nets, twines and ropes
Trans-Ocean Fishing Supplies Co., Ltd.	March 14, 1980	No. 110, Xinsheng St., Donggang Township, Pingtung County, Taiwan (R.O.C.)	10,000	Export/import trade of fishing gears and nets
Kunshan King Chou Fish Net Mfg. Co., Ltd.	April 24, 1993	No.88, Changxing Branch Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China.	380,833	Production and sales of nylon and polyester nets, twines and ropes as well as fishing net accessories, gears and netting machines
King Chou Investment & Development Limited	September 3, 1997	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	258,598	Reinvestment and international trade
Oceanmark International Corporation	August 7, 1997	Arango-Orillac Bldg., 2 <sup>nd</sup> Floor, East 54 <sup>th</sup> Street, P.O. BOX 8320, Panama 7, Republic of Panama	322	Reinvestment and international trade
King Da International Limited	October 11, 2000	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	300,863	Reinvestment and international trade
Quanzhou King Chou Marine Technology Ltd.	July 5, 2002	Ducuo Village, Jingfeng Town, Hui'an County, Quanzhou City, Fujian Province, China	36,680	Aquaculture business
King Chou (Vietnam) Marine Technology Co., Ltd.	September 20, 2006	NA2 Street, My Phuoc 2 Industrial Zone, My Phuoc, Ben Cat, Binh Duong Province, Vietnam	411,570	Production and sales of nylon and polyester nets, twines, yarns and ropes as well as fishing net accessories and gears
King Tai Technology Limited	May 7, 2010	Portcullis Chambers P.O.BOX 1225, Apia, Samoa	185,726	Reinvestment and international trade
King Tai Technology Vietnam Co., Ltd.	October 9, 2010	NA1 Street, My Phuoc 2 Industrial Zone, My Phuoc, Ben Cat, Binh Duong Province, Vietnam	156,019	Production of plastic twines, ropes and nets
King Chou International Corporation Limited	September 8, 2015	No.24, Lesperance Complex, Providence Industrial Estate, Mahe, Seychelles	144,685	Reinvestment and international trade
Jin Dar Vietnam International Co., Ltd.	March 1, 2016	Lot DA3, NA4 Street, My Phuoc 2 Industrial Zone, My Phuoc, Ben Cat, Binh Duong Province, Vietnam	140,053	Production and sales of nylon and polyester nets, twines and ropes as well as fishing net accessories and gears
PT. KingDa Marine Technical Indonesia	November 30, 2016	JL. Tugu Industri I No.11 Kawasan Industri Wijaya Kusuma Semarang, Indonesia	454,804	Production of PE, PP and nylon monofilaments and other synthetic fibre products



**Attachment 2**

**Directors, Supervisors and Presidents of Affiliates**

As of April 14, 2024  
(In New Taiwan Dollars and U.S. Dollars; Shares)

Company	Title	Name or Representative	Shareholding (Capital Contribution) (Note)	% of Shareholding (Capital Contribution)
King Chou Marine Technology Co., Ltd.	Chairman and President	Chia-Jen Chen	2,150,574	2.56
	Director	Representative of Chuan Kuang Investment Co., Ltd.: Yu-Chieh Chen	4,351,261	5.18
	Director	Representative of Birkin Technology Co., Ltd.: Chien-Fu Chen	3,079,006	3.67
	Director	Shueh-In Chen	1,587,662	1.89
	Independent Director	Chin-TSEN Chang	18,779	0.02
	Independent Director	Hong-Chih Sun	0	0
	Independent Director	Su-Ching Chang	0	0
Trans-Ocean Fishing Supplies Co., Ltd.	Chairman	Chia-Jen Chen	100	1
	Director	Shueh-In Chen	100	1
	Director	Hua-Mao Chen	100	1
	Director	Chiung-Yu TSENG	100	1
	Director	Chien-Fu Chen	0	0
	Supervisor	Mei-Li Chen	0	0
		Representative of King Chou Marine Technology Co., Ltd.: Chia-Jen Chen	98	98
Oceanmark International Corporation	Chairman	Shueh-In Chen	1	1
	Director	Mei-Li Chen	1	1
King Chou (Vietnam) Marine Technology Co., Ltd.	President	Chia-Jen Chen	0	0
	Director	Deng-Her Chang	0	0

Company	Title	Name or Representative	Shareholding (Capital Contribution) (Note)	% of Shareholding (Capital Contribution)
King Chou International Corporation Limited	Director	Shueh-In Chen	0	0
	Director	Chia-Hui Kuo	0	0
	Director	Wen-Chi TSENG	0	0
	Chairman	Chia-Jen Chen	0	0
Jin Dar Vietnam International Co., Ltd.	President	Representative of King Chou International Co., Ltd.: Chia-Jen Chen	4,500,000	100
King Chou Investment & Development Limited	Chairman	Representative of King Chou Marine Technology Co., Ltd.: Chia-Jen Chen	6,775,619	100
Kunshan King Chou Fish Net Mfg. Co., Ltd.	Chairman and President	Chia-Jen Chen	0	0
	Director	Shueh-In Chen	0	0
	Director	Mei-Li Chen	0	0
	Director	Chia-Hui Kuo	0	0
	Director	Wen-Chi TSENG	0	0
	Chairman	Representative of King Chou Marine Technology Co., Ltd.: Chia-Jen Chen	4,807,000	50.6
King Da International Limited	Director	Wei-Chun Li	2,332,354	24.55
	Director	Ma-I Huang	248,700	2.62
	Director	Shueh-In Chen	0	0
	Director	Chien-Fu Chen	0	0
	Chairman	Chia-Jen Chen	105,000	0.7
PT. KingDa Marine Technical Indonesia	Director	Representative of King Da International Ltd.: Chia-Jen Chen	14,790,000	98.6
	Director	Ma-I Huang	105,000	0.7
	President	Chung-Hsiao Chen	0	0
	Chairman	Deng-Her Chang	0	0
King Tai Technology Limited	Director	Feng-Chun Lin	520,000	8.67
	Director	Peng-I Lin	420,000	7

Company	Title	Name or Representative	Shareholding (Capital Contribution) (Note)	% of Shareholding (Capital Contribution)
King Tai Technology Vietnam Co., Ltd.	Director	Chia-Jen Chen	0	0
	Director	Yu-Fu Chen	0	0
	Director	Shueh-In Chen	0	0
	Director	Ma-I Huang	0	0
	Director	Wei-Chun Li	245,000	4.08
	Director	Chung-Chuan Hu	0	0
	Chairman	Deng-Her Chang	0	0
	Director and President	Peng-I Lin	0	0
	Director	Chia-Jen Chen	0	0
	Director	Yu-Fu Chen	0	0
	Director	Shueh-In Chen	0	0
	Director	Ma-I Huang	0	0
	Director	Wei-Chun Li	0	0
	Director	Chung-Chuan Hu	0	0
	Director	Feng-Chun Lin	0	0

Note: For companies limited by shares, please fill in the number of shares held and the shareholding percentage. For other companies, please fill in the amount and percentage of capital contributions.

**Attachment 3**

**Operational Highlights of Affiliates**  
For the Year Ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Revenue	Operating Profit	Net Income (Loss), After-tax	Earnings per Share, After-tax (NT\$)
Trans-Ocean Fishing Supplies Co., Ltd.	\$ 10,000	\$ 19,102	\$ 378	\$ 18,724	\$ 32,906	\$ 1,673	\$ 1,598	0
King Chou Investment & Development Limited	258,598	1,118,353	0	1,118,353	0	(85)	6,410	0
Oceanmark International Corporation	322	1,384,502	1,380,379	4,123	1,660	(2,783)	319	0
King Chou Fish Net Mfg. Co., Ltd.	380,833	1,486,878	373,545	1,113,333	472,075	(6,315)	6,486	0
King Da International Limited	300,863	802,856	155,272	647,584	46,619	(9,927)	4,075	0
Quanzhou King Chou Marine Technology Ltd.	36,680	0	0	0	0	0	0	0
King Chou (Vietnam) Marine Technology Co., Ltd.	411,570	1,425,355	471,783	953,572	900,127	112,613	101,543	0
King Tai Technology Ltd.	185,369	397,467	9,341	388,126	93,781	6,007	16,532	0
King Tai Technology Vietnam Co., Ltd.	156,019	366,586	9,494	357,092	192,088	9,446	10,420	0
King Chou International Corporation Limited	144,685	369,729	0	369,729	0	(53)	38,081	0
Jin Dar Vietnam International Co., Ltd.	140,053	371,822	4,884	366,938	83,223	26,806	38,045	0
PT. KingDa Marine Technical Indonesia	454,804	837,615	452,062	385,553	300,121	21,313	11,909	0

## **Independent Auditors' Report**

The Board of Directors and Shareholders  
King Chou Marine Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of King Chou Marine Technology Co., Ltd. and its subsidiaries (hereinafter referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities in accordance with the Norm. 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 consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion, and we do not provide a separate opinion on these matters.

Details of key audit matters in the Group's consolidated financial statements for the year ended December 31, 2023 are as follows:

#### Authenticity of sales revenue

The Group's operating revenue for the year ended December 31, 2023 included sales revenue from specific customers. As these revenues had a higher correlation to the calculation of key performance indicators of sales personnel, the authenticity of sales revenue from specific customers was determined to be the key audit matter based on the presumption in the statements of auditing standards that significant risk exists in revenue recognition.

Audit procedures carried out in response to specific aspects stated in the aforementioned key audit matter included:

1. We understood and tested internal controls relevant to the authenticity of revenue recognition, including whether the design and execution of internal controls over order and shipment operations were effective and sales revenues were recognized accordingly; and

2. We obtained details on sales revenues of specific customers and randomly selected an adequate number of samples, examined shipping documents or the existence of export declaration documents, and sent out confirmation letters or verified whether the amounts collected, payers and sales customers were in agreement with one another to confirm the authenticity of revenue.

## **Other Matters**

King Chou Marine Technology Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2023 and 2022, which we had audited and issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and maintains necessary internal control associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 the key audit matters in the audit of the consolidated financial statements for the year ended December 31, 2023. We describe these matters in the independent auditors' report, unless law and regulation prohibit the public disclosure of specific items, or in extremely rare cases, where we decide not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

The engagement partners on the audits resulting in this independent auditors' report are Chia-Ling Chiang and Hung-Ju Liao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2024

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 & 6)	\$ 795,247	17	\$ 630,709	13
Financial assets at fair value through profit or loss - current (Notes 4 & 7)	53,610	1	48,178	1
Financial assets at amortized cost - current (Notes 4 & 11)	254,004	5	210,118	4
Notes receivable (Notes 4, 5, 9 & 22)	19,776	-	39,001	1
Accounts receivable, net (Notes 4, 5, 9 & 22)	617,219	13	815,143	17
Accounts receivable - related parties (Notes 4, 5, 9, 22 & 28)	25,123	1	25,811	1
Other receivable (Note 9)	24,627	-	22,785	1
Current tax assets (Notes 4 & 24)	6,043	-	8,964	-
Inventories (Notes 4 & 10)	1,031,647	22	1,124,670	23
Other current assets (Note 16)	76,577	2	106,678	2
Total current assets	2,903,873	61	3,032,057	63
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 & 8)	5,462	-	3,600	-
Financial assets at amortized cost - non-current (Notes 4 & 11)	11,271	-	6,111	-
Property, plant and equipment (Notes 4, 13, 29 & 30)	1,470,991	31	1,452,785	30
Right-of-use assets (Notes 4, 14 & 29)	172,049	4	177,819	4
Investment property (Notes 4 & 15)	81,181	2	15,069	-
Intangible assets (Note 4)	2,056	-	832	-
Deferred tax assets (Notes 4 & 24)	111,906	2	91,862	2
Prepayments for equipment	8,246	-	35,118	1
Net defined benefit assets (Notes 4 & 20)	20,508	-	16,004	-
Other non-current assets	3,454	-	3,005	-
Total non-current assets	1,887,124	39	1,802,205	37
<b>TOTAL</b>	<b>\$ 4,790,997</b>	<b>100</b>	<b>\$ 4,834,262</b>	<b>100</b>

(Continued)

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



**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS - (Continued)**  
**DECEMBER 31, 2023 and 2022**  
(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4, 17, 28 & 29)	\$ 801,696	17	\$ 849,757	18
Contract liabilities (Notes 4 & 22)	40,667	1	52,046	1
Accounts payable (Note 18)	43,984	1	57,793	1
Other payables (Notes 19 & 28)	176,392	4	203,886	4
Current tax liabilities (Notes 4 & 24)	30,555	-	76,468	2
Current portion of long-term borrowings (Notes 4, 17, 28 & 29)	52,379	1	46,065	1
Other current liabilities	3,717	-	1,530	-
Total current liabilities	1,149,390	24	1,287,545	27
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 17, 28 & 29)	70,441	1	30,710	1
Deferred tax liabilities (Notes 4 & 24)	382,528	8	351,920	7
Guarantee deposits received	87	-	132	-
Total non-current liabilities	453,056	9	382,762	8
Total liabilities	1,602,446	33	1,670,307	35
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>				
Ordinary shares	839,713	17	839,713	17
Capital surplus	38,917	1	38,917	1
Retained earnings				
Legal reserve	423,241	9	382,274	8
Special reserve	163,818	3	213,696	4
Undistributed earnings	1,509,965	32	1,430,448	30
Total retained earnings	2,097,024	44	2,026,418	42
Other equity	( 207,752)	( 4)	( 162,855)	( 4)
Total equity attributable to owners of the Company	2,767,902	58	2,742,193	56
<b>NON-CONTROLLING INTERESTS (Note 21)</b>	420,649	9	421,762	9
Total equity	3,188,551	67	3,163,955	65
<b>TOTAL</b>	<b>\$ 4,790,997</b>	<b>100</b>	<b>\$ 4,834,262</b>	<b>100</b>

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

(Concluded)

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars, Except Earnings per Share)**

	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Operating revenue (Notes 4, 22 & 28)	\$ 2,936,371	100	\$ 3,266,960	100
Operating costs (Notes 10 & 23)	2,195,779	75	2,302,618	70
Gross profit	740,592	25	964,342	30
Operating expenses (Notes 9 & 23)				
Selling and marketing expenses	127,062	4	168,108	5
General and administrative expenses	192,297	7	216,636	7
Research and development expenses	2,296	-	3,519	-
Expected credit loss	28,017	1	39,324	1
Total operating expenses	349,672	12	427,587	13
Profit from operations	390,920	13	536,755	17
Non-operating income and expenses (Note 23)				
Interest income	33,496	1	16,323	1
Other income	10,197	1	11,213	-
Other gains and losses	36,834	1	19,823	1
Finance costs	( 32,875)	( 1)	( 16,796)	( 1)
	47,652	2	30,563	1
Consolidated profit before income tax	438,572	15	567,318	18
Income tax expense (Notes 4 & 24)	121,958	4	165,560	5
Net profit	316,614	11	401,758	13
Other comprehensive income (loss) (Notes 4, 20, 21 & 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	4,826	-	8,369	-
Unrealized loss on valuation of financial assets at fair value through other comprehensive income	1,862	-	-	-
Income tax related to items that will not be reclassified subsequently	( 965)	-	( 1,674)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	( 61,239)	( 2)	80,602	2
Income tax related to items that may be reclassified subsequently	11,691	-	( 12,470)	-
Other comprehensive income (loss), net of income tax	( 43,825)	( 2)	74,827	2
Total comprehensive income	\$ 272,789	9	\$ 476,585	15
Net profit (loss) attributed to:				
Owners of the Company	\$ 310,262	11	\$ 402,977	12
Non-controlling interests	6,352	-	( 1,219)	-
	\$ 316,614	11	\$ 401,758	12
Total comprehensive income attributed to:				
Owners of the Company	\$ 269,226	9	\$ 459,550	14
Non-controlling interests	3,563	-	17,035	1
	\$ 272,789	9	\$ 476,585	15
Earnings per share (Note 25)				
Basic	\$ 3.69		\$ 4.80	
Diluted	\$ 3.67		\$ 4.77	

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

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Retained Earnings						Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	Total	Non-controlling Interest	Total Equity
Balance as of January 1, 2022	\$ 839,713	\$ 38,917	\$355,983	\$193,381	\$ 1,243,722	\$1,793,086	(\$ 212,733)	\$ -	(\$ 212,733 )	\$2,458,983	\$ 406,861	\$ 2,865,844
Appropriation and distribution of 2021 earnings (Note 21)												
Legal reserve	-	-	26,291	-	( 26,291)	-	-	-	-	-	-	-
Special reserve	-	-	-	20,315	( 20,315)	-	-	-	-	-	-	-
Cash dividends to shareholders of the Company	-	-	-	-	( 176,340)	( 176,340)	-	-	-	( 176,340)	-	( 176,340)
	-	-	26,291	20,315	( 222,946)	( 176,340)	-	-	-	( 176,340)	-	( 176,340)
Cash dividends to shareholders of the subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	-	( 2,134)	( 2,134)
Net income in 2022	-	-	-	-	402,977	402,977	-	-	-	402,977	( 1,219)	401,758
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	6,695	6,695	49,878	-	49,878	56,573	18,254	74,827
Total comprehensive income (loss) in 2021	-	-	-	-	409,672	409,672	49,878	-	49,878	459,550	17,035	476,585
Balance as of December 31, 2022	839,713	38,917	382,274	213,696	1,430,448	2,026,418	( 162,855)	-	( 162,855)	2,742,193	421,762	3,163,955
Appropriation and distribution of 2022 earnings (Note 21)												
Legal reserve	-	-	40,967	-	( 40,967)	-	-	-	-	-	-	-
Special reserve	-	-	-	( 49,878)	49,878	-	-	-	-	-	-	-
Cash dividends to shareholders of the Company	-	-	-	-	( 243,517)	( 243,517)	-	-	-	( 243,517)	-	( 243,517)
	-	-	40,967	( 49,878)	( 234,606)	( 243,517)	-	-	-	( 243,517)	-	( 243,517)
Cash dividends to shareholders of the subsidiaries (Note 21)	-	-	-	-	-	-	-	-	-	-	( 4,676)	( 4,676)
Net income (loss) in 2023	-	-	-	-	310,262	310,262	-	-	-	310,262	6,352	316,614
Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	3,861	3,861	( 46,759)	1,862	( 44,897)	( 41,036)	( 2,789)	( 43,825)
Total comprehensive income (loss) in 2023	-	-	-	-	314,123	314,123	( 46,759)	1,862	( 44,897)	269,226	3,563	272,789
Balance as of December 31, 2023	\$ 839,713	\$ 38,917	\$ 423,241	\$163,818	\$ 1,509,965	\$2,097,024	( \$ 209,614	\$ 1,862	(\$ 207,752 )	\$ 2,767,902	\$ 420,649	\$ 3,188,551

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

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Consolidated profit before income tax	\$ 438,572	\$ 567,318
Adjustments:		
Depreciation	136,160	122,595
Amortization	3,255	2,596
Expected credit loss	28,017	39,324
Net loss (gain) on financial instruments at fair value through profit or loss	( 2,567 )	12,953
Finance costs	32,875	16,796
Interest income	( 33,496 )	( 16,323 )
Dividend income	( 4,094 )	( 4,746 )
Net loss on disposal of property, plant and equipment	( 3 )	31
Impairment loss on non-financial assets	8,376	22,800
Net changes in operating assets and liabilities		
Notes receivable	19,225	( 21,844 )
Accounts receivable	118,879	( 277,227 )
Accounts receivable - related parties	688	( 18,135 )
Other receivable	2,031	( 1,729 )
Inventories	86,095	( 84,565 )
Other current assets	30,769	9,841
Contract liabilities	( 11,379 )	330
Accounts payable	( 13,809 )	15,085
Other payable	( 27,507 )	42,993
Other current liabilities	2,187	( 489 )
Net defined benefit assets	322	683
Cash generated from operations	814,596	428,287
Interest received	29,623	12,483
Dividend received	4,094	4,746
Interest paid	( 33,873 )	( 17,653 )
Income tax paid	( 143,997 )	( 96,483 )
Net cash generated by operating activities	<u>670,443</u>	<u>331,380</u>

(Continued)

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

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	( \$ 600)
Acquisition of financial assets mandatorily at fair value through profit or loss	( 16,181 )	( 20,778)
Proceeds from sale of financial assets mandatorily at fair value through profit or loss	13,316	14,043
Acquisition of financial assets at amortized cost	( 49,046 )	( 24,029)
Acquisition of property, plant and equipment	( 135,473 )	( 155,425)
Proceeds from disposal of property, plant and equipment	3,876	1,296
Acquisition of intangible assets	( 1,712 )	( 13)
Acquisition of investment property	( 17,090 )	-
Increase in other non-current assets	( 3,286 )	( 2,379)
Net cash used in investing activities	<u>( 205,596 )</u>	<u>( 187,885)</u>
Cash flows from financing activities		
Increase in short-term borrowings	2,134,797	3,077,294
Decrease in short-term borrowings	( 2,181,235 )	( 2,841,038)
Increase in short-term bills payable	290,000	300,000
Decrease in short-term bills payable	( 290,000 )	( 350,000)
Increase in long-term borrowings	90,475	-
Repayment of long-term borrowings	( 49,734 )	( 140,615)
Increase in guarantee deposits received	-	74
Decrease in guarantee deposits received	( 45 )	-
Distribution of dividends to owners of the Company	( 243,517 )	( 176,340)
Distribution of cash dividends to non-controlling interests	( 4,676 )	( 2,134)
Net cash used in financing activities	<u>( 253,935 )</u>	<u>( 132,759)</u>
Effects of exchange rate changes on cash and cash equivalents	<u>( 46,374 )</u>	<u>80,979</u>
Net increase (decrease) in cash and cash equivalents	164,538	91,715
Cash and cash equivalents at beginning of year	<u>630,709</u>	<u>538,994</u>
Cash and cash equivalents at end of year	<u>\$ 795,247</u>	<u>\$ 630,709</u>

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

(Concluded)

# KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED 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. HISTORY AND ORGANIZATION

King Chou Marine Technology Co., Ltd. (the “Company”) was established at Hsinyuan Township, Pingtung County in December 1973. It was formerly named King Chou Fish Net Mfg. Co., Ltd. and later renamed King Chou Marine Technology Co., Ltd. in July 2002. The Company mainly engages in the manufacturing, processing, domestic/export sales and export/import trade of a variety of fishing nets, twines and ropes.

The Company’s shares have been traded on the Taipei Exchange (TPEX) since November 2000.

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

### 2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 13, 2024.

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

- (1) First-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The adoption of IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Company and entities controlled by the Company (the Group).

- (2) IFRS Accounting Standards endorsed by the FSC to take effect for annual reporting periods beginning on January 1, 2024

<b>New or Amended Standards and Interpretations</b>	<b>Effective Date Announced by International Accounting Standards Board (IASB)</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 “Non-current Liabilities with Covenants”	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 new or amended standards and interpretations 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: Exemptions from certain disclosure requirements for the first-time adoption of the amendments.

As of the date the consolidated financial statements were authorized for issue, the Group determined that the adoption of above amended standards and interpretations did not have material impact on the Group's financial position and financial performance upon assessment.

- (3) IFRS Accounting Standards issue by the IASB but not yet endorsed and issued into effect by the FSC

<b>New or Amended Standards and Interpretations</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 17 and IFRS 9 - 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 and amended IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will take effect for the annual period beginning on January 1, 2025. The effect of the first-time adoption is recognized in retained earnings on the date of initial adoption. When the Group uses a presentation currency other than its functional currency, the effect is recognized in exchange difference on translation of foreign operations under equity on the date of initial adoption.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's consolidated financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) Statement of Compliance

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

- (2) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair values and net defined benefit assets which are measured at the present value of the defined benefit obligations 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 on the measurement date;
- B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

C. Level 3 inputs are unobservable inputs for the asset or liability.

(3) 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 twelve months after the balance sheet date; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the balance sheet date; and
- C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date.

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

(4) Basis of consolidation

Entities within the consolidated financial statements include the Company and entities controlled by the Company (i.e., subsidiaries). The financial statements of the subsidiaries are adjusted for their accounting policies to be in line with the ones used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Group and the NCIs are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjustments to NCIs and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is the difference between (a) the sum of the fair value of the consideration received and the fair value of investment retained on the date it loses control and (b) the sum of the assets (including goodwill) and liabilities of the subsidiary and the carrying amount of NCIs on the date it loses control. All amounts previously recognized in other comprehensive income in relation to the subsidiaries are accounted for on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Please refer to Note 12 and Tables 6 and 7 for detailed information on the subsidiaries, ownership percentage and main businesses.

(5) Foreign Currencies

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



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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries operating in different countries or using different currencies from the Group) are translated into New Taiwan dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income (and attributed to the owners of the Company and NCIs as appropriate).

On the disposal of all interests in the foreign operation, cumulative exchange difference attributable to owners of the Company and associated with the foreign operation would be reclassified to profit or loss.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative exchange differences would be re-attributed to the NCIs of the subsidiary instead of profit or loss. For all other partial disposals of a foreign operation, the cumulative exchange difference is reclassified to profit or loss by the disposal percentage.

#### (6) Inventories

Inventories include merchandises, raw materials, work in process and finished goods. Inventories 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. 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 stated at weighted-average cost on the balance sheet date.

#### (7) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and impairment loss.

Property, plant and equipment under construction are recognized at cost less accumulated impairment. Costs include professional service fees and borrowing costs eligible for capitalization. When the assets are completed for their intended use, they would be classified to proper categories under property, plant and equipment and the depreciation begins.

Depreciation on property, plant and equipment is recognized using the straight-line method over the useful lives. 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 estimates accounted for on a prospective basis.

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

(8) Investment property

An investment property is a property held to earn rents and/or capital appreciation, including land with undetermined use.

An owner-occupied investment property is originally measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and impairment loss.

Depreciation on investment property is recognized on a straight-line basis.

The property of the property, plant and equipment is reclassified as an investment property at its carrying amount on the commencement date of the lease.

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

(9) Intangible Assets

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and impairment loss. Amortization is recognized on a straight-line basis over the useful lives of the intangible assets. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

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 for the year.

(10) Impairment of Property, Plant and Equipment, Right-of-use Assets, Investment property and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment property 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 Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Corporate assets are allocated to individual CGU or the smallest group of CGUs on a reasonable and consistent basis.

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 CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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, CGUs or assets related to the contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized on the asset, CGU or assets related to the contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group 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 fair value through profit or loss) 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 or issuance of financial assets or financial liabilities at fair value through profit or loss 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.

##### (a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost and equity instruments at fair value through other comprehensive income (FVTOCI).

##### i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily at FVTPL, which include equity instruments not designated as at FVTOCI and debt instruments not qualified as measured at amortized cost or at FVTOCI.

Financial assets at FVTPL are measured at fair value. Gains or losses from remeasurement (including dividends or interests on such financial assets) are recognized in profit or loss. Fair value is determined by the manner described in Note 27.

##### ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivables at amortized cost (including related parties), accounts receivables (including related parties), other receivables and other financial assets, 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 the financial asset.

Credit impaired financial assets refer to significant financial difficulty of the issuer or debtor, breach of contract, increasing likelihood that the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include time deposits and bonds with repurchase agreements 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments, except for ones held for trading or are contingent considerations recognized by an acquirer in a business combination, as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on investments in equity instruments at FVTOCI are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(b) Impairment of financial assets

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

Impairment loss of all financial assets is deducted directly from the carrying amount of the financial assets, except for accounts and notes receivables. The Group recognizes lifetime expected credit losses (ECLs) for accounts and notes receivables. For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted-average credit losses with the respective risks of 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.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its debts.
- ii. Financial asset is more than 365 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes impairment loss of all financial assets by reducing their carrying amount through a loss allowance account.

(c) Derecognition of financial assets

The Group 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.

However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, instead of being reclassified as profit or loss.

B. Equity instruments

Debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

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

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

C. Financial liabilities

(a) Subsequent measurement

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

(b) Derecognition of financial liabilities

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

(12) Revenue Recognition

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

Revenue from sale of goods mainly stems from the sale of net products, ropes and twines. Revenue and accounts receivables are recognized when the goods have been shipped or delivered to customers because this is the time when the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility for sales to future customers and bear the risks of obsolescence. Unearned receipts from sale of goods are recognized as contract liabilities until the Group has fulfilled its performance obligations.

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

### (13) Leasing

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

As a lessee, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases and short-term leases where recognition exemptions apply and 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 consolidated 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. 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 Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

### (14) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period they occur.

### (15) 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 expense when employees have rendered service 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 and net interest on the net defined benefit asset are recognized as employee benefits expense in the period 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Net defined benefit asset represents the actual surplus in the Group's defined benefit plan. 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.

## (16) Income Tax

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

### A. Current tax

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

According to the Income Tax Act of the Republic of China, an additional tax on unappropriated earnings is provided for as income tax 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 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, except where the Group 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 and interests 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 asset 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 all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### C. Current and deferred tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The Group takes into account recent developments of Covid-19 and possible impact on the economic environment thereof for its material accounting estimates, including the cash flow projections, growth rates, discount rates and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year, or in the year of the revision and future years if the revisions affect both current and future years.

Key source of estimation uncertainty - Estimates for the impairment of financial assets

The estimates of impairment loss for receivables are based on the Group's assumptions for the probability and expected loss rate of defaults. Past experience, current market conditions and forward-looking information are taken into consideration for the assumptions and inputs of the impairment assessment. Please refer to Note 9 for details on key assumptions and inputs. A less-than-expected actual cash flows in the future may lead to significant impairment losses.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand and petty cash	\$ 794	\$ 454
Checking accounts and demand deposits	599,458	498,202
Cash equivalents		
Time deposits with original maturities of three months or less	153,525	122,840
Bonds with repurchase agreements	41,470	9,213
	<u>\$ 795,247</u>	<u>\$ 630,709</u>

The annual interest rate intervals of cash equivalents as of the balance sheet date were as follows:

	December 31	
	2023	2022
Time deposits (%)	5.45~5.70	4.68~4.80
Bonds with repurchase agreements (%)	4.85~5.60	3.80

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Listed domestic shares	\$ 44,773	\$ 44,818
Beneficiary certificates	8,837	3,360
	<u>\$ 53,610</u>	<u>\$ 48,178</u>



## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2023	2022
Domestic investments		
Unlisted shares	\$ 5,462	\$ 3,600

The Group acquired the ordinary shares of Taiwan Wind Power Co., Ltd. for mid to long-term strategic purpose and expected to receive investment gains in the long run. Management believes that the recognition of short-term fair value changes in profit or loss is inconsistent with the aforementioned long-term investment planning. Thus, it elects to designate these investments as at fair value through other comprehensive income.

## 9. NOTES, ACCOUNTS AND OTHER RECEIVABLES

	December 31	
	2023	2022
Notes receivable (including related parties)		
From operation	\$ 19,776	\$ 39,001
Accounts receivable (including related parties)		
Gross carrying amount at amortized cost	\$ 809,009	\$ 979,088
Less: Loss allowance	166,667	138,134
	\$ 642,342	\$ 840,954
Other receivables		
Tax refund receivable	\$ 16,005	\$ 17,621
Others	8,622	5,164
	\$ 24,627	\$ 22,785

### Accounts and notes receivables

The average credit period for the sales of goods is 60 to 180 days. No interest is charged on accounts receivables. To mitigate credit risk, the management assigns dedicated personnel to handle the determination of credit limits, credit approvals and other monitoring procedures to ensure proper actions are taken for the recovery of overdue receivables. Furthermore, the Group reviews the recoverable amount of each receivable on the balance sheet date to make sure proper impairment losses are recognized for uncollectible accounts. Thus, the management believes that the Group's credit risk has been significantly reduced.

The Group measures loss allowance for accounts receivables at an amount equal to lifetime expected credit losses. The expected credit losses are estimated using a provision matrix by considering the past default record and the current financial position of the debtor, adjusted for general economic conditions of the industry in which the debtors operate and an assessment on the industry outlook at the reporting date. As the Group's historical credit loss record does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished according to the Group's customer base. The Group determines the expected credit loss rates solely on the past due days of accounts receivable.

The Group writes off a receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Amounts recovered are recognized in profit or loss.

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

December 31, 2023

	Not Past Due	Less than 90 Days 0.5~5	91 to 180 Days 10	181 to 365 Days 50	Over 365 Days 100	Total
Gross carrying amount	\$517,615	\$117,110	\$ 30,508	\$ 7,616	\$155,936	\$ 828,785
Loss allowance (Lifetime ECL)	-	( 3,872)	( 3,051)	( 3,808)	( 155,936)	( 166,667)
Amortized cost	<u>\$517,615</u>	<u>\$113,238</u>	<u>\$ 27,457</u>	<u>\$ 3,808</u>	<u>\$ -</u>	<u>\$ 662,118</u>

December 31, 2022

	Not Past Due	Less than 90 Days 0.5~5	91 to 180 Days 10	181 to 365 Days 50	Over 365 Days 100	Total
Gross carrying amount	\$694,317	\$158,369	\$ 28,287	\$ 10,163	\$126,953	\$1,018,089
Loss allowance (Lifetime ECL)	-	( 3,271)	( 2,829)	( 5,081)	( 126,953)	( 138,134)
Amortized cost	<u>\$694,317</u>	<u>\$155,098</u>	<u>\$ 25,458</u>	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 879,955</u>

Movements of the loss allowances of notes and accounts receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance as of January 1	\$ 138,134	\$ 97,854
Appropriated during the year	28,017	39,324
Foreign exchange gain (loss)	516	956
Balance as of December 31	<u>\$ 166,667</u>	<u>\$ 138,134</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 302,286	\$ 336,168
Work in process	324,642	322,541
Raw materials	359,509	415,351
Merchandise	29,647	31,775
Inventory in transit	15,563	18,835
	<u>\$1,031,647</u>	<u>\$1,124,670</u>

- (1) The cost of inventories recognized as operating cost amounted to NT\$2,195,779 thousand and NT\$2,302,618 thousand for the years ended December 31, 2023 and 2022, respectively. The cost of goods sold included write-downs of inventories of NT\$8,376 thousand and NT\$22,800 thousand for the years ended December 31, 2023 and 2022, respectively.
- (2) The cost of goods sold for the years ended December 31, 2021 included the unallocated manufacturing overheads for the suspension period due to Covid-19 of NT\$7,711 thousand.

## 11. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
Time deposits with original maturities over three months	\$ 260,778	\$ 210,118
Refundable deposits	4,497	6,111
	<u>\$ 265,275</u>	<u>\$ 216,229</u>
Current	\$ 254,004	\$ 210,118
Non-current	11,271	6,111
	<u>\$ 265,275</u>	<u>\$ 216,229</u>

The annual interest rate ranges of financial assets at amortized cost were as follows:

	December 31	
	2023	2022
Annual interest rate (%)	1.31~8.70	1.03~8.70

As the counterparties of financial assets at amortized cost are banks with outstanding credit records, there is no significant concern over default. Therefore, there is no significant credit risk.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2023	2022
The Company	King Chou Investment & Development Limited (KCL)	Reinvestment and international trade	100	100
	King Da International Limited (KDL)	Reinvestment and international trade	50.6	50.6
	Oceanmark International Corporation (OIC)	Reinvestment and international trade	98	98
	King Chou International Corporation Limited (KCIC)	Reinvestment and international trade	100	100
	King Chou (Vietnam) Marine Technology Co., Ltd. (Vietnam King Chou)	Production of nets, twines and ropes as well as fishing net accessories and gears	100	100
	Trans-Ocean Fishing Supplies Co., Ltd. (Trans-Ocean)	Export/import trade of fishing gears and nets	94	94

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2023	2022
KCL	Kunshan King Chou Fish Net Mfg. Co., Ltd. (Kunshan King Chou)	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	100	100
	Quanzhou King Chou Marine Technology Ltd. (Quanzhou King Chou)	Aquaculture business	100	100
KDL	King Tai Technology Limited (KTTL)	Reinvestment and international trade	74.33	74.33
	King Da Marine Technical Indonesia Ltd. (Indonesia King Da)	Production of PE, PP and nylon monofilaments and other synthetic fiber products	100	100
KCIC	Jin Dar Vietnam International Co., Ltd. (Vietnam Jin Dar)	Production of nets, twines and ropes as well as fishing net accessories and gears	100	100
KTTL	King Tai Technology Vietnam Co., Ltd. (Vietnam King Tai)	Production of plastic twines, ropes and nets	100	100

(Concluded)

Please refer to Tables 6 and 7 for details on investments in subsidiaries.

### 13. PROPERTY, PLANT AND EQUIPMENT

(1) Movements of costs, accumulated depreciation and accumulated impairment were as follows:

For the year ended December 31, 2023

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance as of January 1, 2023	\$359,762	\$988,882	\$1,089,387	\$51,083	\$15,133	\$160,890	\$58,825	\$2,723,962
Addition	-	79,632	59,007	4,107	2,908	2,908	15,221	163,356
Disposal	-	-	(18,906)	(3,056)	(95)	(95)	-	(22,069)
Reclassification	-	-	-	-	-	-	(668)	(668)
Exchange differences, net	-	(14,359)	(26,867)	(703)	(64)	(2,988)	3,829	(41,152)
Balance as of December 31, 2023	<u>\$359,762</u>	<u>\$1,054,155</u>	<u>\$1,102,621</u>	<u>\$51,431</u>	<u>\$17,882</u>	<u>\$160,381</u>	<u>\$77,197</u>	<u>\$2,823,429</u>
<b>Accumulated Depreciation and Impairment</b>								
Balance as of January 1, 2023	( \$ 24,328 )	( \$334,583 )	( \$ 741,385 )	( \$ 36,053 )	( \$ 11,425 )	( \$ 123,403 )	\$ -	( \$1,271,177 )
Depreciation	-	( 43,793 )	( 68,153 )	( 4,245 )	( 2,753 )	( 8,933 )	-	( 127,877 )
Disposal	-	-	15,277	2,821	87	11	-	18,196
Exchange differences, net	-	5,808	19,363	533	69	2,647	-	28,420
Balance as of December 31, 2023	<u>( \$ 24,328 )</u>	<u>( \$372,568 )</u>	<u>( \$ 774,898 )</u>	<u>( \$ 36,944 )</u>	<u>( \$ 14,022 )</u>	<u>( \$ 129,678 )</u>	<u>\$ -</u>	<u>( \$1,352,438 )</u>
Net balance as of December 31, 2023	<u>\$335,434</u>	<u>\$681,587</u>	<u>\$ 327,723</u>	<u>\$ 14,487</u>	<u>\$ 3,860</u>	<u>\$ 30,703</u>	<u>\$ 77,197</u>	<u>\$1,470,991</u>

For the year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance as of January 1, 2022	\$ 339,030	\$ 947,577	\$ 987,986	\$ 49,383	\$ 15,123	\$ 148,396	\$ 9,044	\$ 2,496,539
Addition	20,732	10,880	60,029	15	375	6,224	50,660	148,915
Disposal	-	-	( 8,508)	-	( 586)	( 113)	-	( 9,207)
Exchange differences, net	-	30,425	49,880	1,685	221	6,383	( 879)	87,715
Balance as of December 31, 2022	<u>\$ 359,762</u>	<u>\$ 988,882</u>	<u>\$ 1,089,387</u>	<u>\$ 51,083</u>	<u>\$ 15,133</u>	<u>\$ 160,890</u>	<u>\$ 58,825</u>	<u>\$ 2,723,962</u>
<b>Accumulated Depreciation and Impairment</b>								
Balance as of January 1, 2022	( \$ 24,328 )	( \$ 286,486 )	( \$ 651,171 )	( \$ 30,427 )	( \$ 9,742 )	( \$ 110,295 )	\$ -	( \$ 1,112,449 )
Depreciation	-	( 39,654 )	( 59,945 )	( 4,632 )	( 2,125 )	( 8,088 )	-	( 114,444 )
Disposal	-	-	7,193	-	586	101	-	7,880
Exchange differences, net	-	( 8,443 )	( 37,462 )	( 994 )	( 144 )	( 5,121 )	-	( 52,164 )
Balance as of December 31, 2022	<u>( \$ 24,328 )</u>	<u>( \$ 334,583 )</u>	<u>( \$ 741,385 )</u>	<u>( \$ 36,053 )</u>	<u>( \$ 11,425 )</u>	<u>( \$ 123,403 )</u>	<u>\$ -</u>	<u>( \$ 1,271,177 )</u>
Net balance as of December 31, 2022	<u>\$ 335,434</u>	<u>\$ 654,299</u>	<u>\$ 348,002</u>	<u>\$ 15,030</u>	<u>\$ 3,708</u>	<u>\$ 37,487</u>	<u>\$ 58,825</u>	<u>\$ 1,452,785</u>

The ownership over agricultural land of NT\$87,562 thousand is temporarily registered to an individual as it cannot be transferred to the Group due to regulatory restrictions. However, the land is pledged to the Group. In 2004, accumulated impairment of NT\$24,328 thousand was recognized based on the net fair value of the land and the amount was not changed as of December 31, 2023.

(2) Useful lives

The items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives of the assets:

<b>Buildings</b>	
Main buildings	6 to 60 years
Other netting premises	5 to 10 years
<b>Machinery and equipment</b>	
Transportation equipment	4 to 16 years
Office equipment	5 to 10 years
Miscellaneous equipment	3 to 10 years
	3 to 50 years

Refer to Note 29 for details on property, plant and equipment pledged by the Group to secure borrowings.

(3) Investing activities which affect both cash and non-cash items

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Increase in property, plant and equipment	\$ 163,356	\$ 148,915
Increase (decrease) in prepayments for equipment	( 26,872)	7,511
Decrease (increase) in equipment payables	201	( 169)
Capitalized interests	( 1,212)	( 832)
Cash paid for the acquisition of property, plant and equipment	<u>\$ 135,473</u>	<u>\$ 155,425</u>

## 14. LEASE AGREEMENTS

### (1) Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amount		
Land	\$ 172,049	\$ 177,819
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Depreciation		
Land	\$ 7,020	\$ 6,884

Except for the recognition of depreciation expenses, there were no significant sublease nor impairment for the right-of-use assets for the years ended December 31, 2023 and 2022.

### (2) Material lease activities and terms

The Group's right-of-use assets refer to the land use rights in China, Vietnam and Indonesia. The remaining useful lives of the Group's land use rights were between 21 to 36 years.

A part of the land use rights of the Group was pledged to secure borrowings from banks. Please refer to Note 29 for details.

## 15. INVESTMENT PROPERTY

For the year ended December 31, 2023

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost</b>			
Balance as of January 1, 2023	\$ -	\$ 27,971	\$ 27,971
Addition	67,602	-	67,602
Exchange difference, net	-	( 470)	( 470)
Balance as of December 31, 2023	\$ 67,602	\$ 27,501	\$ 95,103
<b>Accumulated Depreciation and Impairment</b>			
Balance as of January 1, 2023	\$ -	\$ 12,902	\$ 12,902
Depreciation	-	1,263	1,263
Exchange differences, net	-	( 243)	( 243)
Balance as of December 31, 2023	-	\$ 13,922	\$ 13,922
Net balance as of December 31, 2023	\$ 67,602	\$ 13,579	\$ 81,181

For the year ended December 31, 2022

	<b>Buildings</b>
<b>Cost</b>	
Balance as of January 1, 2022	\$ 27,540
Exchange difference, net	431
Balance as of December 31, 2022	<u>\$ 27,971</u>
<b>Accumulated Depreciation and Impairment</b>	
Balance as of January 1, 2022	(\$ 11,463)
Depreciation	( 1,267)
Exchange differences, net	( 172)
Balance as of December 31, 2022	<u>(\$ 12,902)</u>
Net balance as of December 31, 2022	<u>\$ 15,069</u>

The addition was a parcel of land at Chuantou Section, Tungkang Township. The land, valued at NT\$67,602 thousand, was a repayment from a customer for long overdue accounts receivables of NT\$50,512 thousand with collection efforts from the Group. As of December 31, 2023, the difference of NT\$17,090 thousand was paid in full to the customer and the transfer of land ownership was completed.

The lease term of investment property ranged between 1 to 3 years. The lessee does not have a bargain purchase option to acquire the investment property at the end of the least term.

The total lease payments to be received for operating leases of investment property were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Year 1	\$ 1,060	\$ 1,088
Year 2	954	1,058
Year 3	-	970
	<u>\$ 2,014</u>	<u>\$ 3,116</u>

The Group adopts general risk management policy to reduce the residual asset risk of asset leased at the end of the lease term.

Investment property is depreciated on a straight-line basis over the following useful life:

Buildings	12 to 13 years
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The fair value of investment property was not appraised by independent appraisers. The Group's management measured the fair value by adopting the valuation model commonly used by market participants with Level 3 inputs. The valuation took into account transaction prices of similar property in the neighborhood area. The fair value derived was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value	\$ 94,306	\$ 27,152

## 16. OTHER CURRENT ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Prepayments for purchases	\$29,255	\$ 56,440
Prepaid sales tax	37,876	39,506
Prepaid expenses	9,127	9,623
Others	319	1,109
	<u>\$ 76,577</u>	<u>\$ 106,678</u>

## 17. BORROWINGS

### (1) Short-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured borrowings (Note 29)	\$319,837	\$307,578
Credit borrowings	481,859	542,179
	<u>\$801,696</u>	<u>\$849,757</u>

The annual interest rates of the aforementioned borrowings were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured borrowings (%)	1.72~6.50	1.38~5.05
Credit borrowings (%)	1.73~6.80	1.38~5.75

### (2) Long-term borrowings

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Secured borrowings	\$122,820	\$ 61,420
Credit borrowings	-	15,355
Subtotal	122,820	76,775
Less: Current portion of long-term borrowings	52,379	46,065
Long-term borrowings	<u>\$ 70,441</u>	<u>\$ 30,710</u>

A. Please refer to Note 29 for details on collateral for long-term borrowings.

B. Bank borrowings above were due by February 2028. As of December 31, 2023 and 2022, the annual interest rates were 6.50% and 5.05% to 5.18%, respectively.



## 18. ACCOUNTS PAYABLE

All accounts payables of the Group arise from operation and the Group does not provide collateral to creditors for these accounts payables.

The Group has established financial risk management policies to ensure all payables are paid according to the payment terms. Thus, interests are not charged on these payables.

## 19. OTHER PAYABLES

	December 31	
	2023	2022
Accrued payroll and bonus	\$96,420	\$ 105,344
Compensation payable to employees (Note 23)	15,500	19,800
Commission payable	12,948	18,029
Remuneration payable to directors and supervisors (Note 23)	12,754	16,350
Equipment payable	6,593	6,794
Annual leave payable	3,969	4,890
Others	28,208	32,679
	<u>\$ 176,392</u>	<u>\$ 203,886</u>

## 20. RETIREMENT BENEFIT PLANS

### (1) Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (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.

Except for Kunshan King Chou, Vietnam King Chou, Vietnam King Tai, Vietnam Jin Dar and Indonesia King Da which make pension contributions to designated government departments based on the standard wages of the countries they operate in (i.e., defined contribution plans) pursuant to local laws and regulations, other subsidiaries have yet to establish pension plans.

### (2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act 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 a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. 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 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 parent company only balance sheets in respect of the defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligations	\$ 109,494	\$ 114,819
Fair value of plan assets	( 130,002)	( 130,823)
Net defined benefit assets	<u>(\$ 20,508)</u>	<u>(\$ 16,004)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligations</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Asset</b>
Balance as of January 1, 2022	\$ 117,138	( \$ 125,456 )	( \$ 8,318 )
Service cost			
Current service cost	866	-	866
Interest expenses (income)	879	( 942 )	( 63 )
Recognized in profit or loss	<u>1,745</u>	<u>( 942 )</u>	<u>803</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 9,846 )	( 9,846 )
Actuarial gain - changes in financial assumptions	( 4,049 )	-	( 4,049 )
Actuarial gain - experience adjustments	5,526	-	5,526
Recognized in other comprehensive income	<u>1,477</u>	<u>( 9,846 )</u>	<u>( 8,369 )</u>
Contributions from employer	<u>-</u>	<u>( 120 )</u>	<u>( 120 )</u>
Benefits paid	<u>( 5,241 )</u>	<u>5,241</u>	<u>-</u>
Balance as of December 31, 2022	<u>114,819</u>	<u>( 130,823 )</u>	<u>( 16,004 )</u>
Service cost			
Current service cost	612	-	612
Interest expenses (income)	1,608	( 1,833 )	( 225 )
Recognized in profit or loss	<u>2,220</u>	<u>( 1,833 )</u>	<u>387</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 945 )	( 945 )
Actuarial gain - changes in financial assumptions	572	-	572
Actuarial loss - experience adjustments	( 4,453 )	-	( 4,453 )
Recognized in other comprehensive income	<u>( 3,881 )</u>	<u>( 945 )</u>	<u>( 4,826 )</u>
Contributions from employer	<u>-</u>	<u>( 65 )</u>	<u>( 65 )</u>
Benefits paid	<u>( 3,664 )</u>	<u>3,664</u>	<u>-</u>
Balance as of December 31, 2023	<u>\$ 109,494</u>	<u>( \$ 130,002 )</u>	<u>( \$ 20,508 )</u>

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

A. 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 shall not be below the interest rate for a 2-year time deposit with local banks.

B. 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.

C. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, 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 rates (%)	1.30	1.40
Expected rates of salary increase (%)	2.25	2.25

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	(\$ 1,467)	(\$ 1,598)
0.25% decrease	\$ 1,505	\$ 1,639
Expected rate of salary increase		
0.25% increase	\$ 1,477	\$ 1,577
0.25% decrease	(\$ 1,418)	(\$ 1,545)

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>
Expected contributions to the plan for the next year	\$ 65	\$ 120
Average duration of the defined benefit obligation (years)	6	6

## 21. EQUITY

### (1) Share capital - ordinary shares

	December 31	
	2023	2022
Registered shares (thousands)	100,000	100,000
Registered capital	\$1,000,000	\$1,000,000
Issued shares (thousands)	83,971	83,971
Issued capital	\$ 839,713	\$ 839,713

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

### (2) Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of shares at a premium	\$ 31,052	\$ 31,052
Trading of treasury shares	7,865	7,865
	\$ 38,917	\$ 38,917

Note: Such capital surplus 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 capital (limited to a certain percentage of the Company's paid-in capital and once a year).

### (3) Retained earnings and dividend policy

Pursuant to the earnings distribution policy in the Articles of Incorporation, where the Company generated net profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years (including adjustments to undistributed earnings). Next, 10% of the balance shall be set aside as legal reserve until the accumulated legal reserve has equaled the paid-in capital. A special reserve shall then be appropriated or reversed based on operational needs and the laws and regulations. The remaining profit, if any, together with accumulated undistributed earnings shall be used by the 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.

Dividends of the Company can be distributed in the form of stock or cash. Based on the economic conditions both at home and abroad as well as factors such as the present and future funding needs, financial structures and the level of earnings, the dividend payout ratio shall not be under 30% of the net profit after deducting the reserves. As the Company is now at the growth stage, dividends are to be distributed in both cash and stock form. Cash dividends shall not be less than 10% of the total dividends, unless the cash dividend is below NT\$0.3 per share, in which case, the dividend shall be distributed in the form of stock.

Legal reserve shall be appropriated until its balance equals the paid-in capital. It may be used to offset deficits. 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.

The Company complies with Order No. Jin-Guan-Zheng-Fa-1090150022 issued by the FSC and the “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS” for the appropriation and reversal of special reserve. On the Company’s first-time adoption of the IFRS in 2013, the unrealized revaluation gains and cumulative translation adjustments transferred to retained earnings amounted to NT\$963 thousand and the Company had set aside an equal amount of special reserves.

The appropriations of earnings for 2022 and 2021 approved in the shareholders’ meetings on June 12, 2023 and June 14, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>Year Ended December 31</b>		<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 40,967	\$ 26,291		
Special reserve	-	20,315		
Reversal of special reserve	( 49,878 )	-		
Cash dividends to shareholders	243,517	176,340	\$ 2.9	\$ 2.1

The appropriation of earnings for 2023 proposed by the board of directors on March 13, 2024 was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 31,412	
Reversal of special reserve	44,897	
Cash dividends to shareholders	167,943	\$ 2

The aforementioned earnings distribution proposal is subject to the resolution of the shareholders’ meeting to be held on June 12, 2024.

(4) Other equity items

A. Exchange difference on translation of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance as of January 1	(\$162,855)	(\$212,733)
Recognized for the year		
Exchange difference on translation of net assets of foreign operations	( 58,450)	62,348
Associated income tax	11,691	( 12,470)
Balance as of December 31	(\$209,614)	(\$162,855)

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<b>Amount</b>
Balance as of January 1, 2023	\$ -
Recognized for the year	
Equity instruments - unrealized gains and losses	1,862
Balance as of December 31, 2023	\$ 1,862

(5) Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance as of January 1	\$421,762	\$406,861
Attributable to non-controlling interests		
Net (loss) income for the year	6,352	( 1,219)
Cash dividends to subsidiaries	( 4,676)	( 2,134)
Exchange difference on translation of foreign operations	( 2,789)	\$ 18,254
Balance as of December 31	<u>\$420,649</u>	<u>\$421,762</u>

## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$2,936,371</u>	<u>\$3,266,960</u>

(1) Please refer to Note 4 for details on contracts with customers.

(2) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes and accounts receivables (including related parties)	<u>\$ 622,118</u>	<u>\$ 879,955</u>	<u>\$ 603,029</u>
Contract liabilities			
Sale of goods	<u>\$ 40,667</u>	<u>\$ 52,046</u>	<u>\$ 51,716</u>

Movements in contract liabilities mainly come from the timing difference between the time when the Group fulfills its performance obligations and the time when customers make the payments. There were no other significant changes for the years ended December 31, 2023 and 2022.

The beginning balances of contract liabilities reclassified to revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
From the beginning balance of contract liabilities		
Sale of goods	<u>\$ 37,752</u>	<u>\$ 47,322</u>

(3) Disaggregation of revenue

Please refer to Note 33 for details on disaggregation of revenue.

## 23. CONSOLIDATED PROFIT BEFORE INCOME TAX

### (1) Interest income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 30,727	\$ 15,712
Bonds with repurchase agreements	2,769	611
	<u>\$ 33,496</u>	<u>\$ 16,323</u>

### (2) Other income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Dividend income	\$ 4,094	\$ 4,746
Others	6,103	6,467
	<u>\$ 10,197</u>	<u>\$ 11,213</u>

### (3) Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gain (loss), net	\$ 39,101	\$ 38,704
Gain (loss) on financial assets mandatorily at FVTPL	2,567	( 12,953)
Loss on disposal of property, plant and equipment	3	( 31)
Others	( 4,837)	( 5,897)
	<u>\$ 36,834</u>	<u>\$ 19,823</u>

### (4) Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interests on bank borrowings	\$ 34,087	\$ 17,628
Less: Cost of qualifying assets	1,212	832
	<u>\$ 32,875</u>	<u>\$ 16,796</u>

Information on capitalized interests was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Capitalized interests	\$ 1,212	\$ 832
Capitalization rate (%)	5.75~6.50	2.50~5.05

(5) Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 127,877	\$ 114,444
Right-of-use assets	7,020	6,884
Investment property	1,263	1,267
Other assets and intangible assets	3,255	2,596
	<u>\$ 139,415</u>	<u>\$ 125,191</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Depreciation by functions		
Operating costs	\$ 109,234	\$ 104,249
Operating expenses	26,926	18,346
	<u>\$ 136,160</u>	<u>\$ 122,595</u>
Amortization by functions		
Operating costs	\$ 2,226	\$ 2,014
Operating expenses	1,029	582
	<u>\$ 3,255</u>	<u>\$ 2,596</u>

(6) Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u>\$ 730,497</u>	<u>\$ 775,544</u>
Post-employment benefits (Note 20)		
Defined contribution plans	12,348	12,125
Defined benefit plans	387	803
	<u>12,735</u>	<u>12,928</u>
	<u>\$ 743,232</u>	<u>\$ 788,472</u>
By function		
Operating costs	\$ 594,088	\$ 626,619
Operating expenses	149,144	161,853
	<u>\$ 743,232</u>	<u>\$ 788,472</u>

(7) Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 3% and no higher than 3% of net profit before income tax, compensation of employees, and remuneration of directors and supervisors, respectively. The compensation of employees and remuneration of directors and supervisors for 2023 and 2022 which have been



approved by the board of directors on March 13, 2024 and March 13, 2023, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Accrual rate</b>		
Compensation of employees (%)	3.63	3.62
Remuneration of directors and supervisors (%)	2.99	2.99
<b>Amount</b>		
Compensation of employees	\$ 15,500	\$ 19,800
Remuneration of directors and supervisors	12,754	16,350

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the difference is recorded as a change in the accounting estimate in the following year.

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

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange (TWSE).

(8) Net gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 271,539	\$ 311,059
Foreign exchange losses	( 232,438)	( 272,355)
Net foreign exchange gain (loss)	<u>\$ 39,101</u>	<u>\$ 38,704</u>

## 24. INCOME TAXES

(1) 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>
<b>Current tax</b>		
In respect of the current year	\$ 91,307	\$ 134,845
Income tax on unappropriated earnings	8,828	1,797
Adjustments for prior year	870	730
	<u>101,005</u>	<u>137,372</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Deferred tax		
In respect of the current year	19,982	27,650
Adjustments for prior year	971	538
	<u>20,953</u>	<u>28,188</u>
	<u>\$ 121,958</u>	<u>\$ 165,560</u>
		(Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 438,572</u>	<u>\$ 567,318</u>
Income tax expense calculated at the statutory rate	\$ 87,182	\$ 109,554
Non-taxable income	( 5,575)	( 4,255)
The deferred tax impact of subsidiary earnings	29,682	57,196
Income tax on unappropriated earnings	8,828	1,797
Adjustments for prior year	<u>1,841</u>	<u>1,268</u>
	<u>\$ 121,958</u>	<u>\$ 165,560</u>

The applicable tax rate of entities within the Group that are subject to the Income Tax Act of the Republic of China is 20%. The applicable tax rate of subsidiaries in mainland China, Vietnam and Indonesia are 25%, 10%~20% and 22%, respectively. Taxes of other jurisdictions are calculated based on their respectively tax rates applicable.

(2) Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plan	(\$ 965)	(\$ 1,674)
Exchange difference on translation of foreign operations	11,691	( 12,470)
	<u>\$ 10,726</u>	<u>(\$ 14,144)</u>

(3) Current tax assets and liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax assets		
Tax refund receivable	<u>\$ 6,043</u>	<u>\$ 8,964</u>
Current tax liabilities		
Income tax payable	<u>\$ 30,555</u>	<u>\$ 76,468</u>

(4) Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Difference</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Exchange difference on translation of foreign operations	\$ 40,713	\$ -	\$ 11,691	\$ -	\$ 52,404
Unrealized gains between affiliates	392	240	-	( 13 )	619
Write-downs of inventories	13,694	1,763	-	( 316 )	15,141
Others	37,063	6,687	-	( 8 )	43,742
	<u>\$ 91,862</u>	<u>\$ 8,690</u>	<u>\$ 11,691</u>	<u>( \$ 337 )</u>	<u>\$ 111,906</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Gains on overseas investments	\$ 345,420	\$ 29,682	\$ -	\$ -	\$ 345,420
Defined benefit retirement plans	3,201	( 64 )	965	-	4,102
Others	3,299	25	-	-	3,324
	<u>\$ 351,920</u>	<u>\$ 29,643</u>	<u>\$ 965</u>	<u>\$ -</u>	<u>\$ 382,528</u>

For the year ended December 31, 2022

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Difference</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Exchange difference on translation of foreign operations	\$ 53,183	\$ -	( \$ 12,470 )	\$ -	\$ 40,713
Unrealized gains between affiliates	-	394	-	( 2 )	392
Write-downs of inventories	8,196	5,025	-	473	13,694
Others	20,808	16,041	-	214	37,063
	<u>\$ 82,187</u>	<u>\$ 21,460</u>	<u>( \$ 12,470 )</u>	<u>\$ 685</u>	<u>\$ 91,862</u>

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Gains on overseas investments	\$ 288,224	\$ 57,196	\$ -	\$ -	\$ 345,420
Defined benefit retirement plans	1,664	( 137 )	1,674	-	3,201
Others	10,710	( 7,411 )	-	-	3,299
	<u>\$ 300,598</u>	<u>\$ 49,648</u>	<u>\$ 1,674</u>	<u>\$ -</u>	<u>\$ 351,920</u>
					(Concluded)

- (5) Temporary difference associated with investments with deferred tax liabilities yet to be recognized

As of December 31, 2023, taxable temporary difference associated with investments in subsidiaries where deferred tax liabilities had yet to be recognized amounted to NT\$38,951 thousand.

- (6) Income tax assessments

Income tax returns of the Company through 2020 have been examined and cleared by the tax authorities.

## 25. EARNINGS PER SHARE

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

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Profit attributable to owners of the Company	<u>\$ 310,262</u>	<u>\$ 402,977</u>

### Number of shares outstanding

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares in computation of basic earnings per share	83,971	83,971
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>500</u>	<u>584</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>84,471</u>	<u>84,555</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes the entire amount of the compensation will be settled in shares and the resulting potential shares are 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.

## 26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategies had stayed the same during the past two years.

The Group does not have to comply with other external capital requirements.

## 27. FINANCIAL INSTRUMENTS

### (1) Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not measured at fair value in the consolidated financial statements approximate their fair values.

### (2) Fair value of financial instruments that are measured at fair value on a recurring basis

#### A. Fair value hierarchy

##### December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed domestic shares	\$ 44,773	\$ -	\$ -	\$ 44,773
Beneficiary certificates	8,837	-	-	8,837
	<u>\$ 53,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,610</u>

##### Financial assets at FVTOCI

Investments in equity instruments				
Unlisted domestic shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,462</u>	<u>\$ 5,462</u>

##### December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed domestic shares	\$ 44,818	\$ -	\$ -	\$ 44,818
Beneficiary certificates	3,360	-	-	3,360
	<u>\$ 48,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,178</u>

##### Financial assets at FVTOCI

Investments in equity instruments				
Unlisted domestic shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 3,600</u>

There were no transfers between Levels 1 and 2 in 2023 and 2022.

B. Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2023

Financial Assets	Equity Instruments at FVTPL
Balance as of January 1	\$ 3,600
Recognized in other comprehensive income	<u>1,862</u>
Balance as of December 31	<u>\$ 5,462</u>

C. Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value

The fair values of investments on unlisted domestic shares are estimated based on the latest net worth of the investees.

(3) Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 53,610	\$ 48,178
At amortized cost (Note 1)	1,731,262	1,732,057
At FVTOCI	5,462	3,600
<u>Financial liabilities</u>		
At amortized cost (Note 2)	1,144,979	1,188,343

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (excluding tax refund receivable) and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payables, other payables, long-term borrowings (including current portion) and guarantee deposits received.

(4) Financial risk management objectives and policies

The Group's major financial instruments include investments in equity instruments, accounts receivable, other financial assets, accounts payables and borrowings. The Group's finance department provides services to each business unit and coordinates the Group's activities in the domestic financial market. It monitors and manages the financial risks relating to the operations of the Group 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.

The finance department submits reports to the senior management of the Group on a quarterly basis.

A. Market risk

The Group's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including monetary items denominated in currencies other than the functional currency which are eliminated on consolidation) at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to U.S. dollars.

A positive number indicates an increase in pre-tax profit associated with the functional currency weakening 1% against the U.S. dollars. For a 1% strengthening of the functional currency against the U.S. dollars, there would be an equal and opposite impact on pre-tax profit. The impact was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit or loss	\$ 1,450	\$ 1,728

(b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash flows interest rate risk		
Financial assets	\$ 599,433	\$ 498,177
Financial liabilities	804,518	896,532

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rate risks for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

Had interest rates been 1% higher and all other variables been held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by NT\$2,051 thousand and NT\$3,983 thousand, respectively.

(c) Other price risk

The Group was exposed to equity price risk through its investments in domestic shares listed on the TWSE, TPEx and the emerging stock board as well as beneficiary certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$536 thousand and NT\$482 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$55 thousand and NT\$36 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation, is primary from the carrying amount of its financial assets.

The Group is exposed to credit risk from a relatively concentrated number of customers who mostly engage in similar business activities with similar economic characteristics. Credit risk concentration occurs when the impact of economy and other factors on customers' abilities to fulfill their contract obligations is therefore also similar. The accounts receivable balances of customers with credit risk concentration were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Company A	\$ 23,453	\$ 89,290

As of December 31, 2023 and 2022, accounts receivables from the aforementioned customer accounted for 4% and 11%, respectively.

## C. Liquidity risk

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

The following table details the Group's remaining maturities for non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay without taking into account the probability of banks exercising such rights and includes cash flows of the interests and principal.

### December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate instruments	\$ 112,868	\$275,929	\$360,189	\$ 77,280
Fixed interest rate instruments	179	521	120,260	-
Non-interest-bearing liabilities	174,509	45,867	-	-
	<u>\$ 287,556</u>	<u>\$322,317</u>	<u>\$480,449</u>	<u>\$ 77,280</u>

(Continued)



December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate instruments	\$ 164,988	\$350,281	\$359,544	\$ 31,426
Fixed interest rate instruments	30,018	-	-	-
Non-interest-bearing liabilities	204,032	57,647	-	-
	<u>\$ 399,038</u>	<u>\$407,928</u>	<u>\$359,544</u>	<u>\$ 31,426</u>
				(Concluded)

The amount of variable interest rate instruments under non-derivative financial liabilities would change due to the difference between the variable interest rates and the interest rates estimated on the balance sheet date.

## 28. RELATED PARTY TRANSACTIONS

Transactions, balances, income and expenses between entities of the Group have been eliminated on consolidation. Details of transactions between the Group and related parties were set out as follows:

### (1) Name and relationship of related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Lee Fisher International Inc. (Lee Fisher)	A substantive related party
Chia-Jen Chen	Chairman of the Company
Chiung-Yu Tseng	Spouse of Chairman of the Company
Ma-I Huang	A substantive related party
Peng-I Lin	A substantive related party
Min Feng Ocean Co., Ltd. (Min Feng)	A substantive related party
Min Shuen Ocean Co., Ltd. (Min Shuen)	A substantive related party
Taiwan Twine and Rope Co., Ltd. (Taiwan Twine and Rope)	A substantive related party

### (2) Operating revenue

<b>Financial Statement Account</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Sales revenue	Substantive related parties	<u>\$ 94,008</u>	<u>\$ 86,212</u>

The sales and collection terms of sales to the related parties were not significantly different from ones with the general customers.

### (3) Receivables from related parties

<b>Financial Statement Account</b>	<b>Related Party Category</b>	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Accounts receivable	Substantive related parties	<u>\$ 25,123</u>	<u>\$ 25,811</u>

Outstanding receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for receivables from related parties.

(4) Payables to related parties

Financial Statement Account	Related Party Category	December 31	
		2023	2022
Other payables	Substantive related parties	\$ -	\$ 271

Payables to related parties were mainly the commissions. Outstanding payables at the end of year were not secured.

(5) Compensation of key management personnel

Remuneration of directors and key executives was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 31,317	\$ 33,421
Post-employment benefits	474	450
	<u>\$ 31,791</u>	<u>\$ 33,871</u>

The remuneration of directors and key executives was determined based on the performance of individuals and market trends.

(6) Guarantees - December 31, 2022

The Chairman, Chia-Jen Chen; his spouse, Chiung-Yu Tseng; and substantive related parties, Ma-I Huang, provided joint and several guarantees for the Group's borrowings. Details were as follows:

Guarantor	Amount
Chia-Jen Chen and Chiung-Yu Tseng	\$ 70,000
Ma-I Huang	<u>199,615</u>
	<u>\$269,615</u>

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and lines of credit for purchases:

	December 31	
	2023	2022
Property, plant and equipment	\$511,404	\$518,009
Right-of-use assets	<u>16,128</u>	<u>16,655</u>
	<u>\$527,532</u>	<u>\$534,664</u>

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

The Group's significant contingent liabilities and unrecognized contract commitments were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unused letter of credit in NT\$	\$ 55,888	\$ 53,640
Amount of contracts signed for the acquisition of property, plant and equipment	112,784	37,502
Amount to be paid for the acquisition of property, plant and equipment	37,453	6,722

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of entities within the Group and the related exchange rates between foreign currencies and the functional currency were as follows:

	(In thousands of foreign currency/New Taiwan Dollars)		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<b>December 31, 2023</b>			
Foreign-currency assets			
Monetary items			
USD	\$ 25,864	30.705 (USD:NTD)	\$ 794,154
USD	36,298	7.0827 (USD:RMB)	1,114,530
USD	23,330	24,090 (USD:VND)	716,348
USD	710	15,416 (USD:IDR)	21,801
			<u>\$ 2,646,833</u>
Foreign-currency liabilities			
Monetary items			
USD	\$ 44,475	30.705 (USD:NTD)	\$ 1,365,605
USD	10,807	7.0827 (USD:RMB)	331,829
USD	12,464	24,090 (USD:VND)	382,707
USD	13,735	15,416 (USD:IDR)	421,733
			<u>\$ 2,501,874</u>
<b>December 31, 2022</b>			
Foreign-currency assets			
Monetary items			
USD	\$ 31,836	30.71 (USD:NTD)	\$ 977,692
USD	32,665	6.9646 (USD:RMB)	1,003,132
USD	26,735	23,410 (USD:VND)	821,043
USD	1,253	15,731 (USD:IDR)	38,467
			<u>\$ 2,840,334</u>
			(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign-currency liabilities			
Monetary items			
USD	\$ 42,938	30.71 (USD:NTD)	\$ 1,318,622
USD	8,064	6.9646 (USD:RMB)	247,639
USD	23,195	23,410 (USD:VND)	712,324
USD	12,667	15,731 (USD:IDR)	388,989
			<u>\$ 2,667,574</u>
			(Concluded)

For the years ended December 31, 2023 and 2022, net foreign exchange gains (losses), both realized and unrealized, were NT\$39,101 thousand and NT\$38,704 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of entities within the Group.

## 32. ADDITIONAL DISCLOSURES

### (1) Information on significant transactions and (2) investees:

- A. Financing provided to others: Table 1
- B. Endorsements/guarantees provided: Table 2
- C. Marketable securities held: Table 3
- D. Marketable securities acquired and disposed at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- I. Trading in derivative instruments: None
- J. Information on investees: Table 6
- K. Others: Intercompany relationships and significant intercompany transactions: Table 9

### (3) Information on investments in mainland China

- A. Information on any investees in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China:

Table 7

- B. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 8
  - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 8
  - (c) The amount of property transactions and the amount of the resultant gains or losses: None
  - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None
  - (e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds: None
  - (f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None
- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10

### 33. SEGMENT INFORMATION

Information provided to the chief decision maker of the Group for resource allocation and segment performance assessment focuses on the types of goods or services delivered or provided. The chief decision maker sees each segment as an individual operating unit. The reportable segments of the Group were as follows:

- King Chou: Please refer to Note 1 for details on main businesses.
- Kunshan King Chou: Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears.
- Vietnam King Chou: Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gear
- Vietnam Jin Dar: Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines and fishing net accessories
- Others: Subsidiaries which have yet to reach the quantitative threshold

- (1) Analysis of the Group's revenue, operating performance as well as segment assets and liabilities by the reportable segments:

	King Chou	Kunshan King Chou	Vietnam King Chou	Others	Adjustment and Elimination	Consolidated
For the year ended December 31, 2023						
Revenue from external customers	\$ 1,998,623	\$ 277,743	\$ 207,083	\$ 452,922	\$ -	\$ 2,936,371
Intersegment revenue	302,655	194,332	693,044	297,475	( 1,487,506 )	-
Segment revenue	<u>\$ 2,301,278</u>	<u>\$ 472,075</u>	<u>\$ 900,127</u>	<u>\$ 750,397</u>	<u>(\$ 1,487,506)</u>	<u>\$ 2,936,371</u>
Segment income	<u>\$ 226,166</u>	<u>(\$ 6,315)</u>	<u>\$ 112,613</u>	<u>\$ 51,778</u>	<u>\$ 6,678</u>	<u>\$ 390,920</u>
Interest income						33,496
Other income						10,197
Other gains and losses						36,834
Finance cost						( 32,875 )
Profit before income tax						438,572
Income tax expense						( 121,958 )
Net profit						<u>\$ 316,614</u>
December 31, 2023						
Identifiable assets	<u>\$ 2,372,660</u>	<u>\$ 1,486,878</u>	<u>\$ 1,425,355</u>	<u>\$ 3,158,818</u>	<u>(\$ 3,711,786)</u>	<u>\$ 4,731,925</u>
Financial assets at fair value through profit or loss - current						53,610
Financial assets at fair value through other comprehensive income - non-current						5,462
Total assets						<u>\$ 4,790,997</u>
For the year ended December 31, 2022						
Revenue from external customers	\$ 2,486,512	\$ 152,460	\$ 189,014	\$ 438,974	\$ -	\$ 3,266,960
Intersegment revenue	268,735	197,247	881,306	402,350	( 1,749,638 )	-
Segment revenue	<u>\$ 2,755,247</u>	<u>\$ 349,707</u>	<u>\$ 1,070,320</u>	<u>\$ 841,324</u>	<u>(\$ 1,749,638)</u>	<u>\$ 3,266,960</u>
Segment income	<u>\$ 278,503</u>	<u>(\$ 5,944)</u>	<u>\$ 167,248</u>	<u>\$ 89,537</u>	<u>\$ 7,411</u>	<u>\$ 536,755</u>
Interest income						16,323
Other income						11,213
Other gains and losses						19,823
Finance cost						( 16,796 )
Profit before income tax						567,318
Income tax expense						( 165,560 )
Net profit						<u>\$ 401,758</u>
December 31, 2022						
Identifiable assets	<u>\$ 2,488,530</u>	<u>\$ 1,421,417</u>	<u>\$ 1,719,476</u>	<u>\$ 3,100,436</u>	<u>(\$ 3,947,375)</u>	<u>\$ 4,782,484</u>
Financial assets at fair value through profit or loss - current						48,178
Financial assets at fair value through other comprehensive income - non-current						3,600
Total assets						<u>\$ 4,834,262</u>

(2) Geographical information

Revenues from external customers summarized by the locations of their operations were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Asia	\$ 1,939,706	\$ 1,767,483
Europe	482,666	692,024
America	335,477	619,363
Others	178,522	188,090
	<u>\$ 2,936,371</u>	<u>\$ 3,266,960</u>

The Group's non-current assets summarized by their locations were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Taiwan	\$ 594,192	\$ 457,839
Mainland China	185,222	206,655
Vietnam	446,034	523,360
Indonesia	512,529	496,774
	<u>\$ 1,737,977</u>	<u>\$ 1,684,628</u>

Non-current assets exclude deferred tax assets, net defined benefit assets and financial instruments.

(3) Revenue of main products

The Group's revenue summarized by main products was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Nets	\$ 2,202,227	\$ 2,588,220
Twines	234,728	230,849
Ropes	101,116	101,759
Raw yarns	198,120	138,746
Others	200,180	207,386
	<u>\$ 2,936,371</u>	<u>\$ 3,266,960</u>

(4) Information on major customers

Revenue from the largest customer of the Group amounted to NT\$233,671 thousand and NT\$392,865 thousand for the operating revenue of NT\$2,936,371 thousand and NT\$3,266,960 thousand for the years ended December 31, 2023 and 2022, respectively. No other customer had accounted for more than 10% of the Group's revenue during these two years.

**TABLE 1**

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount
													Item	Value		
1	KDL	Indonesia King Da	Other receivables	Yes	\$ 129,700 (US\$ 4,000 thousand)	\$ 122,820 (US\$ 4,000 thousand)	\$ 92,115 (US\$ 3,000 thousand)	-	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$ 129,517 (Note)	\$ 259,034 (Note)

Note: Pursuant to KDL’s “Procedures for Financing Provided to Others”, the individual and aggregate amounts of financing provided shall be limited to 20% and 40% of the lenders’ net equity, respectively.



**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given to Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent to Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries to Parent	Endorsement/ Guarantee Given to Companies in Mainland China
		Name	Relationship										
0	The Company	KTTL	Subsidiary	\$ 553,580	\$ 32,425 (US\$1,000 thousand)	\$ 30,705 (US\$1,000 thousand)	\$ -	None	1	\$1,383,951	Y	N	N
		Indonesia King Da	Subsidiary	553,580	266,700 (US\$8,750 thousand)	245,640 (US\$8,000 thousand)	236,736 (US\$7,710 thousand)	None	9	1,383,951	Y	N	N
		KDL	Subsidiary	553,580	199,125 (US\$6,250 thousand)	184,230 (US\$6,000 thousand) \$ 460,575 (US\$15,000 thousand)	153,525 (US\$5,000 thousand) \$ 390,261 (US\$12,710 thousand)	None	7	1,383,951	Y	N	N

Note 1: Pursuant to the Company’s “Procedures for Endorsement and Guarantee”, the maximum endorsement and guarantee provided to a subsidiary is limited to 20% of the Company’s net equity.  
Note 2: Pursuant to the Company’s “Procedures for Endorsement and Guarantee”, the total amount of endorsement and guarantee provided is limited to 50% of the Company’s net equity.

**TABLE 3****KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Ordinary shares							
	Tai-Tech Advanced Electronics Co., Ltd.	-	Financial assets at FVTPL - current	60,000	6,840	0.059	6,840	
	O-Ta Precision Industry Co., Ltd.	-	Financial assets at FVTPL - current	240,000	21,648	0.286	21,648	
	Champion Microelectronic Corp.	-	Financial assets at FVTPL - current	25,000	1,833	0.031	1,833	
	Panjit International Inc.	-	Financial assets at FVTPL - current	40,000	2,692	0.010	2,692	
	Kung Sing Engineering Corporation	-	Financial assets at FVTPL - current	800,000	11,760	0.163	11,760	
	Taiwan Wind Power Co., Ltd.	-	Financial assets at FVTOCI - non-current	360,000	5,462	2	5,462	
	Funds							
	Vietnam Opportunity Fund (NT\$)	-	Financial assets at FVTPL - current	300,000	3,837		3,837	
	Yuanta Japan Leaders Equity Fund -TWD(A)	-	Financial assets at FVTPL - current	500,000	5,000		5,000	

**TABLE 4**

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total Purchases or Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Kunshan King Chou	Subsidiary	Purchase	\$101,290	6	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	\$686,582 (Note 1)	46	Note 2
	Vietnam King Chou	Subsidiary	Processing fee	611,146	36	Netting of payables and receivables	Same as normal transactions	Negotiation, based on funding requirements of related parties	659,396 (Note 1)	44	Note 2
			Sales	( 218,097)	( 9)	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	-	-	Note 2

Note 1: The payables included purchases and processing fees.

Note 2: Eliminated upon consolidation.

**TABLE 5**

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance of Receivables from Related Parties (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
Kunshan King Chou	The Company	Subsidiary	\$686,582	0.20	\$ -	-	\$ 63,674	\$ -
Vietnam King Chou	The Company	Subsidiary	659,396	1.01	-	-	3,790	-

Note: Eliminated upon consolidation.

TABLE 6

## KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES (EXCLUDING INVESTEEES IN MAINLAND CHINA)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	January 1, 2023	Number of Shares	%	Carrying Amount			
The Company	KCL	British Virgin Islands	Reinvestment and international trade	\$ 258,598 (US\$6,775 thousand)	\$ 258,598 (US\$6,775 thousand)	6,775,619	100	\$ 1,118,354	\$ 6,410	\$ 6,410	Note 2
	Vietnam King Chou	Vietnam	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	411,570 (US\$13,000 thousand)	411,570 (US\$13,000 thousand)	-	100	953,570	101,543	101,543	Note 2
	KDL	British Virgin Islands	Reinvestment and international trade	152,237 (US\$4,807 thousand)	152,237 (US\$4,807 thousand)	4,807,000	50.6	327,678	4,075	2,062	Note 2
	KCIC	Seychelles	Reinvestment and international trade	144,685 (US\$4,600 thousand)	144,685 (US\$4,600 thousand)	4,600,000	100	369,729	38,081	38,081	Note 2
	Trans-Ocean	Pingtung County	1. Manufacturing and processing of fishing gears and nets as well as twines and ropes 2. Trading and export/import of raw materials, supplies, finished goods and semi-finished goods of aforementioned products	7,016	7,016	9,400	94	17,600	1,598	1,501	Note 2
	OIC	Republic of Panama	Reinvestment and international trade	322 (US\$10 thousand)	322 (US\$10 thousand)	98	98	4,125	319	319	Note 2
								<u>\$ 2,791,056</u>	<u>\$ 152,026</u>	<u>\$ 149,916</u>	
KDL	KTTL	Samoa	Reinvestment and international trade	\$ 137,785 (US\$4,460 thousand)	\$ 137,785 (US\$4,460 thousand)	4,460,000	74.33	\$ 288,507	\$ 16,532	\$ 12,289	Note 2
	Indonesia King Da	Indonesia	Use of regenerated scraps and synthetic fiber products for the production of high-tech, high-tenacity PE, PP and nylon monofilaments	454,804 (US\$15,000 thousand)	454,804 (US\$15,000 thousand)	-	100	<u>383,342</u>	<u>11,909</u>	<u>11,909</u>	Note 2
								<u>\$ 671,849</u>	<u>\$ 28,441</u>	<u>\$ 24,198</u>	
KCIC	Vietnam Jin Dar	Vietnam	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	140,053 (US\$4,500 thousand)	140,053 (US\$4,500 thousand)	-	100	<u>\$ 366,939</u>	<u>\$ 38,045</u>	<u>\$ 38,045</u>	Note 2
KTTL	Vietnam King Tai	Vietnam	Production of plastic twines, ropes and nets as well as knitting machines, netting machines and related components	156,019 (US\$5,000 thousand)	156,019 (US\$5,000 thousand)	-	100	<u>\$ 357,093</u>	<u>\$ 10,420</u>	<u>\$ 10,420</u>	Note 2

Note 1: Please refer to Table 7 for information on investees in mainland China.

Note 2: Eliminated upon consolidation.

**TABLE 7**

**KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	Ownership % of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023 (Notes 1&2)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outflow	Inflow						
Kunshan King Chou	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	US\$1,200 thousand	Through establishing a Company (King Chou Investment & Development Limited) in a third region	\$ 190,677 (US\$ 5,660 thousand)	\$ -	\$ -	\$ 190,677 (US\$ 5,660 thousand)	\$ 6,486	100	\$ 6,486 (Note 4)	\$1,113,333 (Note 4)	\$ -
Kunshan King Da	Use of regenerated scraps and synthetic fiber products for the production of high-tech, high-tenacity PE, PP and nylon monofilaments	US\$5,260 thousand	Through establishing a Company (King Da International Limited) in a third region; Kunshan King Da was sold to a non-related party in 2020	34,961 (US\$ 948 thousand)	-	-	34,961 (US\$ 948 thousand)	-	-	-	- (Note 5)	-
Quanzhou King Chou	Aquaculture business	US\$1,066 thousand (US\$416 thousand is pending for capital verification)	Through reinvesting a Company (King Chou Investment & Development Limited) in a third region	36,680 (US\$ 1,066 thousand)	-	-	36,680 (US\$ 1,066 thousand)	-	100	- (Note 4)	- (Note 4)	-
							\$ 262,318 (US\$ 7,674 thousand)					

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$262,318 (US\$7,674 thousand)	US\$7,674 thousand (Note 1)	\$1,660,741 (Note 3)

Note 1: Capitalization of retained earnings of US\$6,340 thousand and US\$815 thousand from Kunshan King Chou Fish Net Mfg. Co., Ltd. and Kunshan King Da, respectively, and cash capital increase of US\$89 thousand of Kunshan King Da from King Da were not required to be included in the calculation of limit pursuant to the examination regulations.

Note 2: Amount were recognized on the basis of investees' financial statements audited by the independent auditors of the parent company in Taiwan.

Note 3: Pursuant to the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the upper limit is set at 60% of the Company's net worth.

Note 4: Eliminated upon consolidation.

Note 5: Kunshan King Da was disposed of in 2020.

**TABLE 8****KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES****SIGNIFICANT TRANSACTIONS WITH INVESTEEs IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES****FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Counterparty	Transaction Type	Amount (Note 1)	Payment Term	Abnormal Transaction		Notes/Accounts Receivable (Payable) and Other Payables		Unrealized Gain/(Loss)
					Unit Price	Comparison with General Transactions	Ending Balance (Note 1)	% to Total	
The Company	Kunshan King Chou	Sales	\$ 41,129	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	Note 2	Note 2	\$ -
		Purchase	101,290	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	Note 2	Note 2	-
		Processing fee	33,283	Netting of payables and receivables	Same as normal transactions	Negotiation; based on funding requirements of related parties	Note 2	Note 2	-
Kunshan King Chou	Indonesia King Da	Sales	59,759	Not significantly different from terms with non-related parties	General trading term	Not significantly different from terms with non-related parties	\$ 22,510	-	-
		Purchase	2,091	Not significantly different from terms with non-related parties	General trading term	Not significantly different from terms with non-related parties	( 1,625 )	-	-
	K TTL	Purchase	2,300	Not significantly different from terms with non-related parties	General trading term	Not significantly different from terms with non-related parties	( 2,219 )	-	-

Note 1: Eliminated upon consolidation.

Note 2: The balance after netting of receivables and payables amounted to NT\$686,582 thousand, which accounted for 46% of the payables.

**TABLE 9****KING CHOU MARINE TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

No.	Company	Counterparty	Relationship (Note 2)	Transaction Details				Note
				Financial Statement Account	Amount	Terms	% to Consolidated Sales (Assets)	
0	The Company	Kunshan King Chou	1	Sales revenue	\$ 41,129	No similar transaction for comparison; netting of payables and receivables	1	Note 1
0	The Company	Vietnam King Chou	1	Sales revenue	218,097	No similar transaction for comparison; netting of payables and receivables	7	Note 1
0	The Company	Indonesia King Da	1	Sales revenue	13,082	No similar transaction for comparison; netting of payables and receivables	-	Note 1
0	The Company	Trans-Ocean	1	Sales revenue	30,347	Not significantly different from terms with non-related parties	1	Note 1
0	The Company	Kunshan King Chou	1	Processing fee	33,283	Negotiation; based on funding requirements of related parties	1	Note 1
0	The Company	Vietnam King Chou	1	Processing fee	611,146	Negotiation; based on funding requirements of related parties	21	Note 1
0	The Company	Kunshan King Chou	1	Purchases	101,290	No similar transaction for comparison; netting of payables and receivables	3	Note 1
0	The Company	Vietnam King Chou	1	Purchases	40,809	No similar transaction for comparison; netting of payables and receivables	1	Note 1
0	The Company	KTTL	1	Purchases	10,909	No similar transaction for comparison; netting of payables and receivables	-	Note 1
0	The Company	Indonesia King Da	1	Purchases	35,303	Not significantly different from terms with non-related parties	1	Note 1
0	The Company	Indonesia King Da	1	Accounts receivable	5,861	Not significantly different from terms with non-related parties	-	Note 1
0	The Company	Kunshan King Chou	1	Other payables	686,582	Negotiation; netting of payables and receivables	14	Note 1
0	The Company	Vietnam King Chou	1	Other payables	659,396	Negotiation; netting of payables and receivables	14	Note 1
0	The Company	Indonesia King Da	1	Other payables	3,337	Not significantly different from terms with non-related parties	-	Note 1
0	The Company	KTTL	1	Other payables	3,224	Negotiation; netting of payables and receivables	-	Note 1
1	Vietnam King Chou	Vietnam King Tai	3	Sales revenue	1,587	Negotiation; netting of payables and receivables	-	Note 1
1	Vietnam King Chou	Indonesia King Da	3	Sales revenue	39,502	Not significantly different from terms with non-related parties	1	Note 1
1	Vietnam King Chou	Vietnam King Tai	3	Purchases	21,031	Not significantly different from terms with non-related parties	1	Note 1
1	Vietnam King Chou	Vietnam Jin Dar	3	Purchases	83,174	Not significantly different from terms with non-related parties	3	Note 1
1	Vietnam King Chou	Indonesia King Da	3	Purchases	6,678	Not significantly different from terms with non-related parties	-	Note 1

(Continued)



No.	Company	Counterparty	Relationship (Note 2)	Transaction Details				Note
				Financial Statement Account	Amount	Terms	% to Consolidated Sales (Assets)	
1	Vietnam King Chou	Indonesia King Da	3	Accounts receivable	\$ 38,717	Not significantly different from terms with non-related parties	-	Note 1
1	Vietnam King Chou	Vietnam Jin Dar	3	Accounts payable	31,883	Not significantly different from terms with non-related parties	-	Note 1
1	Vietnam King Chou	Vietnam King Tai	3	Accounts payable	4,075	Not significantly different from terms with non-related parties	-	Note 1
1	Vietnam King Chou	Indonesia King Da	3	Other receivables	5,530	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	Indonesia King Da	3	Sales revenue	59,759	Not significantly different from terms with non-related parties	2	Note 1
2	Kunshan King Chou	Indonesia King Da	3	Purchases	2,091	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	KTTL	3	Purchases	2,300	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	Indonesia King Da	3	Accounts payable	1,625	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	Indonesia King Da	3	Accounts receivable	22,510	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	King Chou Investment	3	Other payables	4,332	Not significantly different from terms with non-related parties	-	Note 1
2	Kunshan King Chou	KTTL	3	Accounts payable	2,219	Not significantly different from terms with non-related parties	-	Note 1
3	Indonesia King Da	King Da International	3	Purchases	46,619	Not significantly different from terms with non-related parties	2	Note 1
3	Indonesia King Da	King Da International	3	Accounts payable	35,833	Not significantly different from terms with non-related parties	-	Note 1
3	Indonesia King Da	King Da International	3	Other payables	92,115	Not significantly different from terms with non-related parties	2	Note 1
4	Vietnam King Tai	KTTL	3	Sales revenue	22,268	Negotiation; netting of payables and receivables	1	Note 1
4	Vietnam King Tai	KTTL	3	Purchases	67,036	Negotiation; netting of payables and receivables	2	Note 1
4	Vietnam King Tai	KTTL	3	Accounts receivable	5,539	Negotiation; netting of payables and receivables	-	Note 1

Note 1: Eliminated upon consolidation.

Note 2: There are three types of relationships:

- (1) From the parent company to the subsidiary
- (2) From the subsidiary to the parent company
- (3) Between subsidiaries

(Concluded)

**TABLE 10****KING CHOU MARINE TECHNOLOGY CO., LTD.****Information on Major Shareholders  
December 31, 2023**

Name of Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage (%)
Shih Yun Investment Co., Ltd.	6,389,618	7.60
Chuan Kuang Investment Co., Ltd.	4,351,261	5.18

Note: Major shareholders in the table above are shareholders owning 5% or more of the Company's ordinary and preferred shares (only the ones that have completed dematerialized registration and delivery, and include treasury shares) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the consolidated financial statements may differ from the actual number of shares that have completed dematerialized registration and delivery due to different calculation bases.

## **Independent Auditors' Report**

The Board of Directors and Shareholders  
King Chou Marine Technology Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of King Chou Marine Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

Details of key audit matters in the Company's parent company only financial statements for the year ended December 31, 2023 are as follows:

#### Authenticity of sales revenue

The Company's operating revenue for the year ended December 31, 2023 included sales revenue from specific customers. As these revenues had a higher correlation to the calculation of key performance indicators of sales personnel, the authenticity of sales revenue from specific customers was determined to be the key audit matter based on the presumption in the statements of auditing standards that significant risk exists in revenue recognition.

Audit procedures carried out in response to specific aspects stated in the aforementioned key audit matter included:

1. We understood and tested internal controls relevant to the authenticity of revenue recognition, including whether the design and execution of internal controls over order and shipment operations were effective and sales revenues were recognized accordingly; and
2. We obtained details on sales revenues of specific customers and randomly selected an adequate number of samples, examined shipping documents or the existence of export declaration documents, and sent out confirmation letters or verified whether the amounts collected, payers and sales customers were in agreement with one another to confirm the authenticity of revenue.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintains necessary internal control associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

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

Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 the key audit matters in the audit of the parent company only financial statements for the year ended December 31, 2023. We describe these matters in the independent auditors' report, unless law and regulation prohibit the public disclosure of specific items, or in extremely rare cases, where we decide not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

The engagement partners on the audits resulting in this independent auditors' report are Chia-Ling Chiang and Hung-Ju Liao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 13, 2024

**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 & 6)	\$ 513,523	10	\$ 456,187	9
Financial assets at fair value through profit or loss - current (Notes 4 & 7)	53,610	1	48,178	1
Notes receivable (Notes 4, 9 & 20)	17,695	-	35,121	1
Accounts receivable, net (Notes 4, 5, 9 & 20)	482,898	9	696,276	13
Accounts receivable - related parties (Notes 4, 5, 9, 20 & 26)	30,894	1	26,344	-
Inventories (Notes 4 & 10)	590,739	11	662,826	13
Other current assets	33,596	1	58,063	1
Total current assets	1,723,045	33	1,982,995	38
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 & 8)	5,462	-	3,600	-
Financial assets at amortized cost - non-current (Notes 4 & 11)	138	-	134	-
Investments accounted for using the equity method (Notes 4 & 12)	2,791,056	54	2,699,590	51
Property, plant and equipment (Notes 4, 13 & 27)	520,987	10	456,605	9
Investment property (Note 14)	67,602	1	-	-
Intangible assets (Note 4)	1,912	-	699	-
Deferred tax assets (Notes 4 & 22)	88,387	2	79,736	2
Prepayments for equipment	3,361	-	-	-
Net defined benefit assets (Notes 4 & 18)	20,508	-	16,004	-
Other non-current assets	330	-	535	-
Total non-current assets	3,499,743	67	3,256,903	62
<b>TOTAL</b>	<b>\$ 5,222,788</b>	<b>100</b>	<b>\$ 5,239,898</b>	<b>100</b>

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS - (Continued)**  
**DECEMBER 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4, 14, 26 & 27)	\$ 534,255	10	\$ 574,721	11
Contract liabilities (Notes 4 & 20)	17,573	-	39,354	1
Accounts payable (Note 16)	35,517	1	46,429	1
Other payables (Note 17)	99,820	2	118,121	2
Other payables - related parties (Note 26)	1,352,539	26	1,301,371	25
Current tax liabilities (Notes 4 & 22)	23,736	1	51,114	1
Other current liabilities	1,352	-	1,255	-
Total current liabilities	2,064,792	40	2,132,365	41
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 & 22)	390,094	7	365,340	7
Total liabilities	2,454,886	47	2,497,705	48
<b>EQUITY (Note 19)</b>				
Ordinary shares	839,713	16	839,713	16
Capital surplus	38,917	1	38,917	1
Retained earnings				
Legal reserve	423,241	8	382,274	7
Special reserve	163,818	43	213,696	4
Undistributed earnings	1,509,965	29	1,430,448	27
Total retained earnings	2,097,024	40	2,026,418	38
Other equity	( 207,752)	( 4)	( 162,855)	( 3)
Total equity	2,767,902	53	2,742,193	52
<b>TOTAL</b>	<b>\$ 5,222,788</b>	<b>100</b>	<b>\$ 5,239,898</b>	<b>100</b>

(The accompanying notes are an integral part of the parent company only financial statements.)

(Concluded)

**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars, Except Earnings per Share)**

	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Operating revenue, net (Notes 4, 20 & 26)	\$ 2,301,278	100	\$ 2,755,247	100
Operating costs (Notes 10, 21 & 26)	1,883,707	82	2,203,981	80
Gross profit	417,571	18	551,266	20
Operating expenses (Notes 9 & 21)				
Selling and marketing expenses	87,364	4	129,110	5
General and administrative expenses	88,071	4	108,537	4
Research and development expenses	2,296	-	3,519	-
Expected credit loss	13,674	-	31,597	1
Total operating expenses	191,405	8	272,763	10
Profit from operations	226,166	10	278,503	10
Non-operating income and expenses (Note 21)				
Interest income	15,017	1	4,302	-
Other income	10,130	-	10,816	-
Other gains and losses	8,208	-	( 63,638)	( 2)
Finance costs	( 11,072)	-	( 7,939)	-
Share of profit or loss of subsidiaries accounted for using the equity method	149,916	7	288,503	11
Total non-operating income and expenses	172,199	8	232,044	9
Profit before income tax	398,365	18	510,547	19
Income tax expense (Notes 4 & 22)	88,103	4	107,570	4
Net profit	310,262	14	402,977	15
Other comprehensive income (loss) (Notes 4, 18, 19 & 22)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	4,826	-	8,369	-
Unrealized loss on valuation of financial assets at fair value through other comprehensive income	1,862	-	-	-
Income tax related to items that will not be reclassified subsequently	( 965)	-	( 1,674)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	( 29,143)	( 1)	246,387	9
Share of other comprehensive income of subsidiaries accounted for using the equity method	( 29,307)	( 1)	( 184,039)	( 7)
Income tax related to items that may be reclassified subsequently	11,691	-	( 12,470)	-
Other comprehensive income (loss), net of income tax	( 41,036)	( 2)	56,573	2
Total comprehensive income	\$ 269,226	12	\$ 459,550	17
Earnings per share (Note 23)				
Basic	\$ 3.69		\$ 4.80	
Diluted	\$ 3.67		\$ 4.77	

(The accompanying notes are an integral part of the parent company only financial statements.)



**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

Item	Retained Earnings						Other Equity		Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
Balance as of January 1, 2022	\$839,713	\$ 38,917	\$355,983	\$193,381	\$ 1,243,722	\$ 1,793,086	(\$ 212,733)	\$ -	\$ 2,458,983
Appropriation and distribution of 2021 earnings (Note 19)									
Legal reserve	-	-	26,291	-	( 26,291)	-	-	-	-
Special reserve	-	-	-	20,315	( 20,315)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	( 176,340)	( 176,340)	-	-	( 176,340)
	-	-	26,291	20,315	( 222,946)	( 176,340)	-	-	( 176,340)
Net income in 2022	-	-	-	-	402,977	402,977	-	-	402,977
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	6,695	6,695	49,878	-	56,573
Total comprehensive income (loss) in 2022	-	-	-	-	409,672	409,672	49,878	-	459,550
Balance as of December 31, 2022	\$ 839,713	\$ 38,917	\$382,274	\$213,696	\$ 1,430,448	\$ 2,026,418	(\$ 162,855)	-	\$ 2,742,193
Appropriation and distribution of 2022 earnings (Note 19)									
Legal reserve	-	-	40,967	-	( 40,967)	-	-	-	-
Special reserve	-	-	-	( 49,878)	49,878	-	-	-	-
Cash dividends to shareholders	-	-	-	-	( 243,517)	( 243,517)	-	-	( 243,517)
	-	-	40,967	( 49,878)	( 234,606)	( 243,517)	-	-	( 243,517)
Net income in 2023	-	-	-	-	310,262	310,262	-	-	310,262
Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	3,861	3,861	( 46,759)	1,862	( 41,036)
Total comprehensive income (loss) in 2023	-	-	-	-	314,123	314,123	( 46,759)	1,862	269,226
Balance as of December 31, 2023	\$ 839,713	\$ 38,917	\$423,241	\$163,818	\$ 1,509,965	\$ 2,097,024	(\$ 209,614)	\$ 1,862	\$ 2,767,902

(The accompanying notes are an integral part of the parent company only financial statements.)

**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Profit before income tax	\$ 398,365	\$ 510,547
Adjustments:		
Depreciation	11,701	12,051
Amortization	652	600
Expected credit loss	13,674	31,597
Net loss (gain) on financial instruments at fair value through profit or loss	( 2,567)	12,953
Finance costs	11,072	7,939
Interest income	( 15,017)	( 4,302)
Dividend income	( 4,094)	( 4,746)
Share of profit or loss of subsidiaries accounted for using the equity method	( 149,916)	( 288,503)
Gain on disposal of property, plant and equipment, net	( 70)	-
Other non-cash items	159	5,561
Net changes in operating assets and liabilities		
Notes receivable	17,426	( 21,915)
Accounts receivable	149,192	( 272,310)
Accounts receivable - related parties	( 4,640)	( 7,577)
Inventories	71,928	( 5,497)
Other current assets	24,497	7,767
Contract liabilities	( 21,781)	( 837)
Accounts payable	( 10,912)	17,788
Accounts payable - related parties	-	( 2,321)
Other payable	( 18,067)	31,539
Other payable - related parties	51,168	277,334
Other current liabilities	97	( 2)
Net defined benefit assets	322	683
Cash generated from operations	523,189	308,349
Interest received	14,913	4,102
Dividend received	4,094	4,746
Interest paid	( 11,232)	( 7,901)
Income tax paid	( 88,652)	( 35,006)
Net cash generated by operating activities	442,312	274,290

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

**KING CHOU MARINE TECHNOLOGY CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS - (Continued)**  
**For the Years Ended December 31, 2023 and 2022**  
**(In Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	( \$ 600)
Acquisition of Financial assets at amortized cost	( 4 )	-
Acquisition of financial assets mandatorily at fair value through profit or loss	( 16,181 )	( 20,778)
Proceeds from sale of financial assets mandatorily at fair value through profit or loss	13,316	14,043
Disposal of financial assets at amortized cost	-	27,680
Acquisition of property, plant and equipment	( 79,444 )	( 30,204)
Proceeds from disposal of property, plant and equipment	70	-
Acquisition of intangible assets	( 1,660 )	-
Acquisition of Investment property	( 17,090 )	-
Decrease in other non-current assets	-	292
Net cash (used in) generated by investing activities	<u>( 100,993 )</u>	<u>( 9,567)</u>
Cash flows from financing activities		
Increase in short-term borrowings	1,861,545	2,701,526
Decrease in short-term borrowings	( 1,902,011 )	( 2,588,210)
Increase in short-term bills payable	290,000	300,000
Decrease in short-term bills payable	( 290,000 )	( 350,000)
Repayment of long-term borrowings	-	( 50,000)
Distribution of cash dividends	( 243,517 )	( 176,340)
Net cash used in financing activities	<u>( 283,983 )</u>	<u>( 163,024)</u>
Net increase (decrease) in cash and cash equivalents	57,336	101,699
Cash and cash equivalents at beginning of year	<u>456,187</u>	<u>354,488</u>
Cash and cash equivalents at end of year	<u>\$ 513,523</u>	<u>\$ 456,187</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

(Concluded)

# KING CHOU MARINE TECHNOLOGY CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. HISTORY AND ORGANIZATION

King Chou Marine Technology Co., Ltd. (the “Company”) was established at Hsinyuan Township, Pingtung County in December 1973. It was formerly named King Chou Fish Net Mfg. Co., Ltd. and later renamed King Chou Marine Technology Co., Ltd. in July 2002. The Company mainly engages in the manufacturing, processing, domestic/export sales and export/import trade of a variety of fishing nets, twines and ropes.

The Company’s shares have been traded on the Taipei Exchange (TPEX) since November 2000.

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

### 2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 13, 2024

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

- (1) First-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The adoption of IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- (2) IFRS Accounting Standards endorsed by the FSC to take effect for annual reporting periods beginning on January 1, 2024

<b>New or Amended Standards and Interpretations</b>	<b>Effective Date Announced by International Accounting Standards Board (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 “Non-current Liabilities with Covenants”	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 new or amended standards and interpretations 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: Exemptions from certain disclosure requirements for the first-time adoption of the amendments

As of the date the parent company only financial statements were authorized for issue, the Company assessed and determined that the application of above amended standards and interpretations will not have significant impact on the Company's financial position and financial performance.

- (3) IFRS Accounting Standards issue by the IASB but not yet endorsed and issued into effect by the FSC

<b>New or Amended Standards and Interpretations</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 17 and IFRS 9 - 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 and amended IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will take effect for the annual period beginning on January 1, 2025. The effect of the first-time adoption is recognized in retained earnings on the date of initial adoption. When the entity uses a presentation currency other than its functional currency, the effect is recognized in exchange difference on translation of foreign operations under equity on the date of initial adoption.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above 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 SIGNIFICANT ACCOUNTING POLICIES**

- (1) Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (2) Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair values and net defined benefit assets which are measured at the present value of the defined benefit obligations 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 on the measurement date;
- B. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- C. Level 3 inputs are unobservable inputs for the asset or liability.

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net profit, other comprehensive income and equity attributable to owners of the Company in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through “investments accounted for using the equity method”, “share of profit or loss of subsidiaries accounted for using the equity method”, “share of other comprehensive income of subsidiaries accounted for using the equity method” and relevant equity items in the parent company only financial statements.

(3) 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 twelve months after the balance sheet date; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the balance sheet date; and
- C. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the balance sheet date.

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

(4) Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

When preparing the parent company only financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries operating in different countries or using different currencies from the Company) are translated into New Taiwan dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income.

(5) Inventories

Inventories include merchandises, raw materials, work in process and finished goods. Inventories 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. 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 stated at weighted-average cost on the balance sheet date.

(6) Investments in subsidiaries

The Company accounts for its investments in subsidiaries using the equity method. A subsidiary is an entity controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income as well as earning distributions of the subsidiaries. Also, the Company recognizes the changes in its share of equity of subsidiaries.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

Unrealized gains or losses from downstream transactions between the Company and its subsidiaries are eliminated in the Company's parent company only financial statements. Profits and losses from upstream and lateral transactions are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and impairment loss.

Depreciation on property, plant and equipment is recognized using the straight-line method over the useful lives. 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 estimates accounted for on a prospective basis.

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

(8) Investment property

An investment property is a property held to earn rents and/or capital appreciation. Investment property of the Company is land with undetermined use.

An owner-occupied investment property is originally measured at cost (including transaction costs). On derecognition of an investment property, the difference between net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Intangible Assets

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and impairment loss. Amortization is recognized on a straight-line basis over the useful lives of the intangible assets. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the

effect of any changes in estimate accounted for on a prospective basis.

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 for the year.

#### (10) Impairment of Property, Plant and Equipment and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment 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 (CGU) to which the asset belongs. Corporate assets are allocated to individual CGU or the smallest group of CGUs on a reasonable and consistent basis.

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 CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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, CGUs or assets related to the contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized on the asset, CGU or assets related to the contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

#### (11) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets 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 fair value through profit or loss) 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 or issuance of financial assets or financial liabilities at fair value through profit or loss 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.

##### (a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost and equity instruments at fair value through other comprehensive income (FVTOCI).

##### i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily at FVTPL, which include equity instruments not designated as at FVTOCI and debt instruments not qualified as measured at amortized cost or at FVTOCI.



Financial assets at FVTPL are measured at fair value. Gains or losses from remeasurement (including dividends or interests on such financial assets) are recognized in profit or loss. Fair value is determined by the manner described in Note 25

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivables at amortized cost (including related parties), accounts receivables (including related parties) and other financial assets, 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.

Credit impaired financial assets refer to significant financial difficulty of the issuer or debtor, breach of contract, increasing likelihood that the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the financial asset due to financial difficulties.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

Cash equivalents include time deposits and bonds with repurchase agreements 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments, except for ones held for trading or are contingent considerations recognized by an acquirer in a business combination, as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(b) Impairment of financial assets

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

Impairment loss of all financial assets is deducted directly from the carrying amount of the financial assets, except for accounts and notes receivables. The Company recognizes lifetime expected credit losses (ECLs) for accounts and notes receivables. 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 credit losses with the respective risks of 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.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its debts.
- ii. Financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes impairment loss of all financial assets by reducing their carrying amount through a loss allowance account.

(c) 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.

However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, instead of being reclassified as profit or loss.

B. Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

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

The repurchase of the Company's own equity instruments is recognized in and deducted from equity and the carrying amount is calculated by the weighted-average approach based on share types. 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

(a) Subsequent measurement

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

(b) Derecognition of financial liabilities

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

(12) Revenue Recognition

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

Revenue from sale of goods mainly stems from the sale of net products, ropes and twines. Revenue and accounts receivables are recognized when the goods have been shipped or delivered to customers because this is the time when the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility for sales to future customers and bear the risks of obsolescence. Unearned receipts from sale of goods are recognized as contract liabilities until the Company has fulfilled its performance obligations.

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

(13) Leasing

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

As a lessee, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases and short-term leases where recognition exemptions apply and 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 parent company only 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. 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

#### (14) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period they occur.

#### (15) 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 expense when employees have rendered service 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 and net interest on the net defined benefit asset are recognized as employee benefits expense in the period 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Net defined benefit asset represents the actual surplus in the Company's defined benefit plan. 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.

#### (16) Income Tax

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

##### A. Current tax

Income tax payable (recoverable) is based on profit (loss) for the year determined according to the applicable tax laws of the Republic of China.

According to the Income Tax Act of the Republic of China, an additional tax on unappropriated earnings is provided for as income tax 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 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, 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 asset 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 all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity.

## **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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

The Company incorporates possible impacts on the economic environment in developing material accounting estimates such as cash flow projections, growth rates, discount rates and profitability. The management reviews these estimates and underlying assumptions on an ongoing basis.

### Key source of estimation uncertainty - Estimates for the impairment of financial assets

The estimates of impairment loss for receivables are based on the Company's assumptions for the probability and loss rate of defaults. Past experience, current market conditions and forward-looking information are taken into consideration for the assumptions and inputs of the impairment assessment. Please refer to Note 9 for details on key assumptions and inputs. A less-than-expected actual cash flows in the future may lead to significant impairment losses.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand and petty cash	\$ 130	\$ 130
Checking accounts and demand deposits	327,973	333,217
Cash equivalents		
Time deposits with original maturities of three months or less	153,525	122,840
Bonds with repurchase agreements	31,895	-
	<u>\$ 513,523</u>	<u>\$ 456,187</u>

The annual interest rate intervals of cash equivalents as of the balance sheet date were as follows:

	December 31	
	2023	2022
Time deposits (%)	5.45~5.70	4.68~4.80
Bonds with repurchase agreements (%)	5.60	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Listed domestic shares	\$ 44,773	\$ 44,818
Beneficiary certificates	8,837	3,360
	<u>\$ 53,610</u>	<u>\$ 48,178</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2023	2022
Domestic investments		
Unlisted shares	\$ 5,462	\$ 3,600

The Company acquired the ordinary shares of Taiwan Wind Power Co., Ltd. for mid to long-term strategic purpose and expected to receive investment gains in the long run. Management believes that the recognition of short-term fair value changes in profit or loss is inconsistent with the aforementioned long-term investment planning. Thus, it elects to designate these investments as at fair value through other comprehensive income.

## 9. NOTES AND ACCOUNTS RECEIVABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable (including related parties)		
From operation	\$ 17,695	\$ 35,121
Accounts receivable (including related parties)		
Gross carrying amount at amortized cost	\$ 600,697	\$ 795,761
Less: Loss allowance	86,815	73,141
	<u>\$ 513,882</u>	<u>\$ 722,620</u>

The average credit period for the sales of goods is 60 to 180 days. No interest is charged on accounts receivables. To mitigate credit risk, the management assigns dedicated personnel to handle the determination of credit limits, credit approvals and other monitoring procedures to ensure proper actions are taken for the recovery of overdue receivables. Furthermore, the Company reviews the recoverable amount of each receivable on the balance sheet date to make sure proper impairment losses are recognized for uncollectible accounts. Thus, the management believes that the Company's credit risk has been significantly reduced.

The Company measures loss allowance for accounts receivables at an amount equal to lifetime expected credit losses. The expected credit losses are estimated using a provision matrix by considering the past default record and the current financial position of the debtor, adjusted for general economic conditions of the industry in which the debtors operate and an assessment on the industry outlook at the reporting date. As the Company's historical credit loss record does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished according to the Company's customer base. The Company determines the expected credit loss rates solely on the past due days of accounts receivable.

The Company writes off a receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Amounts recovered are recognized in profit or loss.

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

### December 31, 2023

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
	-	0.5~5	10	50	100	
Gross carrying amount	\$423,909	\$ 88,226	\$ 24,386	\$ 1,529	\$ 80,342	\$618,392
Loss allowance (Lifetime ECL)	-	( 3,269)	( 2,439)	( 765)	( 80,342)	( 86,815)
Amortized cost	<u>\$423,909</u>	<u>\$ 84,957</u>	<u>\$ 21,947</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$531,577</u>

December 31, 2022

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
	-	0.5~5	10	50	100	
Gross carrying amount	\$605,165	\$131,043	\$ 24,667	\$ 4,016	\$ 65,991	\$830,882
Loss allowance (Lifetime ECL)	-	( 2,675)	( 2,467)	( 2,008)	( 65,991)	( 73,141)
Amortized cost	<u>\$605,165</u>	<u>\$128,368</u>	<u>\$ 22,200</u>	<u>\$ 2,008</u>	<u>\$ -</u>	<u>\$757,741</u>

Movements of the loss allowances of accounts and notes receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance as of January 1	\$ 73,141	\$ 41,544
Add: Appropriated during the year	<u>13,674</u>	<u>31,597</u>
Balance as of December 31	<u>\$ 86,815</u>	<u>\$ 73,141</u>

# 10. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 394,896	\$ 493,789
Finished goods	138,890	116,230
Work in process	56,129	51,663
Merchandise	<u>824</u>	<u>1,144</u>
	<u>\$ 590,739</u>	<u>\$ 662,826</u>

The cost of inventories recognized as operating cost amounted to NT\$1,883,707 thousand and NT\$2,203,981 thousand for the years ended December 31, 2023 and 2022, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-downs of NT\$159 thousand and NT\$5,561 thousand, respectively.

# 11. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Refundable deposits	<u>\$ 138</u>	<u>\$ 134</u>

# 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Subsidiaries	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Amount</b>	<b>Ownership Percentage</b>	<b>Amount</b>	<b>Ownership Percentage</b>
King Chou Investment & Development Limited (KCL) (Note)	\$ 1,118,354	100	\$ 1,130,865	100

(Continued)



Subsidiaries	December 31, 2023		December 31, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage
King Chou (Vietnam) Marine Technology Co., Ltd. (Vietnam King Chou)	953,570	100	880,645	100
King Da International Limited (KDL)	327,678	50.6	325,617	50.6
King Chou International Corporation (KCIC)	369,729	100	342,526	100
Trans-Ocean Fishing Supplies Co., Ltd. (Trans-Ocean)	17,600	94	16,099	94
Oceanmark International Corporation (OIC)	4,125	98	3,838	98
	<u>\$ 2,791,056</u>		<u>\$ 2,699,590</u>	

Note: The Company established Quanzhou King Chou Marine Technology Ltd. (Quanzhou King Chou) via KCL with 100% shareholding for aquaculture business. However, upon assessment, Quanzhou King Chou was no longer a suitable location for aquaculture developments due to climate changes and the establishment of piers for tourism in the neighborhood. Thus, the board of directors had resolved to dissolve Quanzhou King Chou in December 2009. As of December 31, 2023, the liquidation process was still underway.

The shares of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method for the years ended December 31, 2023 and 2022 were recognized based on the subsidiaries' audited financial statements.

Please refer to Tables 5 and 6 for details on the Company's investees and investments in mainland China.

### 13. PROPERTY, PLANT AND EQUIPMENT

- (1) Movements of costs, accumulated depreciation and accumulated impairment were as follows:

For the year ended December 31, 2023

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance as of January 1, 2023	\$ 359,762	\$ 146,159	\$ 88,222	\$ 17,303	\$ 54,734	\$ 2,760	\$ 668,940
Addition	-	957	531	620	296	73,679	76,083
Disposal	-	-	( 626 )	-	( 20 )	-	( 646 )
Balance as of December 31, 2023	<u>\$ 359,762</u>	<u>\$ 147,116</u>	<u>\$ 88,127</u>	<u>\$ 17,923</u>	<u>\$ 55,010</u>	<u>\$ 76,439</u>	<u>\$ 744,377</u>
<b>Accumulated Depreciation and Impairment</b>							
Balance as of January 1, 2023	( \$ 24,328 )	( \$ 72,262 )	( \$ 71,362 )	( \$ 13,039 )	( \$ 31,344 )	\$ -	( \$ 212,335 )
Depreciation	-	( 4,073 )	( 2,891 )	( 1,272 )	( 3,465 )	-	( 11,701 )
Disposal	-	-	626	-	20	-	646
Balance as of December 31, 2023	<u>( \$ 24,328 )</u>	<u>( \$ 76,335 )</u>	<u>( \$ 73,627 )</u>	<u>( \$ 14,311 )</u>	<u>( \$ 34,789 )</u>	<u>\$ -</u>	<u>( \$ 223,390 )</u>
Net balance as of December 31, 2023	<u>\$ 335,434</u>	<u>\$ 70,781</u>	<u>\$ 14,500</u>	<u>\$ 3,612</u>	<u>\$ 20,221</u>	<u>\$ 76,439</u>	<u>\$ 520,987</u>

For the year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance as of January 1, 2022	\$ 339,030	\$ 144,800	\$ 88,127	\$ 17,303	\$ 50,062	\$ -	\$ 639,322
Addition	20,732	1,359	95	-	5,258	2,760	30,204
Disposal	-	-	-	-	( 586)	-	( 586)
Balance as of December 31, 2022	<u>\$ 359,762</u>	<u>\$ 146,159</u>	<u>\$ 88,222</u>	<u>\$ 17,303</u>	<u>\$ 54,734</u>	<u>\$ 2,760</u>	<u>\$ 668,940</u>
<b>Accumulated Depreciation and Impairment</b>							
Balance as of January 1, 2022	( \$ 24,328 )	( \$ 68,239 )	( \$ 68,307 )	( \$ 11,316 )	( \$ 28,680 )	\$ -	( \$ 200,870 )
Depreciation	-	( 4,023 )	( 3,055 )	( 1,723 )	( 3,250 )	-	( 12,051 )
Disposal	-	-	-	-	586	-	586
Balance as of December 31, 2022	<u>( \$ 24,328 )</u>	<u>( \$ 72,262 )</u>	<u>( \$ 71,362 )</u>	<u>( \$ 13,039 )</u>	<u>( \$ 31,344 )</u>	<u>\$ -</u>	<u>( \$ 212,335 )</u>
Net balance as of December 31, 2022	<u>\$ 335,434</u>	<u>\$ 73,897</u>	<u>\$ 16,860</u>	<u>\$ 4,264</u>	<u>\$ 23,390</u>	<u>\$ 2,760</u>	<u>\$ 456,605</u>

The ownership over agricultural land of NT\$87,562 thousand is temporarily registered to an individual as it cannot be transferred to the Company due to regulatory restrictions. However, the land is pledged to the Company. In 2004, accumulated impairment of NT\$24,328 thousand was recognized based on the net fair value of the land and the amount was not changed as of December 31, 2023.

(2) Useful lives

The items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives of the assets:

Buildings	
Main buildings	15 to 60 years
Other netting premises	5 years
Machinery and equipment	5 to 13 years
Transportation equipment	5 years
Miscellaneous equipment	3 to 50 years

(3) Please refer to Note 27 for details on property, plant and equipment pledged by the Company to secure borrowings.

(4) Investing activities which affect both cash and non-cash items

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Increase in property, plant and equipment	\$ 76,083	\$ 30,204
Decrease in prepayments for equipment	<u>3,361</u>	<u>-</u>
Cash paid for the acquisition of property, plant and equipment	<u>\$ 79,444</u>	<u>\$ 30,204</u>

#### 14. Investment property - December 31, 2023

	Amount
Land cost	
Balance as of January 1, 2023	\$ -
Addition	67,602
Balance as of December 31, 2023	<u>\$ 67,602</u>

The addition was a parcel of land at Chuantou Section, Tungkan Township. The land, valued at NT\$67,602 thousand, was a repayment from a customer for long overdue accounts receivables of NT\$50,512 thousand with collection efforts from the Company. As of December 31, 2023, the difference of NT\$17,090 thousand was paid in full to the customer and the transfer of land ownership was completed.

The fair value of investment property was not appraised by independent appraisers. The Company's management measured the fair value by adopting the valuation model commonly used by market participants with Level 3 inputs. The valuation took into account transaction prices of similar property in the neighborhood area. The fair value derived was as follows:

	December 31, 2023
Fair value	<u>\$ 67,602</u>

#### 15. BORROWINGS

##### (1) Short-term borrowings

	December 31	
	2023	2022
Secured borrowings (Note 27)	\$ 267,331	\$ 262,867
Credit borrowings	266,924	311,854
	<u>\$ 534,255</u>	<u>\$ 574,721</u>

The annual interest rates of the aforementioned borrowings were as follows:

	December 31	
	2023	2022
Secured borrowings (%)	1.72~2.10	1.38~1.60
Credit borrowings (%)	1.73~1.85	1.38~1.74

#### 16. ACCOUNTS PAYABLE

All accounts payables (including related parties) of the Company arise from operation and the Company does not provide collateral to creditors for these accounts payables (including related parties).

The Company has established financial risk management policies to ensure all payables are paid according to the payment terms. Thus, interests are not charged on these payables.

#### 17. OTHER PAYABLES

	December 31	
	2023	2022
Accrued payroll and bonus	\$ 45,026	\$ 51,169
Compensation payable to employees (Note 21)	15,500	19,800

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Commission payable	12,948	17,486
Remuneration payable to directors and supervisors (Note 21)	12,754	16,350
Others	13,592	13,316
	<u>\$ 99,820</u>	<u>\$ 118,121</u>

## 18. RETIREMENT BENEFIT PLANS

### (1) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (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.

### (2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act 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 a certain percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. 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 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 parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligations	\$ 109,494	\$ 114,819
Fair value of plan assets	<u>( 130,002)</u>	<u>( 130,823)</u>
Net defined benefit assets	<u>(\$ 20,508)</u>	<u>(\$ 16,004)</u>

Movements in net defined benefit assets were as follows:

	<b>Present Value of the Defined Benefit Obligations</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets</b>
Balance as of January 1, 2022	\$ 117,138	( \$ 125,456 )	( \$ 8,318 )
Service cost			
Current service cost	866	-	866
Interest expenses (income)	879	( 942 )	( 63 )
Recognized in profit or loss	1,745	( 942 )	803
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 9,846 )	( 9,846 )
Actuarial gain - changes in financial assumptions	( 4,049 )	-	( 4,049 )
Actuarial gain - experience adjustments	5,526	-	5,526
Recognized in other comprehensive income	1,477	( 9,846 )	( 8,369 )
Contributions from employer	-	( 120 )	( 120 )
Benefits paid	( 5,541 )	5,541	-
Balance as of December 31, 2022	\$ 114,819	( \$ 130,823 )	( \$ 16,004 )
Service cost			
Current service cost	612	-	612
Interest expenses (income)	1,608	( 1,833 )	( 225 )
Recognized in profit or loss	2,220	( 1,833 )	387
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 945 )	( 945 )
Actuarial gain - changes in financial assumptions	572	-	572
Actuarial loss - experience adjustments	( 4,453 )	-	( 4,453 )
Recognized in other comprehensive income	( 3,881 )	( 945 )	( 4,826 )
Contributions from employer	-	( 65 )	( 65 )
Benefits paid	( 3,664 )	3,664	-
Balance as of December 31, 2023	\$ 109,494	( \$ 130,002 )	( \$ 20,508 )

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

A. 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 shall not be below the interest rate for a 2-year time deposit with local banks.

B. 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.

### C. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, 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 rates (%)	1.30	1.40
Expected rates of salary increase (%)	2.25	2.25

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	(\$ 1,467)	(\$ 1,598)
0.25% decrease	\$ 1,505	\$ 1,639
Expected rate of salary increase		
0.25% increase	\$ 1,447	\$ 1,577
0.25% decrease	(\$ 1,418)	(\$ 1,545)

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>
Expected contributions to the plan for the next year	\$ 65	\$ 120
Average duration of the defined benefit obligation (years)	6	6

## 19. EQUITY

### (1) Share capital - ordinary shares

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Registered shares (thousands)	100,000	100,000
Registered capital	\$1,000,000	\$1,000,000
Issued shares (thousands)	83,971	83,971
Issued capital	\$ 839,713	\$ 839,713

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

(2) Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of shares at a premium	\$ 31,052	\$ 31,052
Trading of treasury shares	7,865	7,865
	<u>\$ 38,917</u>	<u>\$ 38,917</u>

Note: Such capital surplus 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 capital (limited to a certain percentage of the Company's paid-in capital and once a year).

(3) Retained earnings and dividend policy

Pursuant to the earnings distribution policy in the Articles of Incorporation, where the Company generated net profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years (including adjustments to undistributed earnings). Next, 10% of the balance shall be set aside as legal reserve until the accumulated legal reserve has equaled the paid-in capital. A special reserve shall then be appropriated or reversed based on operational needs and the laws and regulations. The remaining profit, if any, together with accumulated undistributed earnings shall be used by the 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.

Dividends of the Company can be distributed in the form of stock or cash. Based on the economic conditions both at home and abroad as well as factors such as the present and future funding needs, financial structures and the level of earnings, the dividend payout ratio shall not be under 30% of the net profit after deducting the reserves. As the Company is now at the growth stage, dividends are to be distributed in both cash and stock form. Cash dividends shall not be less than 10% of the total dividends, unless the cash dividend is below NT\$0.3 per share, in which case, the dividend shall be distributed in the form of stock.

Legal reserve shall be appropriated until its balance equals the Company's paid-in capital. It may be used to offset deficits. 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.

The Company complies with Order No. Jin-Guan-Zheng-Fa-1090150022 issued by the FSC and the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards" for the appropriation and reversal of special reserve. On the Company's first-time adoption of the IFRS in 2013, the unrealized revaluation gains and cumulative translation adjustments transferred to retained earnings amounted to NT\$963 thousand and the Company had set aside an equal amount of special reserves.

The appropriations of earnings for 2022 and 2021 approved in the shareholders' meetings on June 12, 2023 and June 14, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>Year Ended December 31</b>		<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 40,967	\$ 26,291		

(Continued)

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>Year Ended December 31</b>		<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Special reserve	\$ -	\$ 20,315		
Reversal of special reserve	( 49,878 )	-		
Cash dividends to shareholders	243,517	176,340	\$ 2.9	\$ 2.1
				(Concluded)

The appropriation of earnings for 2023 proposed by the board of directors on March 13, 2024 was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 31,412	
Reversal of special reserve	44,897	
Cash dividends to shareholders	167,943	\$ 2

The aforementioned earnings distribution proposal is subject to the resolution of the shareholders' meeting to be held on June 12, 2024.

(4) Other equity items

A. Exchange difference on translation of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance as of January 1	(\$162,855)	(\$212,733)
Recognized for the year		
Exchange difference on translation of foreign operations	( 29,143)	246,387
Associated income tax	5,829	( 49,277)
Share of subsidiaries accounted for using the equity method	( 29,307)	( 184,039)
Associated income tax	5,862	36,807
Balance as of December 31	<u>(\$209,614)</u>	<u>(\$162,855)</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<b>Amount</b>
Balance as of January 1, 2023	\$ -
Recognized for the year	
Equity instruments - unrealized gains and losses	1,862
Balance as of December 31, 2023	<u>\$ 1,862</u>

**20. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$2,301,278</u>	<u>\$2,755,247</u>



- (1) Please refer to Note 4 for details on contracts with customers.
- (2) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivables (including related parties)	<u>\$ 531,577</u>	<u>\$ 757,741</u>	<u>\$ 487,536</u>
Contract liabilities			
Sale of goods	<u>\$ 17,573</u>	<u>\$ 39,354</u>	<u>\$ 40,191</u>

Movements in contract liabilities mainly come from the timing difference between the time when the Company fulfills its performance obligations and the time when customers make the payments. There were no other significant changes for the years ended December 31, 2023 and 2022.

The beginning balances of contract liabilities reclassified to revenue were as follows:

	<u>For the Year Ended December 31</u> 2023	<u>2022</u>
From the beginning balance of contract liabilities		
Sale of goods	<u>\$ 26,139</u>	<u>\$ 37,941</u>

## 21. PROFIT BEFORE INCOME TAX

- (1) Interest income

	<u>For the Year Ended December 31</u> 2023	<u>2022</u>
Bank deposits	\$ 12,657	\$ 3,858
Bonds with repurchase agreements	<u>2,360</u>	<u>444</u>
	<u>\$ 15,017</u>	<u>\$ 4,302</u>

- (2) Other income

	<u>For the Year Ended December 31</u> 2023	<u>2022</u>
Dividend income	\$ 4,094	\$ 4,746
Others	<u>6,036</u>	<u>6,070</u>
	<u>\$ 10,130</u>	<u>\$ 10,816</u>

(3) Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Gain (loss) on financial assets mandatorily at FVTPL	\$ 2,567	(\$ 12,953)
Foreign exchange gain (loss), net	5,571	( 50,685)
Others	70	-
	<u>\$ 8,208</u>	<u>(\$ 63,638)</u>

(4) Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interests on bank borrowings	<u>\$ 11,072</u>	<u>\$ 7,939</u>

(5) Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 11,701	\$ 12,051
Intangible assets and other non-current assets	<u>652</u>	<u>600</u>
	<u>\$ 12,353</u>	<u>\$ 12,651</u>
Depreciation by functions		
Operating costs	\$ 8,022	\$ 7,764
Operating expenses	<u>3,679</u>	<u>4,287</u>
	<u>\$ 11,071</u>	<u>\$ 12,051</u>
Amortization by functions		
Operating costs	\$ 75	\$ 60
Operating expenses	<u>577</u>	<u>540</u>
	<u>\$ 652</u>	<u>\$ 600</u>

(6) Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u>\$ 186,739</u>	<u>\$ 200,471</u>
Post-employment benefits (Note 18)		
Defined contribution plans	4,742	4,160
Defined benefit plans	<u>387</u>	<u>803</u>
	<u>5,129</u>	<u>4,963</u>
	<u>\$ 191,868</u>	<u>\$ 205,434</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
By function		
Operating costs	\$ 96,035	\$ 97,319
Operating expenses	95,833	108,115
	<u>\$ 191,868</u>	<u>\$ 205,434</u>
		(Concluded)

(7) Compensation of employees and remuneration of directors and supervisors

The Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 3% and no higher than 3% of net profit before income tax, compensation of employees, and remuneration of directors and supervisors, respectively. The compensation of employees and remuneration of directors and supervisors for 2023 and 2022 which have been approved by the board of directors on March 13, 2024 and March 13, 2023, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Accrual rate</u>		
Compensation of employees (%)	3.63	3.62
Remuneration of directors and supervisors (%)	2.99	2.99
<u>Amount</u>		
Compensation of employees	\$ 15,500	\$ 19,800
Remuneration of directors and supervisors	12,754	16,350

If there is a change in the amounts after the annual parent company only financial statements were authorized for issue, the difference is recorded as a change in the accounting estimate in the following year.

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

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange (TWSE).

(8) Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 120,562	\$ 125,348
Foreign exchange losses	( 114,991)	( 176,033)
Net foreign exchange gain (loss)	<u>\$ 5,571</u>	<u>(\$ 50,685)</u>

## 22. INCOME TAXES

- (1) 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	\$ 51,654	\$ 69,706
Income tax on unappropriated earnings	8,707	1,756
Adjustments for prior year	913	1,983
	<u>61,274</u>	<u>73,445</u>
Deferred tax		
In respect of the current year	\$ 25,858	\$ 33,587
Adjustments for prior year	971	538
	<u>26,829</u>	<u>34,125</u>
	<u>\$ 88,103</u>	<u>\$ 107,570</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax	<u>\$ 398,365</u>	<u>\$ 510,547</u>
Income tax expense calculated at the statutory rate (20%)	\$ 79,673	\$ 102,109
Non-taxable income	( 2,161)	-
Nondeductible expenses in determining taxable income	-	1,184
Income tax on unappropriated earnings	8,707	1,756
Adjustments for prior year	<u>1,884</u>	<u>2,521</u>
	<u>\$ 88,103</u>	<u>\$ 107,570</u>

- (2) Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plan	(\$ 965)	(\$ 1,674)
Exchange difference on translation of foreign operations	5,829	( 49,277)
Share of subsidiaries accounted for using the equity method	<u>5,862</u>	<u>36,807</u>
	<u>\$ 10,726</u>	<u>(\$ 14,144)</u>

(3) Current tax liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Income tax payable	<u>\$ 23,736</u>	<u>\$ 51,114</u>

(4) Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>				
Share of other comprehensive income of subsidiaries accounted for using the equity method	\$ 54,197	\$ -	\$ 5,862	\$ 60,059
Unrealized gains between affiliates	9,130	211	-	9,341
Others	16,409	2,578	-	18,987
	<u>\$ 79,736</u>	<u>\$ 2,789</u>	<u>\$ 5,862</u>	<u>\$ 88,387</u>

Deferred tax liabilities

Gains on overseas investments	\$ 345,420	\$ 29,682	\$ -	\$ 375,102
Unrealized foreign exchange gains	13,484	-	( 5,829 )	7,655
Defined benefit retirement plans	3,201	( 64 )	965	4,102
Others	3,235	-	-	3,235
	<u>\$ 365,340</u>	<u>\$ 29,618</u>	<u>( \$ 4,864 )</u>	<u>\$ 390,094</u>

For the year ended December 31, 2022

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>				
Share of other comprehensive income of subsidiaries accounted for using the equity method	\$ 17,390	\$ -	\$ 36,807	\$ 54,197
Exchange difference on translation of foreign operations	35,793	-	( 35,793 )	-
Unrealized foreign exchange losses	-	9,130	-	9,130
Others	10,080	6,329	-	16,409
	<u>\$ 63,263</u>	<u>\$ 15,459</u>	<u>\$ 1,014</u>	<u>\$ 79,736</u>

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax liabilities</u>				
Gains on overseas investments	\$ 288,224	\$ 57,196	\$ -	\$ 345,420
Exchange difference on translation of foreign operations	-	-	13,484	13,484
Defined benefit retirement plans	1,664	( 137 )	1,674	3,201
Unrealized foreign exchange gains	7,475	( 7,475 )	-	-
Others	3,235	-	-	3,235
	<u>\$ 300,598</u>	<u>\$ 49,584</u>	<u>\$ 15,158</u>	<u>\$ 365,340</u>
				(Concluded)

- (5) Temporary difference associated with investments with deferred tax liabilities yet to be recognized

As of December 31, 2023, taxable temporary difference associated with investments in subsidiaries where deferred tax liabilities had yet to be recognized amounted to NT\$38,951 thousand.

- (6) Income tax assessments

Income tax returns of the Company through 2020 have been examined and cleared by the tax authorities.

## 23. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit for the year	<u>\$ 310,262</u>	<u>\$ 402,977</u>

### Number of shares outstanding

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares in computation of basic earnings per share	83,971	83,971
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>500</u>	<u>584</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>84,471</u>	<u>84,555</u>

The Company may settle compensation paid to employees in cash or shares; therefore, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares are 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.

## 24. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Company's overall strategies had stayed the same during the past two years.

The Company does not have to comply with other external capital requirements.

## 25. FINANCIAL INSTRUMENTS

### (1) Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not measured at fair value in the parent company only financial statements approximate their fair values.

### (2) Fair value of financial instruments that are measured at fair value on a recurring basis

#### A. Fair value hierarchy

##### December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed domestic shares	\$ 44,773	\$ -	\$ -	\$ 44,773
Beneficiary certificates	8,837	-	-	8,837
	<u>\$ 53,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,610</u>

##### Financial assets at FVTOCI

Investments in equity instruments				
Unlisted domestic shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,462</u>	<u>\$ 5,462</u>

##### December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed domestic shares	\$ 44,818	\$ -	\$ -	\$ 44,818
Beneficiary certificates	3,360	-	-	3,360
	<u>\$ 48,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,178</u>

##### Financial assets at FVTOCI

Investments in equity instruments				
Unlisted domestic shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 3,600</u>

There were no transfers between Levels 1 and 2 in 2023 and 2022.

B. Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2023

Financial Assets	Equity Instruments at FVTPL
Balance as of January 1	\$ 3,600
Recognized in other comprehensive income	1,862
	<hr/>
Balance as of December 31	\$ 5,462
	<hr/>

C. Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value

The fair values of investments on unlisted domestic shares are estimated based on the latest net worth of the investees.

(3) Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 53,610	\$ 48,178
At amortized cost (Note 1)	1,045,238	1,214,062
At FVTOCI	5,462	3,600
<u>Financial liabilities</u>		
At amortized cost (Note 2)	2,022,131	2,040,642

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties) and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payables and other payables (including related parties).

(4) Financial risk management objectives and policies

The Company's major financial instruments include investments in equity instruments, accounts receivable, other financial assets, accounts payables and borrowings. The Company's finance department provides services to each business unit and coordinates the Company's activities in the domestic financial market. It 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.

The finance department submits reports to the senior management on a quarterly basis.

A. Market risk

The Company's operating activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.



(a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company was mainly exposed to U.S. dollars.

A positive number indicates an increase (decrease) in pre-tax profit associated with the functional currency weakening 1% against the U.S. dollars. For a 1% strengthening of the functional currency against the U.S. dollars, there would be an equal and opposite impact on pre-tax profit. The impact was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit or loss	(\$ 5,841)	(\$ 3,520)

(b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 185,420	\$ 122,840
Financial liabilities	120,000	30,000
Cash flows interest rate risk		
Financial assets	327,950	333,194
Financial liabilities	414,255	544,721

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rate risks for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

Had interest rates been 1% higher and all other variables been held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$863 thousand and NT\$2,115 thousand, respectively.

(c) Other price risk

The Company was exposed to equity price risk through its investments in domestic shares listed on the TWSE, TPEx and the emerging stock board as well as beneficiary certificates.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$536 thousand and NT\$482 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2023 and 2022 would have increased/decreased by NT\$55 thousand and NT\$36 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

### B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation, is primary from the carrying amount of its financial assets on the parent company only balance sheets.

The Company is exposed to credit risk from a relatively concentrated number of customers who mostly engage in similar business activities with similar economic characteristics. Credit risk concentration occurs when the impact of economy and other factors on customers' abilities to fulfill their contract obligations is therefore also similar. The accounts receivable balances of customers with credit risk concentration were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Company A	\$ 23,453	\$ 89,290

### C. 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 the compliance with loan covenants. As the Company's working capital utilizes the borrowing facilities available from financial institutions, there is no significant liquidity risk.

The following table details the Company's remaining maturities for non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay and includes cash flows of the interests and principal.

### December 31, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate instruments	\$ 96,474	\$ 196,085	\$ 123,552	\$ -

(Continued)

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
Fixed interest rate instruments	\$ 179	\$ 521	\$ 120,260	\$ -
Non-interest-bearing liabilities	780,579	707,974	-	-
Financial guarantee liabilities	390,261	-	-	-
	<u>\$ 1,267,493</u>	<u>\$ 903,903</u>	<u>\$ 243,812</u>	<u>\$ -</u>
				(Concluded)

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>Over 1 Year</b>
<u>Non-derivative financial liabilities</u>				
Variable interest rate instruments	\$ 126,002	\$ 282,440	\$ 138,108	\$ -
Fixed interest rate instruments	30,018	-	-	-
Non-interest-bearing liabilities	776,620	689,301	-	-
Financial guarantee liabilities	351,810	-	-	-
	<u>\$ 1,284,450</u>	<u>\$ 970,783</u>	<u>\$ 138,108</u>	<u>\$ -</u>

The amount of variable interest rate instruments under non-derivative liabilities would change due to the difference between the variable interest rates and the interest rates estimated on the balance sheet date.

## 26. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties were set out as follows:

### (1) Name and relationship of related parties

<b>Related Party</b>	<b>Relationship with the Company</b>
Lee Fisher International Inc. (Lee Fisher)	A substantive related party
Chia-Jen Chen	Chairman of the Company
Chiung-Yu Tseng	Spouse of Chairman of the Company
KDL	A subsidiary
OIC	A subsidiary
Trans-Ocean	A subsidiary
King Tai Technology Limited (KTTL)	A subsidiary
King Da Marine Technical Indonesia, PT. (Indonesia King Da)	A subsidiary
King Chou (Vietnam) Marine Technology Co., Ltd. (Vietnam King Chou)	A subsidiary
Kunshan King Chou Fish Net Mfg. Co., Ltd. (Kunshan King Chou)	A subsidiary
Jin Dar Vietnam International Co., Ltd. (Vietnam Jin Dar)	A subsidiary
King Tai Technology Vietnam Co., Ltd. (Vietnam King Tai)	A subsidiary
Min Feng Ocean Co., Ltd. (Min Feng)	A substantive related party
Min Shuen Ocean Co., Ltd. (Min Shuen)	A substantive related party
Taiwan Twine and Rope Co., Ltd. (Taiwan Twine and Rope)	A substantive related party

(2) Operating revenue

Financial Statement Account	Related Party Category	For the Year Ended December 31	
		2023	2022
Sales revenue	Subsidiaries		
	Vietnam King Chou	\$ 218,097	\$ 194,482
	Trans-Ocean	30,347	39,892
	Kunshan King Chou	41,129	32,205
	Others	13,082	2,156
	Substantive related parties		
	LEE FISHER	\$ 42,562	\$ 54,727
	Others	44,617	19,293
		<u>\$ 389,834</u>	<u>\$ 342,755</u>

The Company's sales to the subsidiaries, Kunshan King Chou and Vietnam King Chou, were carried out through OIC. The terms for sales to the subsidiaries could not be compare to ones with general customers as there was no transaction of similar products or equipment with the latter. The Company adopted the netting of payables and receivables as collection terms and the sales and collection terms of transactions with substantive related parties were not significantly different from ones with the general customers.

(3) Purchases

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Vietnam King Chou	\$ 40,809	\$ 158,890
Kunshan King Chou	101,290	126,570
Others	46,320	46,801
Substantive related parties	-	1,263
	<u>\$ 188,419</u>	<u>\$ 333,524</u>

The Company's purchases from the subsidiaries, Kunshan King Chou and Vietnam King Chou, were carried out through OIC. The prices and terms for purchases from the related parties could not be compare to ones with non-related parties as there was no transaction of similar products with the latter. The Company adopted the netting of payables and receivables as payment terms.

(4) Commissioned processing fees

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Subsidiaries		
Vietnam King Chou	\$ 611,146	\$ 643,252
Kunshan King Chou	33,283	41,022
	<u>\$ 644,429</u>	<u>\$ 684,274</u>

The processing orders with Kunshan King Chou and Vietnam King Chou were engaged through OIC. The processing fees were calculated based on mutual agreements and the transaction prices and terms were not significantly different from the ones with general suppliers. Payment terms may be adjusted upon negotiation depending on the funding requirements of related parties. The payment terms with general suppliers were monthly settlement with payment in 50 days.

(5) Receivables from related parties

Financial Statement Account	Related Party Category/Name	December 31	
		2023	2022
Accounts receivable	Subsidiaries		
	Indonesia King Da	\$ 5,861	\$ 2,072
	Substantive related parties		
	Min Shuen	18,521	-
	LEE FISHER	5,119	24,272
	Others	1,483	-
		<u>\$ 30,984</u>	<u>\$ 26,344</u>

Outstanding receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for receivables from related parties.

(6) Other payables - related parties

Related Party Category/Name	December 31	
	2023	2022
Subsidiaries		
Kunshan King Chou	\$ 686,582	\$ 668,912
Vietnam King Chou	659,396	626,933
Others	6,561	5,255
Substantive related parties	-	271
	<u>\$ 1,352,539</u>	<u>\$ 1,301,371</u>

Other payables were mainly the processing fees payable. Payments to the subsidiaries, Kunshan King Chou and Vietnam King Chou, were done via OIC. Outstanding payables at the end of the year were not secured.

(7) Compensation of key management personnel

Remuneration of directors and key executives was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 31,317	\$ 33,421
Post-employment benefits	474	450
	<u>\$ 31,791</u>	<u>\$ 33,871</u>

The remuneration of directors and key executives was determined based on the performance of individuals and market trends.

(8) Guarantees

Related Party Category/Name	December 31, 2023		December 31, 2022	
	Total	Amount Used	Total	Amount Used
Subsidiaries				
KDL	\$ 184,230	\$ 153,525	\$ 199,615	\$ 184,260
Indonesia King Da	245,640	236,736	184,260	167,550
KTTL	30,705	-	30,710	-
Total	<u>\$ 460,575</u>	<u>\$ 390,261</u>	<u>\$ 414,585</u>	<u>\$ 351,810</u>
	(US\$ 15,000 thousand)	(US\$ 12,710 thousand)	(US\$ 13,500 thousand)	(US\$ 11,456 thousand)

Please refer to Table 1 for endorsements and guarantees provided by the Company for the long and short-term borrowings of KDL, KTTL and Indonesia King Da.

The Chairman, Chia-Jen Chen, and his spouse, Chiung-Yu Tseng, provided joint and several guarantees for the Company's borrowings. Details were as follows:

Guarantor	December 31	
	2023	2022
Chia-Jen Chen and Chiung-Yu Tseng	<u>\$ -</u>	<u>\$ 70,000</u>

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and lines of credit for purchases:

	December 31	
	2023	2022
Carrying amount of property, plant and equipment	<u>\$281,994</u>	<u>\$283,740</u>

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

The Company's significant contingent liabilities and unrecognized contract commitments were as follows:

	December 31	
	2023	2022
Unused letter of credit for material purchases in NT\$	<u>\$ 55,888</u>	<u>\$ 53,640</u>

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of the Company and the related exchange rates between foreign currencies and the functional currency were as follows:

	(In thousands of foreign currency/New Taiwan Dollars)		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>December 31, 2023</u>			
Foreign-currency assets			
Monetary items			
USD	\$ 25,451	30.705 (USD:NTD)	\$ 781,466
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	59,270	30.705 (USD:NTD)	1,819,886
VND	748,137,749	0.001275 (VND:NTD)	953,570
Foreign-currency liabilities			
Monetary items			
USD	44,475	30.705 (USD:NTD)	1,365,595

<u>December 31, 2022</u>			
Foreign-currency assets			
Monetary items			
USD	\$ 31,475	30.71 (USD:NTD)	\$ 966,586
Non-monetary items			
Subsidiaries accounted for using the equity method			
USD	58,705	30.71 (USD:NTD)	1,802,846
VND	671,310,731	0.001312 (VND:NTD)	880,645
Foreign-currency liabilities			
Monetary items			
USD	42,938	30.71 (USD:NTD)	1,318,622

Unrealized and realized foreign exchange gains (losses) with significant influence were as follows:

	Foreign Currency	Exchange Rate	Foreign Exchange Gain (Loss), Net
2023			
USD		30.705 (USD:NTD)	<u>\$ 5,571</u>
2022			
USD		30.71 (USD:NTD)	<u>(\$ 50,685)</u>

### 30. ADDITIONAL DISCLOSURES

- (1) Information on significant transactions and (2) investees:
  - A. Financing provided to others: None.
  - B. Endorsements/guarantees provided: Table 1
  - C. Marketable securities held: Table 2
  - D. Marketable securities acquired and disposed at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
  - E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
  - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - I. Trading in derivative instruments: None
  - J. Information on investees: Table 5
- (3) Information on investments in mainland China
  - A. Information on investees in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China: Table 6
  - B. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 7
    - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 7
    - (c) The amount of property transactions and the amount of the resultant gains or losses: None
    - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None
    - (e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds: None
    - (f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None



- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8

**TABLE 1**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given to Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent to Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries to Parent	Endorsement/ Guarantee Given to Companies in Mainland China
		Name	Relationship										
0	The Company	KTTL	Subsidiary	\$ 553,580	\$ 32,425 (US\$1,000 thousand)	\$ 30,705 (US\$1,000 thousand)	\$ -	None	1	\$1,383,951	Y	N	N
		Indonesia King Da	Subsidiary	553,580	266,700 (US\$8,750 thousand)	245,640 (US\$8,000 thousand)	236,736 (US\$7,710 thousand)	None	9	1,383,951	Y	N	N
		KDL	Subsidiary	553,580	199,125 (US\$6,250 thousand)	184,230 (US\$6,000 thousand) \$ 460,575 (US\$15,000 thousand)	153,525 (US\$5,000 thousand) \$ 390,261 (US\$12,710 thousand)	None	7	1,383,951	Y	N	N

Note 1: Pursuant to the Company’s “Procedures for Endorsement and Guarantee”, the maximum endorsement and guarantee provided to a subsidiary is limited to 20% of the Company’s net equity.  
Note 2: Pursuant to the Company’s “Procedures for Endorsement and Guarantee”, the total amount of endorsement and guarantee provided is limited to 50% of the Company’s net equity.

**TABLE 2****KING CHOU MARINE TECHNOLOGY CO., LTD.****MARKETABLE SECURITIES HELD****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Ordinary shares							
	Tai-Tech Advanced Electronics Co., Ltd.	-	Financial assets at FVTPL - current	60,000	6,840	0.059	6,840	
	O-Ta Precision Industry Co., Ltd.	-	Financial assets at FVTPL - current	240,000	21,648	0.286	21,648	
	Champion Microelectronic Corp.	-	Financial assets at FVTPL - current	25,000	1,833	0.031	1,833	
	Panjit International Inc.	-	Financial assets at FVTPL - current	40,000	2,692	0.010	2,692	
	Kung Sing Engineering Corporation	-	Financial assets at FVTPL - current	800,000	11,760	0.163	11,760	
	Taiwan Wind Power Co., Ltd.	-	Financial assets at FVTOCI - non-current	360,000	5,462	2	5,462	
	Funds							
	Vietnam Opportunity Fund (NT\$)	-	Financial assets at FVTPL - current	300,000	3,837		3,837	
	Yuanta Japan Leaders Equity Fund -TWD(A)	-	Financial assets at FVTPL - current	500,000	5,000		5,000	

**TABLE 3**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total Purchases or Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Kunshan King Chou	Subsidiary	Purchase	\$101,290	6	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	\$686,582	46	Note
	Vietnam King Chou	Subsidiary	Processing fee	611,146	36	Netting of payables and receivables	Same as normal transactions	Negotiation, based on funding requirements of related parties	659,396	44	Note
			Sales	( 218,097)	( 9)	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	-	-	

The payables included purchases and processing fees.

**TABLE 4**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance of Receivables from Related Parties (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Loss Allowance
					Amount	Action Taken		
Kunshan King Chou	The Company	Subsidiary	\$686,582	0.20	\$ -	-	\$ 63,674	\$ -
Vietnam King Chou	The Company	Subsidiary	659,396	1.01	-	-	3,790	-

Note: Payments had been processed through OIC.

**TABLE 5**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**INFORMATION ON INVESTEEES (EXCLUDING INVESTEEES IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	January 1, 2023	Number of Shares	%	Carrying Amount			
The Company	KCL	British Virgin Islands	Reinvestment and international trade	\$ 258,598 (US\$6,775 thousand)	\$ 258,598 (US\$6,775 thousand)	6,775,619	100	\$ 1,118,354	\$ 6,410	\$ 6,410	
	Vietnam King Chou	Vietnam	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	411,570 (US\$13,000 thousand)	411,570 (US\$13,000 thousand)	-	100	953,570	101,543	101,543	
	KDL	British Virgin Islands	Reinvestment and international trade	152,237 (US\$4,807 thousand)	152,237 (US\$4,807 thousand)	4,807,000	50.6	327,678	4,075	2,062	
	KCIC	Seychelles	Reinvestment and international trade	144,685 (US\$4,600 thousand)	144,685 (US\$4,600 thousand)	4,600,000	100	369,729	38,081	38,081	
	Trans-Ocean	Pingtung County	1. Manufacturing and processing of fishing gears and nets as well as twines and ropes 2. Trading and export/import of raw materials, supplies, finished goods and semi-finished goods of aforementioned products	7,016	7,016	9,400	94	17,600	1,598	1,501	
	OIC	Republic of Panama	Reinvestment and international trade	322 (US\$10 thousand)	322 (US\$10 thousand)	98	98	4,125	319	319	
									\$ 2,791,056	\$ 152,026	\$ 149,916

Note: Please refer to Table 6 for information on investees in mainland China.

**TABLE 6**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	Ownership % of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023 (Notes 1&2)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outflow	Inflow						
Kunshan King Chou	Production and sales of nylon and polyester nets, twines and ropes as well as knitting machines, fishing net accessories and gears	US\$1,200 thousand	Through establishing a company (King Chou Investment & Development Limited) in a third region	\$ 190,677 (US\$ 5,660 thousand)	\$ -	\$ -	\$ 190,677 (US\$ 5,660 thousand)	\$ 6,486	100	\$ 6,486	\$1,113,333	\$ -
Kunshan King Da	Use of regenerated scraps and synthetic fiber products for the production of high-tech, high-tenacity PE, PP and nylon monofilament	US\$5,260 thousand	Through establishing a company (King Da International Limited) in a third region; Kunshan King Da was sold to a non-related party in 2020	34,961 (US\$ 948 thousand)	-	-	34,961 (US\$ 948 thousand)	-	-	-	- (Note 4)	-
Quanzhou King Chou	Aquaculture business	US\$1,066 thousand (US\$416 thousand is pending for capital verification)	Through reinvesting a company (King Chou Investment & Development Limited) in a third region	36,680 (US\$ 1,066 thousand)	-	-	36,680 (US\$ 1,066 thousand)	-	100	-	-	-
							\$ 262,318 (US\$ 7,674 thousand)					

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$262,318 (US\$7,674 thousand)	US\$7,674 thousand (Note 1)	\$1,660,741 (Note 3)

Note 1: Capitalization of retained earnings of US\$6,340 thousand and US\$815 thousand from Kunshan King Chou Fish Net Mfg. Co., Ltd. and Kunshan King Da, respectively, and cash capital increase of US\$89 thousand of Kunshan King Da from KDL were not required to be included in the calculation of limit pursuant to the examination regulations.

Note 2: Amount were recognized on the basis of investees’ financial statements audited by the independent auditors of the parent company in Taiwan.

Note 3: Pursuant to the “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission on August 29, 2008, the upper limit is set at 60% of the Company’s net worth.

Note 4: Kunshan King Da was disposed of in 2020.

**TABLE 7**

**KING CHOU MARINE TECHNOLOGY CO., LTD.**

**SIGNIFICANT TRANSACTIONS WITH INVESTEEES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee	Relationship	Transaction Type	Amount	Payment Term	Abnormal Transaction		Notes/Accounts Receivable (Payable) and Other Payables		Unrealized Gain/(Loss)
					Unit Price	Comparison with General Transactions	Ending Balance	% to Total	
Kunshan King Chou	Subsidiary	Sales	\$ 41,129	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	\$ -	-	\$ -
		Purchase	101,290	Netting of payables and receivables	No similar transaction for comparison	Netting of payables and receivables	-	-	-
		Processing fee	33,283	Netting of payables and receivables	Same as normal transactions	Negotiation, based on funding requirements of related parties	( 686,582 ) (Note)	( 46)	-

Note: Included payables for purchases and processing fees.



**TABLE 8****KING CHOU MARINE TECHNOLOGY CO., LTD.****Information on Major Shareholders  
December 31, 2023**

Name of Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage (%)
Shih Yun Investment Co., Ltd.	6,389,618	7.60
Chuan Kuang Investment Co., Ltd.	4,351,261	5.18

Note: Major shareholders in the table above are shareholders owning 5% or more of the Company's ordinary and preferred shares (only the ones that have completed dematerialized registration and delivery, and include treasury shares) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the parent company only financial statements may differ from the actual number of shares that have completed dematerialized registration and delivery due to different calculation bases.

King Chou Marine Technology Co., Ltd.

Chairman: Chia-Jen Chen