

Stock Code: 6534



2023 Annual Report

Notice to Readers

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

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

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

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CH Biotech R&D Co., Ltd.

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One. Letter to Shareholders

Dear shareholders:

Looking back on 2023, the global economy was still under the impact of continuous wars, inflationary pressures in various economies continued to rise, and interest rate hikes climbed to new highs. At the same time, climate risk is felt around the world leading to a series of concrete actions. Climate change and the trend of net zero carbon emissions are also the most important growth driving forces for the agricultural market and technology in recent years, with overall agricultural production moving towards the direction of precision application, environmental friendliness, and low-carbon emissions. The precise, high-efficiency, and low-carbon products of CH Biotech are more in line with the market trend. In terms of the capital market process, the Company was officially listed on the Innovation Board on December 21, 2023. The 2023 annual revenue reached NT\$1,514,829 thousand, a growth of 5.63% compared to that of 2022, and the net profit margin for the period was 30.58%. The Company's 2023 business results and future prospects are explained as follows:

I. 2023 Business results

(I) Business plan implementation results

Aiming at the business opportunities in the world's agricultural market, CH Biotech, with innovative core key technologies, has developed high-efficiency, precise, and low-carbon Plant Growth Regulator (hereinafter referred to as PGR) and fertilizer products in alignment with the needs of modern agricultural production. The Company's products are unique and innovative in their abilities to reduce carbon emissions from crop production, ensure grain yield under climate change, and reduce resource consumption of crop production.

Based on modern biotechnology and innovative core techniques, the Company precisely designs new functions for its products and adopts a full-featured validation platform to systematically confirm product efficacy. The Company also established a field trial model in the world's mainstream markets to speed up the process of obtaining certifications and launching products, thus enabling the rapid development of new agri-biotech pharmaceutical products. In 2023, the Company obtained one new technical-grade registration certificate, two new product registration certificates from the EPA, and eight new Taiwan Fertilizer Registration Certificates for the series of RepRich-n™ products, which were developed using recycled materials and will help the Company to achieve diversification in market development.

(II) Income and expenditure balance and profitability analysis

The Company's operating revenue for 2023 grew by 5.63% from the previous year. However, due to the impact of foreign exchange rates, the profit for the current period decreased, compared to that of the same period last year. The Company was listed on the Taiwan Innovation Board in December 2023 and completed the cash capital increase, resulting in an increase in shareholders' equity. The return on equity was 20.11% and the earnings per share reached NT\$4.76; consequently, the net cash inflow from operating activities decreased by 5.70% in comparison

to 2022. In addition, to improve the R&D dynamics, the Company continued to invest in the capital expenditure, and with the early repayment of portions of the bank loans, which resulted in an outflow of net cash from investing and financing activities.

Unit: NT\$ thousand; %

Item	2022	2023	Increase (decrease)	
			Amount	%
Net cash inflow (outflow) from operating activities	698,966	659,154	(39,812)	(5.70)
Net cash inflow (outflow) from investing activities	(117,224)	(142,893)	(25,669)	21.90
Net cash inflow (outflow) from financing activities	(375,373)	(106,600)	268,773	(71.60)
Return on assets (%)	15.39	13.93	(1.46)	(9.49)
Return on equity (%)	24.43	20.11	(4.32)	(17.68)
Ratio of income before tax to paid-in capital (%)	58.28	56.32	(1.96)	(3.36)
Net profit margin (%)	32.45	30.58	(1.87)	(5.76)
Earnings per share (NT\$)	4.79	4.76	(0.03)	(0.63)

II. Summary of this year's business plan

(I) Operational strategy

1. Supporting sustainable agriculture

Facing global issues like global warming, the imbalance between food supply and demand, tightening of energy-saving and carbon reduction laws and regulations, and implementation of regulations on the usage of agrochemical products, CH Biotech regards the promotion of sustainable agriculture as our own mission and continues to develop technologies and products that can reduce energy input and carbon emissions during agricultural production, thereby satisfying the needs in the modern mainstream agricultural market.

2. Setting the trend of agricultural biotechnology research and development

To reverse the long-term flow of Taiwan's talents to the high-tech and medical industries, we continue to launch a number of industry-academia collaboration projects and open up scholarships and internship opportunities to support domestic students majoring in agri-biotech-related fields to enhance their theoretical and practical research.

3. Optimizing corporate governance for sustainable management

The Company has established the Audit Committee and the Remuneration Committee respectively to strengthen the corporate governance. In addition, through communication with government agencies, investors, suppliers, customers, and other stakeholders, we ensure fair disclosure of our operational information, thereby preventing the occurrence of malpractices.

4. Think local, act global

CH Biotech, with a global R&D center headquartered in Taiwan and professional researchers recruited locally and globally, has developed new pharmaceutical formulations that meet global agricultural business opportunities based on systematic R&D processes and an operation model that proved successful in the U.S. market. We reached the goal of retaining technologies in Taiwan while selling the products globally, thereby enhancing Taiwan's international status in the field of agro-biotechnology.

(II) Estimated sales and the basis

As the Company did not disclose financial forecasts publicly, there were no sales forecasts. In the future, we will continue to develop new products and technologies and strengthen our competitiveness to achieve stable growth in revenues and profitability and continue to create value for our shareholders.

(III) Important production and sales policies

CH Biotech's business model is based on "asymmetric vertical strategic alliances" with large international distributors, thus enjoying higher margins on new R&D and through the strategic layout of "R&D in Taiwan, made in the U.S., and marketing globally," the Company guarantees advantages in numeral stages from R&D to sales. In terms of marketing, the Company attempts to lower the risk of reduced demand for agrochemical products caused by climate change or sudden disasters in specific regions through the development of diversified markets, and scales down the over-dependence on a single market as the globalized market layout expands.

III. Future outlook

As for our product layout, we will focus on the development of new agro-biotechnological pharmaceuticals and new fertilizer products with a focus on both food safety and environmental protection, assist global clients in seeking new business opportunities arising from trends such as climate change and carbon emission reduction, and place an emphasis on the R&D of energy-saving and carbon reduction products, and circular agriculture products.

In terms of our market layout, we will continue to develop new active ingredients, new products, and new clients, and enhance our ties with existing clients to increase products and extend applications, thereby expanding the sales market. The Company has developed the market in North America for years and will continue to increase the market penetration rate. We will also focus on southern hemisphere markets such as South America and Australia, which will balance out the peak and trough seasons of the Company's revenue and enhance its operational stability.

As for international developments, international geopolitical conflicts continue to affect the global supply chain. The Company continues to monitor the development of the international situation and pays attention to preparations for the stability of the supply of raw materials.

In response to the Taiwan government's policy of net-zero emissions by 2050, CH Biotech has strengthened its understanding of the policies and actions taken by governments and the

industry on the trend of carbon reduction and has been actively developing technologies and products that can help reduce carbon emissions from crop production, with the hope to make use of innovative fertilizer nutrient utilization technologies to accurately provide crop nutrients so that the energy consumption of crop farming can be reduced, thereby contributing to global food security the improvement of crop quality.

Chairman



Two. Company Profile

I. Date of Establishment: November 29, 2013

II. Company History

Year	Milestones
2013	● CH Biotech R&D Co., Ltd. was established, and the paid-in capital was NT\$1,000 thousand.
2014	● Performed capital increase in cash, and the paid-in capital was NT\$6,000 thousand after the capital increase. ● Established the advanced laboratory. ● Performed capital increase in cash, and the paid-in capital was NT\$300,000 thousand after the capital increase.
2015	● Performed 100% reinvestment in CH BIOTECH, LLC., a subsidiary in the U.S. ● Stocks listed on the Emerging Stock Market. ● Advanced laboratory passed the OECD GLP certification. ● Corporate headquarters and R&D center approved to be established in the Advanced Research Park (renamed “Chung Hsing Park”), Central Taiwan Science Park. ● Approved by the Council of Agriculture, Executive Yuan, as an agricultural technology company.
2016	● Increased investments in CH BIOTECH, LLC., a subsidiary in the U.S. ● The Board of Directors approved the investment proposal in Chung Hsing Park, Central Taiwan Science Park. ● Commenced the construction of the corporate headquarters and R&D center (Chung Hsing Park, Central Taiwan Science Park). ● Received the Agribusiness Science & Technology Innovation Award from the Council of Agriculture, Executive Yuan.
2017	● Performed capital increase from earnings, and the paid-in capital was NT\$509,400 thousand after the capital increase. ● Received the Best of 21st Annual Award of the Asian Science Park Association (ASPA). ● Received the 14th National Innovation Award – “Agriculture and Food Biotechnology Group Enterprise Innovation Award” from the Institute for Biotechnology and Medicine Industry.
2018	● Performed capital increase in cash, and the paid-in capital was NT\$534,870 thousand after the capital increase. ● Performed capital increase from earnings, and the paid-in capital was NT\$ 600,000 thousand after the capital increase. ● Entered into a memorandum of understanding with the College of Bioresources and Agriculture, National Taiwan University. ● Inaugurated the corporate headquarters and R&D center (Chung Hsing Park, Central Taiwan Science Park). ● Received the 15th Taiwan Golden Root Awards from the Taiwan Industrial Technology Association. ● Received the Golden Award from the Taiwan Bio Industry Organization. ● Received the Go-Global Award - Gold Medal Award under the Taipei Bio-tech Awards from the Taipei City Government.

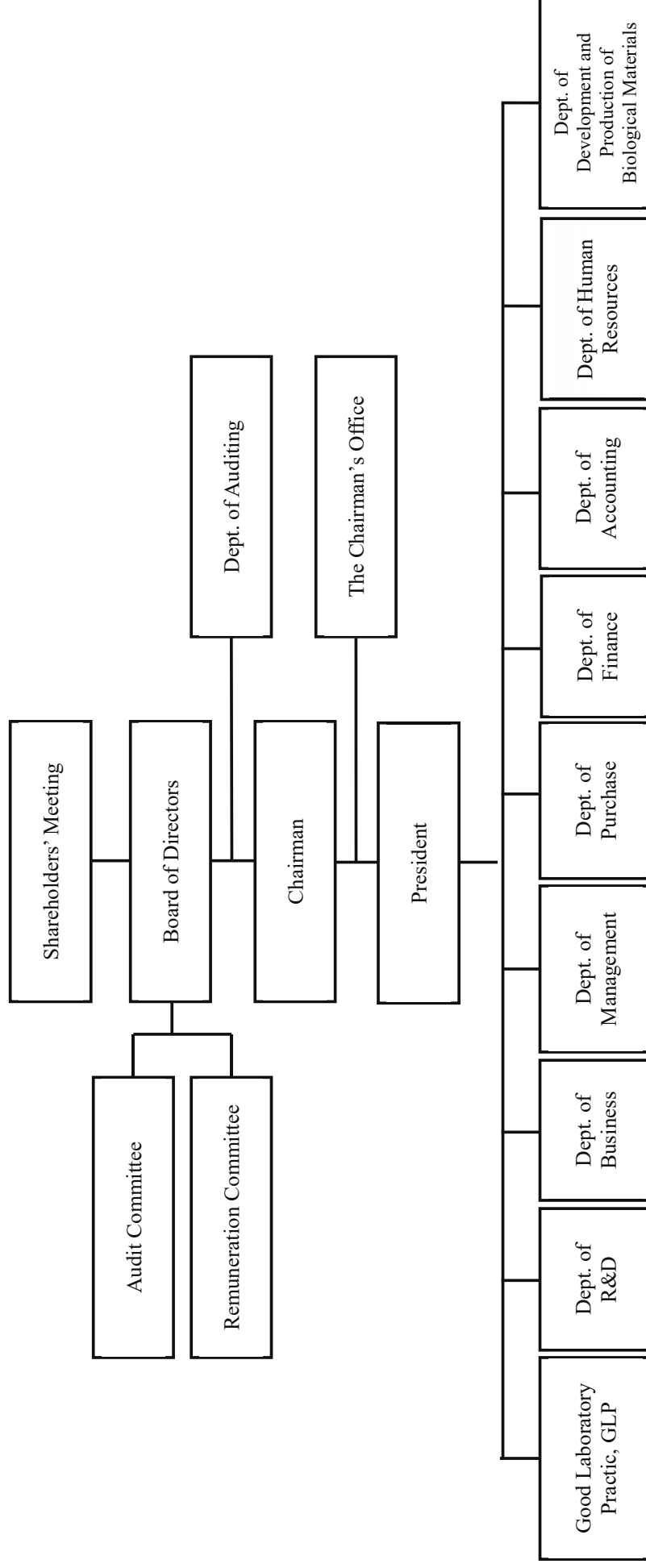
Year	Milestones
	● Received the Traditional Industry Group - Golden Award under the 17th Business Startup Award from the Ministry of Economic Affairs. ● Received the 15th National Brand Yushan Award from the Republic of China National Enterprise Competitiveness Development Association.
2019	● Performed capital increase from earnings, and the paid-in capital was NT\$ 804,000 thousand after the capital increase. ● Founded the 1st CH Biotech Innovation Award. ● Jointly established the “Precision Agriculture League” with the Industrial Technology Research Institute, Taiwan Fertilizer, Known-You Seed, and Tien Heng Machinery. ● Entered into a memorandum of understanding with National Chi Nan University. ● Received the 2019 Outstanding Supplier Innovative Product Award from the Central Taiwan Science Park.
2020	● Performed capital increase from earnings, and the paid-in capital was NT\$ 844,200 thousand after the capital increase. ● Received the “Annual Innovation Award” under the Taiwan BIO Awards from the Taiwan Bio Industry Organization. ● Received the Silver Award of the Innovation Technology Award under the Taipei Biotech Award from the Taipei City Government. ● Received the “2020 Innovative Product Awards” from Central Taiwan Science Park. ● Collaborated with National Tsing Hua University to promote the industry–academic research and development doctoral degree program. ● Collaborated with National Taiwan University to promote the industry–academic research and development doctoral degree program. ● Collaborated with National Cheng Kung University to promote the industry–academic research and development doctoral degree program.
2021	● Formally established the Preparatory Office of “National National Chung Hsing University CH Research Institute”. ● Recognized as a biotech new pharmaceutical company subject to the “Act for the Development of Biotech and New Pharmaceutical Industry” by the Ministry of Economic Affairs. ● Received the 6th Outstanding Taiwan Mittelstand Enterprise Award – Potential Mittelstand Enterprise from the Industrial Development Bureau of the Ministry of Economic Affairs. ● Received the Continuing Advance Award for entrepreneur innovation under the 2021 National Innovation Award – Agriculture and Food Biotechnology Group Enterprise Innovation Award from the Research Center for Biotechnology and Medicine Policy. ● Obtained a registration permit for the fermentation plant in the Changhua Coastal Industrial Park. ● Collaborated with National Chi Nan University to promote the industry–academic research and development doctoral degree program.
2022	● Performed capital increase from earnings, and the paid-in capital was NT\$ 970,830 thousand after the capital increase. ● Promoted the “Recarbonizing Global Soils – A Technical Manual of Recommended Management Practices” collection published by the Food and Agriculture Organization of the United Nations.

Year	Milestones
	● Received the “Outstanding Supplier Innovative Product Award” from the Central Taiwan Science Park. ● Received the 15th Taiwan Enterprise Sustainability Awards – “Innovative Growth Leader Award” and “ESG Report Bronze Medal Award” from the Taiwan Institute for Sustainable Energy. ● Received the 19th National Innovation Award – Enterprise Innovation Award from the Research Center for Biotechnology and Medicine Policy. ● The Board of Directors approved the annual donation of NT\$25 million to the Academy of Circular Economy of National Chung Hsing University for a period of eight years.
2023	● Listed in the stock market. ● Performed capital increase in cash, and the paid-in capital was NT\$1,028,000 thousand after the capital increase. ● The Company was awarded the 8th National Industrial Innovation Award by the Ministry of Economic Affairs: Excellent and Innovative Enterprise. ● Obtained the Taiwan Fertilizer Registration Certificate for the peptide-rich fertilizer carbon reduction series. ● Won the “2023 Taiwan Bio Awards - Outstanding Biotechnology Industry Award - Annual Innovation Award.” ● The Company won the 2023 Global Views Monthly ESG Corporate Sustainability Awards: Outstanding SME Award under the Environmental-friendly category. ● The Company won the 2023 4th Taiwan Circular Economy Award - Innovation Technology Excellence Award. ● Awarded the SGS ESG Awards Sustainability Report ● Received the Traditional Manufacturing Silver Award of the 16th Taiwan Corporate Sustainability Award (TCSA) - Taiwan Corporate Sustainability Report Award.
2024	● Received the 7th Outstanding Medium-sized Enterprise Award from the Ministry of Economic Affairs.

Three. Corporate Governance Report

I.Organization of the Company

(I)Organizational Structure



(II)Major Corporate Functions

Department	Functions
Audit Committee	(1) Establish or amend the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. (2) Assess the effectiveness of the internal control system. (3) Stipulate or amend, pursuant to Article 36-1 of the Securities and Exchange Act, the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others. (4) Deal with matters in which a director is an interested party. (5) Conduct asset transactions or derivatives trading of a material nature. (6) Arrange loans of funds, endorsements, or provision of guarantees of a material nature. (7) Conduct the offering, issuance, or private placement of equity-type securities. (8) Arrange appointments or dismissals of certified public accountants, or their compensation. (9) Arrange appointments or dismissals of financial, accounting, or internal audit officers. (10) Produce annual and semi-annual financial reports. (11) Deal with any material matters as may be required by the Company or by the competent authority.
Remuneration Committee	(1) Periodically review the Remuneration Committee Charter and make recommendations for amendments. (2) Establish and periodically review the annual and long-term performance goals and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company. (3) Periodically assess the degree to which performance goals for the directors and managerial officers of the Company have been achieved and set the types and amounts of their individual compensation.
Dept. of Auditing	(1) Plan and implement internal auditing operations. (2) Conduct internal review operations and produce improvement plans. (3) Propose annual overall auditing plans.
Chairman	Determine major decisions of the Company in accordance with the resolutions of the Board of Directors
The Chairman's Office	(1) Coordinate project planning and execution. (2) Gather interdepartmental opinions. (3) Establish communication channels among the Company, investors, the media, and stakeholders. (4) Publicize, interpret, and transmit messages to the internal and external public based on the decisions made by each Department of the Company.
President	(1) Comprehensively manage the Company's business and the performance of each department. (2) Supervise the operations of each functional organization.

Department	Functions
Dept. of Business	(1) Conduct analyses of the market and competitors. (2) Improve sales results and enhance the visibility of the Company and products. (3) Formulate various product sales plans and targets. (4) Track product quality and customers using condition. (5) Provide existing customers with products they need and assist in their future developments.
Dept. of R&D	(1) Plan and execute R&D projects. (2) Plan production procedures and improve existing product processes. (3) Develop and design new products and conduct sample testings and small batch production.
Dept. of Management	(1) Handle environmental, health, and safety education training for new and current employees. (2) Conduct assessments of the operating environment as well as safety and health hazards and take preventive measures. (3) Plan, maintain, and manage the security of the information system. (4) Handle administrative affairs and manage fixed assets. (5) Handle matters related to labor safety and health management. (6) Purchase and manage business supplies.
Dept. of Development and Production of Biological Materials	(1) Plan, integrate, and manage production projects. (2) Manage production technology, quality, and efficiency and promote the production equipment maintenance system. (3) Evaluate and introduce production technology. (4) Manufacture products and manage production affairs. (5) Improve energy conservation and manufacturing efficiency. (6) Conduct other business related to production management and production technology research and development.
Dept. of Human Resources	Responsible for the Company's personnel affairs and human resources development and management.
Dept. of Purchase	(1) Procure raw materials, production consumables, and equipment. (2) Handle affairs related to product outsourcing and outsourced processing control and management, manage inventory, etc.
Dept. of Finance	(1) Raise, handle, and manage the Company's capital. (2) Manage capital structure and handle and raise capital. (3) Plan and review financial capital budgeting. (4) Plan for long-term financial structure. (5) Establish and amend the stock affairs management system. (6) Publish announcements on the Market Observation Post System. (7) Handle matters related to corporate governance, the Board of Directors Meeting, and the Shareholders' Meeting.
Dept. of Accounting	(1) Handle accounting matters and prepare financial statements. (2) Conduct annual budget planning and follow-up control.
GLP Lab	(1) Plan and execute physical and chemical experiments and conduct research according to the OECD GLP standards. (2) Issue testing reports according to OECD GLP standards.

II. Information Regarding Board of Directors and Key Managerial Officers

(I) Names, Educational (Career) Backgrounds, Shareholding and Nature of Directors (the Company has established the Audit Committee, so the supervisor system is not applicable.)

March 23, 2024; Unit: thousand shares, %

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected (Appointment)	Term	Date First Elected	Shares Held When Elected		Shares Held at Present		Shares Held by Spouse & Minors		Shares Held Using Other Names		Education and Experience	Current Position(s) in the Company and Other Companies	Spouse or Relative within the Second Degree of Kinship Who is a Managerial Officer, Director, or Supervisor of the Company			Remark
							Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding			Title	Name	Relation ship	
Chairman	ROC	Zhao Song Investment Co., Ltd.	—	2021.07.06	3 years	2015.03.16	16,457	19.49	18,230	17.73	—	—	—	—	—	—	—	—	—	—
	US/ROC	Representative Cheng-Fang Wu	Male 71-80 years old	2021.07.06	3 years	2013.11.21	—	—	2,962	2.88	—	—	24,322	23.66	Department of Cooperative Economics, Feng Chia University President of NCA Branch, Inc.	Chairman of Zhao Song Investment Co., Ltd. Chairman of Gofeland Co., Ltd. Director of Wealth Milestone Investment Corp.	—	—	—	—
Director	ROC	Kuang Fu Han	Male 61-70 years old	2021.07.06	3 years	2014.10.15	—	—	—	—	602	0.59	2,746	2.67	Master of Chemical Engineering, Washington University in St. Louis Master of Electrical Engineering, University of Houston Bachelor of Chemical Engineering, National Cheng Kung University Executive Assistant of CH BioTech R&D Co., Ltd.	Chief Executive Officer of Micro-Technology Concepts, Inc.	—	—	—	—
Director	ROC	Yung Ming Chou	Male 61-70 years old	2021.07.06	3 years	2020.09.02	—	—	—	—	—	—	1,445	1.41	Chairman of Ao Shi Ying Investment Co., Ltd. Corporate Director Representative and Chairman of The Landis Taipei Hotel Co., Ltd. Corporate Director Representative of Liz Dining Group Co., Ltd. Director of Pen-Ta Industrial Co., Ltd. Director of Hsin-Tai Industrial Co., Ltd. Director of Li-Feng Investment Co., Ltd. Director of Jing-San Industrial Co., Ltd. Corporate Director Representative of The Landis Management Co., Ltd. Corporate Director Representative of The Landis Investment Co., Ltd. Supervisor of QINIAN R&D Co., Ltd.	Chairman of Ao Shi Ying Investment Co., Ltd. Corporate Director Representative and Chairman of The Landis Taipei Hotel Co., Ltd. Corporate Director Representative of Liz Dining Group Co., Ltd. Director of Pen-Ta Industrial Co., Ltd. Director of Hsin-Tai Industrial Co., Ltd. Director of Li-Feng Investment Co., Ltd. Director of Jing-San Industrial Co., Ltd. Corporate Director Representative of The Landis Management Co., Ltd. Corporate Director Representative of The Landis Investment Co., Ltd. Supervisor of QINIAN R&D Co., Ltd.	—	—	—	—
Director	ROC	Chao Tsung Chiu	Male 71-80 years old	2021.07.06	3 years	2018.06.05	—	—	155	0.15	—	—	—	—	Dalia Junior High School General Manager of Ten Heng Machinery Co., Ltd. President of CH BioTech R&D Co., Ltd.	Chairman of Ten Heng Building Co., Ltd. Chairman of Ten Heng Construction Co., Ltd.	—	—	—	—
Director	ROC	Xian-Guo Hau	Male 71-80 years old	2021.07.06	3 years	2021.07.06	205	0.24	316	0.31	—	—	923	0.90	Juris Doctor, University of San Francisco Master of Public Administration, Harvard University Master of Law, George Washington University Director of Chenbro Mform Co., Ltd.	Adjunct Professor at Center for General Education, National Taiwan University Arbitrator, Chinese Arbitration Association, Taipei Chairman of Yuan-Yi Corp.	—	—	—	—
Director	Canada	Loveland Products Canada Inc.	—	2023.05.24	3 years	2023.05.24	23,115	23.81	23,115	22.49	—	—	—	—	—	—	—	—	—	Note
	Australia	Representative Robert James Christopher Clayton	Male 41-50 years old	2023.05.24	3 years	2023.05.24	—	—	—	—	—	—	—	—	MBA of Business, Melbourne University Bachelor of Business, University of Melbourne President of Actagro, LLC President and Director of Dendrite Nanotechnologies, Inc. President and Director of Platte Chemical Co. Director of United Agri Products, Inc. Director of West Gate Line, Inc.	Senior Vice President of Retail Business Division, Nutrien Ag Solutions	—	—	—	
Independent Director	ROC	Por Hsiung Lai	Male 71-80 years old	2021.07.06	3 years	2015.07.10	—	—	—	—	—	—	—	—	Ph.D. of Pharmaceutical and Medicinal Chemistry, MCPHS University Management Program of Massachusetts Institute of Technology School of Pharmacy, Kaohsiung Medical University Founder of Debiator Group Chairman of CH BioTech R&D Co., Ltd. Chairman of A-Spine Asia Co., Ltd. Director and General Manager of President Life Sciences Co., Ltd.	Corporate Director Representative and Chairman of Crus Health Technologies Co., Ltd. Chairman of Sihui Enterprise Co., Ltd. Chairman of Tephron Co., Ltd. Independent Director of Medigen Biotechnology Corp. Corporate Director Representative and Chairman of H-Fsing Technology Co., Ltd.	—	—	—	—
Independent Director	ROC	Kuo Chien Chung	Male 61-70 years old	2021.07.06	3 years	2015.07.10	80	0.09	101	0.10	—	—	—	—	Master of Science in Management, Tamkang University Law at Guan-Li Law Office	Accountant of Chang-Xin Accounting Firm Director of Wu-Shi Co., Ltd. Supervisor of Bei Shou Shan Health Culture Technology Ltd.	—	—	—	—
Independent Director	ROC	Yong-Xiang Chiu	Male 71-80 years old	2021.09.01	3 years	2021.09.01	—	—	—	—	—	—	—	—	Bachelor of Law, National Taiwan University Law at Guan-Li Law Office Judge at district courts (Taichung, Hsinchu, and Keelung)	Director of Zhongli International Co., Ltd.	—	—	—	—

Note: Director Brent Randall Smith resigned on March 2, 2023. A new director was elected as the new director of Loveland Products Canada Inc. at the general shareholders' meeting on May 24, 2023.

1. Major Shareholders of the Company's Corporate Shareholders

March 23, 2024

Name of Corporate Shareholders (Note)	Major Shareholders of the Company's Corporate Shareholders	Percentage of Shares Held
Zhao Song Investment Co., Ltd.	Cheng-Pang Wu	100.00%
Loveland Products Canada Inc.	Nutrien (Canada) Holdings ULC	100.00%

Note: For directors and supervisors acting as the representatives of corporate shareholders, this section shall indicate the names of corporate shareholders, and shall further indicate the names of its 10 largest shareholders and the holding percentage of each. If any of those 10 largest shareholders is a corporate shareholder, the names and details shall be noted in the following table.

2. Principal Shareholder of Corporate Shareholders with a Juridical Person as its Major Shareholder

March 23, 2024

Name of Corporate Shareholders (Note)	Name of Major Shareholders	Percentage of Shares Held
Loveland Products Canada Inc.	The ultimate parent company, Nutrien Ltd., is listed on the stock exchange in New York and Toronto.	100.00%

Note: Major shareholders are the 10 largest shareholders.

3. Information on Professional Qualifications of Directors and Independence of Independent Directors

March 23, 2024

Name	Criteria	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu		Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None
Kuang Fu Han		Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Brent Randall Smith (Note 3)	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None
Yung Ming Chou	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None
Chao Tsung Chiu	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None
Xian-Guo Hsu	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None
Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 3)	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the field of commerce, finance, or the Company's business.	N/A	None

Name \ Criteria	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Por Hsiung Lai	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience and professional qualifications in the field of the Company's business.	The independent director himself, his spouse, and relatives within the second degree of kinship are not acting as directors, supervisors, or employees of the Company or its affiliates, and are not holding any shares of the Company. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial, and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	1
Kuo Chien Chung	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the fields of finance, accounting, and the Company's business and is a licensed CPA.	The independent director himself, his spouse, and relatives within the second degree of kinship are not acting as directors, supervisors, or employees of the Company or its affiliates. The independent director himself holds 101 thousand shares/102,800 thousand shares of the Company with a shareholding percentage of 0.10%, not exceeding relevant requirements. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial, and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	None
Yong-Xiang Chiu	Not involved in any matters defined in Article 30 of the Company Act. Has at least five years of work experience in the fields of law and the Company's business and is a licensed lawyer.	The independent director himself, his spouse, and relatives within the second degree of kinship are not acting as directors, supervisors, or employees of the Company or its affiliates, and are not holding any shares of the Company. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial, and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	None

Note 1: For relevant education and experience, please refer to "Three, II, (I) Name, Education (Experience), Shareholding and Nature of Directors."

Note 2: During the two years before being elected or during the term of office, an independent director may not have been or be any of the following (complaints are disclosed in the table above).

(1) An employee of the Company or any of its affiliates.

- (2) A director or supervisor of the Company or any of its affiliates (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top ten in holding.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer in (1) or any of the persons in (2) or (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholding, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) A director, supervisor, officer, or a shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (the same does not apply to specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the Company and independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the last two years has received cumulative compensation NT\$ 500 thousand, or a spouse thereof; provided, this restriction does not apply to a member of a remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) A spouse of or is related to other directors within the second degree of kinship.
- (11) A government agency, a juristic person, or its representative being elected as defined in Article 27 of the Company Act.

Note 3: Director Brent Randall Smith resigned on March 2, 2023. A new director was elected as the new director of Loveland Products Canada Inc. at the general shareholders' meeting on May 24, 2023.

4. Diversity and Independence of the Board of Directors

(1) Board diversity policy

To implement corporate governance and to enhance the Board functions, the Company has formulated relevant regulations in the "Corporate Governance Best Practice Principles for Companies" as required. Board members should formulate an appropriate diversity policy based on the diversity policy and the Company's operations, business model, and development needs. When selecting and nominating candidates for directors, we consider factors such as gender balance, age, education and experience, and independence. The Board members all possess the professional knowledge, skills, practical experience, and ethics required to carry out their duties, pursue continuing education, and set their performance targets, to enhance the operational efficiency of the Board. The number of directors who also serve as the Company's managers should not exceed one-third of the total number of directors, and more than half of the directors should not be spouses or relatives within the second degree of kinship with each other. We have also devised a diversity policy based on our own operations, business model, and development needs, including but not limited to the two criteria below:

- ① Basic conditions and values: Gender, age, nationality, and cultural background.

- ② Professional knowledge and skills: Professional backgrounds (in fields such as law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

The Board members shall generally possess the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goals of corporate governance, the Board as a whole should possess the capabilities below:

- A. Operational judgment.
- B. Accounting and financial analysis skills.
- C. Business management skills.
- D. Crisis management capabilities.
- E. Industry knowledge.
- F. International market perspective.
- G. Leadership.
- H. Decision-making ability.

(2) Implementation and goal achievement

The composition of the Board shall follow the diversity principle, and we have devised an appropriate diversity policy based on our business operations, operating dynamics, and development needs. The selection of and nomination of candidates for directors comply with the Company's Articles of Incorporation. In addition to evaluating the education and experience qualifications, we refer to our stakeholders' opinions and observe the Procedures for Election of Directors and the Corporate Governance Best Practice Principles for Companies to ensure the diversity and independence of the Board members. The Board is currently composed of nine directors, including six directors and three independent directors, who are all experts in finance, management, and the field related to the Company's business. Directors and independent directors possess their own expertise. The six directors are specialized in leadership, operational judgment, management administration, crisis management, industry knowledge, and international market perspectives. The other three independent directors, Por Hsiung Lai, Kuo Chien Chung, and Yong-Xiang Chiu excel at biotechnology, accounting and finance, and law, respectively. All directors and independent directors provide useful guidance for the Company's various business activities. The proportion of independent directors is 33%. One independent director has held the position for less than three years, while the other two for three years or more. There are five directors aged between 71 and 80 years old, three between 61 and 70 years old, and one under 60 years old. Currently, there are no female directors on the Board. To enhance the diversity of the Board of Directors, it is to reserve female seats in the 2024 re-election of the Board of Directors. The Company puts much emphasis on the knowledge, skills, and experience necessary for the Board members to perform their duties. Our Board members possess the eight abilities under the Corporate Governance Best Practice Principles for Companies, which is the ideal goal of our Board diversity policy. We have duly implemented the Board diversity policy for the election and appointment of this term of the Board members. The implementation is detailed in the table below:

March 23, 2024

Title	Name	Basic composition								Capabilities							
		Nationality	Gender	Age				Years of service as an independent director		Operational judgment	Accounting and financial analysis skills	Business management skills	Crisis management capabilities	Industry knowledge	International market perspective	Leadership	Decision-making ability
				41-50	51-60	61-70	71-80	3 years or less	3 years or more								
Director	Zhao Song Investment Co., Ltd. Representative: Cheng Pang Wu	ROC	Male				√	—	—	√	√	√	√	√	√	√	√
Director	Kuang Fu Han	ROC	Male			√		—	—	√	√	√	√	√	√	√	√
Director	Brent Randall Smith (Note)	USA	Male		√			—	—	√	√	√	√	√	√	√	√
Director	Yung Ming Chou	ROC	Male			√		—	—	√	√	√	√	√	√	√	√
Director	Chao Tsung Chiu	ROC	Male				√	—	—	√	√	√	√	√	√	√	√
Director	Xian-Guo Hsu	ROC	Male				√	—	—	√	√	√	√	√	√	√	√
Director	Representative of Loveland Products Canada Inc.: Robert James Christopher Clayton (Note)	Australia	Male	√				—	—	√	√	√	√	√	√	√	√
Independent Director	Por Hsiung Lai	ROC	Male				√	—	√	√	√	√	√	√	√	√	√
Independent Director	Kuo Chien Chung	ROC	Male			√		—	√	√	√	√	√	√	√	√	√
Independent Director	Yong-Xiang Chiu	ROC	Male				√	√	—	√	√	√	√	√	√	√	√

Note: Director Brent Randall Smith resigned on March 2, 2023. A new director was elected as the new director of Loveland Products Canada Inc. at the general shareholders' meeting on May 24, 2023.

(3) Independence of the Board

The Company has three independent directors, accounting for 33% of the total number of board members, and the directors and independent directors are not involved in any circumstances under Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. For relevant information on the educational background, gender, professional qualification, working experience of all directors, and the diversity status, please refer to “Three, II, (I) Names, educational background (experience, shareholding and nature of directors and 3. Professional qualification of directors and independence status of independent directors” of this annual report.

(II) Information of President, Vice President, Associate Vice President, Supervisors of Departments and Branches

March 23, 2024; Unit: thousand shares, %																
Title	Nationality	Name	Gender	Date Elected	Shares Held Directly		Shares Held by Spouse or Minors		Shares Held Using Other Names		Education and Experience	Current Position(s) in Other Companies	Spouse or Relative within the Second Degree of Kinship Who is a Managerial Officer of the Company			Remark
					Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding			Title	Name	Relationship	
President	ROC	Cho-Chun Huang	Female	2021.09.01	37	0.04	—	—	—	—	Ph.D. in Plant Biology, University of Cologne, Germany Post-doc Researcher at Umeå Plant Science Center, Sweden Chief R&D Officer, CH Biotech R&D Co., Ltd.	—	—	—	—	—
Vice President, Department of Management	ROC	Lin Mu-Sheng	Male	2017.10.26	47	0.05	10	0.01	—	—	Master of Science in Management, Tamkang University Manager of Department of Finance, Tien Heng Machinery Co., Ltd.	—	—	—	—	—
Assistant Vice President, Department of Finance	ROC	Lin Hsiu-Feng	Female	2017.10.26	1	—	—	—	—	—	EMBA of Feng Chia University Financial Personnel of Yuanfa Bank Financial Personnel of First Bank	—	—	—	—	—
Chief Technology Officer, Department of R&D	China	Li Kuei-Chun	Male	2021.06.01	—	—	1	—	—	—	Ph.D. of Nanjing Agricultural University Academic Chief of Department of R&D, CH Biotech R&D Co., Ltd.	—	—	—	—	Note
Manager, Department of Accounting	ROC	Lo Hsin-Chun	Female	2018.06.13	62	0.06	—	—	—	—	Department of Accounting, National Taichung University of Science and Technology Chief Auditor of KPMG Taiwan	—	—	—	—	—
Assistant Manager, Department of Auditing	ROC	Ting-Han Lin	Male	2020.11.10	—	—	—	—	—	—	Department of Accounting of National Chung Hsing University Assistant Audit Manager of KPMG Taiwan	—	—	—	—	—

Note: Li Kuei-Chun, Chief Technology Head of Department of R&D, holds Taiwan's long-term residence permit and multiple entry-exit permit.

III. Remuneration of the Directors, President, and Vice President in Most Recent Fiscal Years

(1) The Company's distribution of remuneration to Directors, Supervisors, President, and Vice President is presented in the method where the Company discloses aggregate remuneration information, with the name(s) indicated for each remuneration bracket.

1. Remuneration to Directors (incl. Independent Directors) in the last fiscal year

December 31, 2023; Unit: NTS thousand																
Title	Name	Remuneration to Directors						Ratio of total remuneration (A+B+C+D) to net income		Relevant Remuneration Received by Directors Who Are Also Employees				Ratio of total remuneration (A + B + C + D + E + F +G) to net income (Note)		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company.
		Base Compensation (A)		Severance Pay (B)		Reward of Directors (C)				Business execution expenses (D)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Severance Pay (F)		Employee Compensation (G)		Companies in the consolidated financial statements	The Company			
								The Company	Companies in the consolidated financial statements	Cash	Share			Cash	Share	
Chairman	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu															
Director	Kuang Fu Han															
Director	Brent Randall Smith (Note 9)															
Director	Yung Ming Chou															
Director	Chao Tsung Chiu															
Director	Xian-Guo Hsu															
Director	Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 9)															
Independent Director	Por Hsiung Lai															
Independent Director	Kuo Chien Chung	3,300	3,300	—	—	—	540	860	9,108	78	78	—	—	—	28,992/6.26%	28,992/6.26%
Independent Director	Yong-Xiang Chiu															
1. Please specify the independent directors' remuneration policy, system, standard, and structure, as well as the relations between the amount of remuneration paid and their responsibilities, risks, and time spent: As for the independent directors' remuneration, we refer to the performance evaluation results of the Board and functional committees, and the Remuneration Committee reviews and approves the system, standard, and structure of their remuneration. Then, the Board determines their remuneration based on the degree of their participation and contribution to the Company's operations and industry standards.																
2. In addition to those disclosed in the above table, the remuneration received by the directors in the most recent year for providing services (such as serving as a non-employee consultant of the parent company/all companies listed in the financial statements/investor(s)): None.																

1. Please specify the independent directors' remuneration policy, system, standard, and structure, as well as the relations between the amount of remuneration paid and their responsibilities, risks, and time spent. As for the independent directors' remuneration, we refer to the performance evaluation results of the Board and functional committees, and the Remuneration Committee reviews and approves the system, standard, and structure of their remuneration. Then, the Board determines their remuneration based on the degree of their participation and contribution to the Company's operations and industry standards.

2. In addition to those disclosed in the above table, the remuneration received by the directors in the most recent year for providing services (such as serving as a non-employee consultant of the parent company/all companies listed in the financial statements/investee(s)): None.

Note 1: The remuneration of directors for the most recent year (including the directors' salary, allowance, severance pay, various bonuses and rewards).

Note 2: The amount of directors' remuneration appropriated in the most recent year and approved by the board of directors, which is appropriated according to the surplus earnings of the year according to the Articles of Incorporation of the Company.

Note 3: The relevant business execution expense of directors in the most recent year (including transportation fee, special disbursement, various subsidies, accommodation, company vehicles, and other physical offers). When there are expenses for housing, cars, or other transportation vehicles or personal expenses, the asset nature and cost provided shall be disclosed, and the rent, gasoline fee, and other payments shall be calculated according to the actual or fair market price. If drivers are provided, please describe the remuneration.

Note 4: Net income after tax refers to the net income after tax disclosed in the parent company only or individual financial statements of the most recent year.

Note 5: Refers to the expense for the compensation, including salary, allowance, severance pay, various bonuses, rewards, transportation fees, special disbursement, various subsidies, accommodation, company car, and physical offers, collected by directors concurrently acting as employees (including Presidents, Vice Presidents, other managerial officers, and employees). When there are expenses for housing, cars, or other transportation vehicles or personal expenses, the asset nature and cost provided shall be disclosed, and the rent, gasoline fee, and other payments shall be calculated according to the actual or fair market price. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration. In addition, the salary expense recognized according to IFRS 2 "Share-Based Payment," including the employee stock options, new restricted employee shares, and participation in subscription of shares for capital increase by cash, shall also be counted as part of the remuneration.

Note 6: Where directors concurrently acting as employees (including President, Vice President, other Managers and employees) who obtain employees' remuneration (including stocks and cash), the employees' remuneration amount appropriated upon the approval of the board of directors in the most recent year shall be disclosed.

Note 7: The total amount of remuneration received by all of the directors of the Company exceeds 2% of the net income after tax. However, the remuneration received by any individual director does not exceed NT\$15 million.

Note 8: Compensation paid to directors from an invested company other than the Company's subsidiary or parent company shall be specified (please specify "None" if no such amount is received).

Note 9: Director Brent Randall Smith resigned on March 2, 2023. A new director was elected as the new director of Loveland Products Canada Inc. at the general shareholders' meeting on May 24, 2023.

Note 10: In 2023, the Company provided the Chairman with the use of a company car, at NT\$2,954 thousand.

Brackets of Remuneration of Directors

Brackets of Remuneration to Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements (H)	The Company	Companies in the consolidated financial statements (I)
Under NT\$1,000,000	Brent Randall Smith (Note 9)	Brent Randall Smith (Note 9)	Brent Randall Smith (Note 9)	Brent Randall Smith (Note 9)
NT\$1,000,000 (incl.) – NT\$2,000,000 (excl.)	Yong-Xiang Chiu, Por Hsiung Lai, Kuo Chien Chung, Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 9)	Yong-Xiang Chiu, Por Hsiung Lai, Kuo Chien Chung, Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 9)	Yong-Xiang Chiu, Por Hsiung Lai, Kuo Chien Chung Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 9)	Yong-Xiang Chiu, Por Hsiung Lai, Kuo Chien Chung Loveland Products Canada Inc. Representative: Robert James Christopher Clayton (Note 9)
NT\$2,000,000 (incl.) – NT\$3,500,000 (excl.)	Chao-Tsung Chiu, Xian-Guo Hsu, Kuang-Fu Han, Yung-Ming Chou	Chao-Tsung Chiu, Xian-Guo Hsu, Kuang-Fu Han, Yung-Ming Chou	Chao-Tsung Chiu, Xian-Guo Hsu, Yung-Ming Chou	Chao-Tsung Chiu, Xian-Guo Hsu, Yung-Ming Chou
NT\$3,500,000 (incl.) – NT\$5,000,000 (excl.)	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu	Kuang Fu Han	Kuang Fu Han
NT\$5,000,000 (incl.) – NT\$10,000,000 (excl.)	—	—	—	—
NT\$10,000,000 (incl.) – NT\$15,000,000 (excl.)	—	—	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu
NT\$15,000,000 (incl.) – NT\$30,000,000 (excl.)	—	—	—	—
NT\$30,000,000 (incl.) – NT\$50,000,000 (excl.)	—	—	—	—
NT\$50,000,000 (incl.) – NT\$100,000,000 (excl.)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	10 Directors	10 Directors	10 Directors	10 Directors

Note 1: A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports in the most recent 3 years shall disclose the remuneration paid to individual directors: Not applicable.

Note 2: A company that has had an insufficient director shareholding percentage for three consecutive months or longer in the most recent year shall disclose the remuneration of individual directors: Not applicable.

Note 3: A company that has had an average ratio of share pledging by directors in excess of 50 percent in any three months in the most recent year shall disclose the remuneration paid to each individual director having a ratio of pledged shares in excess of 50 percent for each such month: Not applicable.

Note 4: If all directors' remuneration from all of the companies listed in the financial statements accounts for more than 2% of the net income after tax and any individual director's remuneration exceeds NT\$15 million, such individual directors' remuneration shall be disclosed: Not applicable.

Note 5: If a director is ranked in the lowest two tiers in the corporate governance evaluation in the most recent year or the Corporate Governance Evaluation Committee has resolved that such director shall be excluded from the evaluation, such individual directors' remuneration shall be disclosed: Not applicable.

Note 6: If any director's average annual salary as a non-managerial full-time employee is less than NT\$500,000 in the most recent year, such individual directors' remuneration shall be disclosed: Not applicable.

Note 7: If the net income after tax in the most recent year has increased by more than 10%, but the average annual salaries of full-time employees holding non-managerial positions has not increased from the previous year, the remuneration to individual directors should be disclosed: Not applicable.

Note 8: Income after tax declined by more than 10% and exceeded NT\$5 million in the most recent year, and the average remuneration per director (excluding remunerations for concurrently serving as employees) increased by more than 10% and exceeded NT\$100,000, the remuneration to each individual director should be disclosed: Not applicable.

Note 9: Director Brent Randall Smith resigned on March 2, 2023. A new director was elected as the new director of Loveland Products Canada Inc. at the general shareholders' meeting on May 24, 2023.

2. Remuneration Paid to President and Vice President in the Most Recent Year

December 31, 2023; Unit: NT\$ thousand

December 31, 2023, Unit: NT\$ thousand														
Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company.
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Share	Cash	Share			
President	Cho-Chun Huang	3,622	3,622	212	212	961	961	2,413	—	2,413	—	7,208 1.56%	7,208 1.56%	None
Vice president	Lin Mu-Sheng													

Note 1: The salary, allowance, and severance pay for the Presidents and Vice Presidents in the most recent year.

Note 2: Various types of bonuses, rewards, transportation fees, special disbursement, various subsidies, accommodation, company car, and other physical offers, as well as other remuneration amounts. When there are expenses for housing, cars, or other transportation vehicles or personal expenses, the asset nature and cost provided shall be disclosed, and the rent, gasoline fee, and other payments shall be calculated according to the actual or fair market price. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not to be counted as the remuneration. In addition, for the salary expense recognized according to IFRS 2 "Share-Based Payment," including the employee stock options, new restricted employee shares, and participation in subscription of shares for capital increase by cash, shall also be counted as part of the remuneration.

Note 3: The amount (including shares and cash) of employees' remuneration for President and Vice Presidents appropriated upon the approval of the board of directors in the most recent year.

Note 4: Net income after tax refers to the net income after tax disclosed in the parent company only or individual financial statements of the most recent year.

Note 5: The total amount of various compensations paid by all companies (inclusive of the Company) indicated in the consolidated financial statements to the President and Vice President of the Company shall be disclosed.

Note 6: Compensation paid to the President and Vice President from an invested company other than the Company's subsidiary or parent company shall be specified (please specify "None" if no such amount is received).

Note 7: In 2023, the Company provided the President with the use of a building (including land) at NT\$17,000 thousand, and the use of a company car at NT\$1,229 thousand for the Vice President.

Brackets of Remuneration to the President and Vice President

Brackets of Remuneration to the President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements E
Under NT\$1,000,000	—	—
NT\$1,000,000 (incl.) – NT\$2,000,000 (excl.)	—	—
NT\$2,000,000 (incl.) – NT\$3,500,000 (excl.)	Lin Mu-Sheng	Lin Mu-Sheng
NT\$3,500,000 (incl.) – NT\$5,000,000 (excl.)	Cho-Chun Huang	Cho-Chun Huang
NT\$5,000,000 (incl.) – NT\$10,000,000 (excl.)	—	—
NT\$10,000,000 (incl.) – NT\$15,000,000 (excl.)	—	—
NT\$15,000,000 (incl.) – NT\$30,000,000 (excl.)	—	—
NT\$30,000,000 (incl.) – NT\$50,000,000 (excl.)	—	—
NT\$50,000,000 (incl.) – NT\$100,000,000 (excl.)	—	—
Over NT\$100,000,000	—	—
Total	2 Officers	2 Officers

Note 1: A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports in the most recent 3 years shall disclose the remuneration paid to individual President and Vice President: Not applicable.

Note 2: In the case of insufficient shareholdings by directors for three consecutive months or more in the most recent year, remunerations of individual President and Vice President shall be disclosed: Not applicable.

Note 3: In the case of directors' pledge ratio greater than 50% in any three months in the most recent year, the remuneration of the individual President and Vice President in the months whose average pledge ratio in said months was greater than 50% shall be disclosed: Not applicable.

Note 4: If all directors' remuneration from any of the companies listed in the financial statements accounts for more than 2% of the net income after tax and any individual director's remuneration exceeds NT\$15 million, such individual President and Vice President's remuneration shall be disclosed: Not applicable.

Note 5: If a director is ranked in the lowest two tiers in the corporate governance evaluation in the most recent year or the Corporate Governance Evaluation Committee has resolved that such director shall be excluded from the evaluation, such individual directors' remuneration shall be disclosed: Not applicable.

Note 6: If the net income after tax in the most recent year has increased by more than 10%, but the average annual salaries of full-time employees holding non-managerial positions has not increased from the previous year, the remuneration to individual President and Vice President should be disclosed: Not applicable.

Note 7: Income after tax declined by more than 10% and exceeded NT\$5 million in the most recent year, and the average remuneration per director (excluding remunerations for concurrently serving as employees) increased by more than 10% and exceeded NT\$100,000, the remuneration to each individual President and Vice President should be disclosed: Not applicable.

3.Names of Managerial Officers to whom Employees' Remuneration Has Been Distributed and the Distribution Status

December 31, 2023; Unit: NT\$ thousand

Title		Name	Share	Cash	Total	Ratio of total remuneration to net income (%)
Managerial Officers	President	Cho-Chun Huang	—	10,690	10,690	2.31%
	Vice president	Lin Mu-Sheng				
	Assistant Vice President, Department of Finance	Lin Hsiu-Feng				
	Chief of Department of R&D	Li Kuei-Chun				
	Manager, Department of Accounting	Lo Hsin-Chun				

(II) Separately compare and describe total remuneration, as a percentage to the net income stated in the Company only financial reports or individual financial reports, as paid by the Company and by the companies included in the consolidated financial statements during the most recent two years to directors, supervisors, president, and vice president, and analyze and describe remuneration policies, standards, and combinations, the procedure for determining remuneration, and its linkage to operating performance and future risk.

1. Ratio of total remuneration to net income paid to the directors, supervisors, president, and vice president in the most recent two years

Unit: NT\$ thousand

Title	2022				2023			
	Total remuneration		Ratio of total remuneration to net income (%)		Total remuneration		Ratio of total remuneration to net income (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	32,026	32,026	6.88	6.88	32,832	32,832	7.09	7.09
President Vice president	7,597	7,597	1.63	1.63	7,208	7,208	1.56	1.56

Note: The above remuneration includes transportation fees, remuneration, earnings distribution, bonus, and other compensation.

The aforementioned remunerations are handled in accordance with the Company's Articles of Incorporation, resolutions of the board of directors, and relevant management regulations. The remuneration of the Company is appropriated and distributed according to the operating results of the current year. The remuneration to directors in 2023 is higher than that in 2022 mainly due to the increase in current earnings before tax compared to the same period of last year. The percentage of remuneration to the President and Vice President in 2023 is lower as compared to that in 2022, mainly due to the reference to the Company's overall operating performance and the individual's contribution to the Company's performance.

2. Correlations among the remuneration policies, standards, and combinations, the procedures for determining remuneration, and operating performance and future risks

(1) Remuneration policies, standards, and combinations, and the procedures for determining remuneration

① Director

The remuneration to directors of the Company includes rewards, base compensation, and business execution expenses and is determined in accordance with the Company's Articles of Incorporation. The Board is authorized to determine the remuneration based on the degree of director's participation and contribution to the Company's operations as well as industry standards; the distribution standard of director's remuneration allocated is submitted to the Remuneration Committee and the Board for approval and is paid after passing the resolution, and is reported to the shareholders during the annual shareholders' meeting in accordance with the Company's Articles of Incorporation.

② President and Vice President

The remuneration to presidents and vice president includes salary, employee rewards, etc. The remuneration is determined based on their professional capabilities, the Company's operating objectives, financial performance and their contribution to the Company and the industry standards. The distribution standard of the remuneration of the president and vice president is submitted to the Remuneration Committee and the Board for approval and is paid after passing the resolution, and is reported to the shareholders during the general shareholders' meeting in accordance with the Company's Articles of Incorporation.

(2) Correlations among the above and operating performance and future risks

Regarding the procedure for determining remuneration, the overall operating

performance of the Company and the individual's contribution to the Company's performance are taken into consideration to determine a reasonable remuneration. In addition, in order to reduce future operational risks, the Company will review the remuneration system at any time in accordance with the actual operating performance and relevant laws and regulations in order to maintain the Company's sustainable operations and risk control. To sum up, the Company's policies and procedures for the distribution of remuneration to Directors, President, and Vice President are positively related to operating performance.

The Company has insured the liability insurance for directors and no relevant lawsuit has been filed since the inception of the Company. We expect a low probability that the Directors will have to bear liabilities, obligations, or debts. The important decisions of the management of the Company have been made after considering various risk factors. The results of these decisions will be reflected in the Company's operating performance, which is directly correlated to the remuneration of the management. In other words, there is a correlation between the remuneration of the Directors, Chairman, President, and Vice President and the performance of future risk control.

IV. Corporate Governance Status

(I) Board of Directors' Meeting Operating Status

The board of directors held a total of 11 meetings (A) in the most recent year and up to the printing date of the annual report. The record of the members' attendance is as follows:

Title	Name	No. of Meetings Attended (in Presence) (B)	No. of Meetings Attended by Proxy	Meeting Attendance (in Presence) Rate(%) (B/A)	Remark
Chairman	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu	11	0	100.00%	—
Director	Kuang Fu Han	10	0	90.91%	—
Director	Brent Randall Smith	1	0	100.00%	Resigned on March 2, 2023
Director	Yung Ming Chou	11	0	100.00%	—
Director	Chao Tsung Chiu	10	1	90.91%	—
Director	Xian-Guo Hsu	11	0	100.00%	—
Director	Loveland Products Canada Inc. Representative: Robert James Christopher Clayton	7	0	87.50%	Newly elected on May 24, 2023
Independent Director	Por Hsiung Lai	11	0	100.00%	—
Independent Director	Kuo Chien Chung	11	0	100.00%	—
Independent Director	Yong-Xiang Chiu	11	0	100.00%	—

Other matters that are required to be disclosed:

I. If any of the below-listed circumstances of operations of Board Meetings occur, the meeting date, session, contents of the motion, opinions of the independent director, and opinions handling shall be specified:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

Meeting Date	Session	Motion	Opinion of Independent director	Execution
2023/2/21	4th Session 15th Meeting	The Company's 2022 business report and financial statements	Approved	Executed as approved
		Report of performance reviews and remunerations for directors, functional committee members, and managerial officers of the Company as well as remuneration reporting matters for the year 2022	Approved	Executed as approved
		Distribution of remuneration for 2022 for employees and directors of the Company	Approved	Executed as approved
		2022 earnings distribution	Approved	Executed as approved
		Report on the allocation of shareholders' dividends for the year 2022	Approved	Executed as approved
		Proposal of amending the "Articles of Incorporation"	Approved	Executed as approved
		Amendments to "Seal Control Regulations", "Corporate Governance Best Practice Principles for Companies", "Sustainable Development Best Practices Principles" and "Code for Prevention of Insider Trading"	Approved	Executed as approved
		Proposal of Evaluation of the independence of the company's CPA	Approved	Executed as approved

		The Statement of Internal Control System in 2022	Approved	Executed as approved
2023/3/14	4th Session 16th Meeting	Proposal of by-election of director	Approved	Executed as approved
		Nomination of the Company's director	Approved	Executed as approved
2023/5/9	4th Session 17th Meeting	It is planned to stipulate the Company's General Principles of Non-Assurances Services Pre-Approval Policy	Approved	Executed as approved
		Change of CPA due to job rotation of the accounting firm	Approved	Executed as approved
		Proposal of appointment and remuneration of certified public accountant	Approved	Executed as approved
		Proposal for the financial statement of the company for the first quarter of 2023	Approved	Executed as approved
		Proposal of amending "Procedure for Shareholders Meetings"	Approved	Executed as approved
2023/5/24	4th Session 18th Meeting	The Company prepares the summary financial forecast for the second quarter to the third quarter of 2023	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		To control the quality of raw materials and to enhance market competitiveness, the Company plans for a strategic investment plan	Approved	Executed as approved
2023/8/8	4th Session 19th Meeting	Proposal for the financial statement of the company for the second quarter of 2023	Approved	Executed as approved
		The Company prepares the summary financial forecast for the third quarter to the fourth quarter of 2023	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		Earnings distribution for the first half of 2023	Approved	Executed as approved
		The Company's rental of the Zhangbin Plant	Approved	Executed as approved
		Proposal for the Company's organization chart adjustment	Approved	Executed as approved
		The Company plans to apply for a supply chain financing program to J.P. Morgan Chase Bank	Approved	Executed as approved
2023/9/28	4th Session 20th Meeting	To comply with the regulation revisions of the Taiwan Innovation Board and to cope with the Company's IPO application, it is planned to coordinate specific shareholders to make available to the lead underwriter an over-allotment option for issued common stock and to deposit their shares for a specific period of time from the listing date	Approved	Executed as approved
		The Company revises the 2023 financial forecasting for the third quarter to the fourth quarter as per the laws and regulations	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		To increase the stability and flexibility of the Company's overall financial scheduling for the "post-epidemic stimulus package loan provided by the Ministry of the Economic Affairs to assist in the small and medium-sized enterprises," it is planned to increase the short-term loan limit to CTBC Bank Co., Ltd.	Approved	Executed as approved

2023/10/26	4th Session 21st Meeting	The Company plans for issuance of new shares through cash capital increase before the IPO	Approved	Executed as approved
		The Company prepares the summary financial forecast of the fourth quarter of 2023 to the first quarter of 2024 and the statement of cash receipts and disbursements	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		The Company plans to sign a mandate contract in compliance with the laws of the Republic of China (Taiwan) and relevant regulations in connection with the TWSE listing with the lead securities underwriter Fubon Securities Co., Ltd.	Approved	Executed as approved
		Proposal of amending “Regulations Governing Level of Authority”	Approved	Executed as approved
		Proposal of amending” Remuneration Committee Charter”	Approved	Executed as approved
2023/11/7	4th Session 22nd Meeting	Proposal for the financial statement of the company for the second quarter of 2023	Approved	Executed as approved
		The revision of the Company's” Computerized Information System Cycle Plan”	Approved	Executed as approved
2023/12/12	4th Session 23rd Meeting	Proposal of Annual Audit Plan for 2024 for both the Company and the wholly-owned subsidiary CH Biotech, LLC.	Approved	Executed as approved
2024/2/27	4th Session 24th Meeting	For the business report and financial statement of 2023	Approved	Executed as approved
		For the report of performance reviews for directors, functional committees, and managerial officers of the Company, and remuneration thereof for the year 2023	Approved	Executed as approved
		For the report on 2023 Employees’ and Directors’ Remuneration	Approved	Executed as approved
		For the 2023 Earnings Distribution	Approved	Executed as approved
		For the proposal of the allocation of Shareholders’ dividends and bonuses for the year 2023	Approved	Executed as approved
		For the amendments to the Company's organization chart	Approved	Executed as approved
		To control the quality of raw materials and to enhance market competitiveness, the Company plans to diversify its business scope and make a strategic investment. For the proposal of the strategic investment plan	Approved	Executed as approved
		For the progress report and additional budget proposal for the investment project of the Company’s Fermentation Plant Based in Changhua Coastal Industrial Park	Approved	Executed as approved
		For the amendments to the Company’s“Rules of Procedure for Board of Directors Meetings”	Approved	Executed as approved
		For the amendments to the Company's“Audit Committee Charter”	Approved	Executed as approved
		For the proposal of Evaluation of the independence of the company's CPA	Approved	Executed as approved
		For the Statement of Internal Control System in 2023	Approved	Executed as approved
2024/3/26	4th Session 25th Meeting	To motivate employees and enhance employee benefits, the Company plans to launch the Employee Stock Ownership Trust Plan	Approved	Executed as approved

(II) If an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement regarding a motion not mentioned above: None.

II. For the implementation of the Directors' avoidance of conflict of interests, the names of directors, contents of the motion, the reason for interest avoidance, and participation in resolution shall be specified:

Meeting Date	Names of Directors	Motion	Reason for Interest Avoidance	Participation in Resolution
2023/2/21 4th Session 15th Meeting	Cheng-Pang Wu Kuang Fu Han Brent Randall Smith Yung Ming Chou Chao Tsung Chiu Xian-Guo Hsu Por Hsiung Lai Kuo Chien Chung Yong-Xiang Chiu	Report of performance reviews for directors, functional committees, and managerial officers of the Company and remuneration thereof for the year 2022	Personal interest	Did not participate in discussion and voting
2023/12/12 4th Session 23rd Meeting	Cheng-Pang Wu	Proposal of year-end bonus for chairman and managerial positions of 2023	Personal interest	Did not participate in discussion and voting
2024/2/27 4th Session 27th Meeting	Cheng-Pang Wu Kuang Fu Han Yung Ming Chou Chao Tsung Chiu Xian-Guo Hsu Loveland Products Canada Inc. Representative: Robert James Christopher Clayton Por Hsiung Lai Kuo Chien Chung Yong-Xiang Chiu	Performance reviews for directors, functional committees, and managerial officers of the Company, and remuneration thereof for the year 2023	Personal interest	Did not participate in discussion and voting

III. The information on the frequency, period, scope, method, and content of the Company' Board of Director self-evaluation (or peer assessment) shall be disclosed. The status of the Board evaluation:

(I) Internal self-evaluation

Frequency	Once a year																																
Period	From January 1, 2023 to December 31, 2023																																
Scope	Performance assessment results of the Board, individual Board members, and functional committees																																
Method	Internal self-evaluation																																
Content and results	1. Overall Board performance evaluation <table> <tr> <th>Evaluation Items</th><th>Average score</th></tr> <tr> <td>A. The degree of participation in the Company's operations</td><td>27</td></tr> <tr> <td>B. Improvement to the decision-making quality of the Board</td><td>27</td></tr> <tr> <td>C. Board composition and structure</td><td>15</td></tr> <tr> <td>D. Directors' election of and continuing education</td><td>16</td></tr> <tr> <td>E. Internal control</td><td>16</td></tr> </table> 2. Performance evaluation of individual Board members <table> <tr> <th>Evaluation Items</th><th>Average score</th></tr> <tr> <td>A. Understanding of company goals and tasks</td><td>13</td></tr> <tr> <td>B. Awareness of directors' responsibilities</td><td>13</td></tr> <tr> <td>C. The degree of participation in the Company's operations</td><td>33</td></tr> <tr> <td>D. Internal relations management and communication</td><td>13</td></tr> <tr> <td>E. Directors' professionalism and continuing education</td><td>13</td></tr> <tr> <td>F. Internal control</td><td>13</td></tr> </table> 3. Remuneration Committee's performance evaluation <table> <tr> <th>Evaluation Items</th><th>Average score</th></tr> <tr> <td>A. The degree of participation in the Company's operations</td><td>21</td></tr> <tr> <td>B. Understanding of functional committees' responsibilities</td><td>26</td></tr> </table>	Evaluation Items	Average score	A. The degree of participation in the Company's operations	27	B. Improvement to the decision-making quality of the Board	27	C. Board composition and structure	15	D. Directors' election of and continuing education	16	E. Internal control	16	Evaluation Items	Average score	A. Understanding of company goals and tasks	13	B. Awareness of directors' responsibilities	13	C. The degree of participation in the Company's operations	33	D. Internal relations management and communication	13	E. Directors' professionalism and continuing education	13	F. Internal control	13	Evaluation Items	Average score	A. The degree of participation in the Company's operations	21	B. Understanding of functional committees' responsibilities	26
Evaluation Items	Average score																																
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	<table> <tr> <td>C. Improvement to the decision-making quality of functional committees</td><td>36</td></tr> <tr> <td>D. Composition of functional committees and appointment of members</td><td>16</td></tr> </table>	C. Improvement to the decision-making quality of functional committees	36	D. Composition of functional committees and appointment of members	16								
C. Improvement to the decision-making quality of functional committees	36												
D. Composition of functional committees and appointment of members	16												
	4. Audit Committee's performance evaluation <table> <tr> <th>Evaluation Items</th><th>Average score</th></tr> <tr> <td>A. The degree of participation in the Company's operations</td><td>18</td></tr> <tr> <td>B. Understanding of functional committees' responsibilities</td><td>23</td></tr> <tr> <td>C. Improvement to the decision-making quality of functional committees</td><td>31</td></tr> <tr> <td>D. Composition of functional committees and appointment of members</td><td>14</td></tr> <tr> <td>E. Internal control</td><td>13</td></tr> </table> The average scores of the internal self-evaluation of the Board, individual directors, and functional committees in 2023 all reached 90 points or more (out of 100 points). The overall operations are great. The results have been reported to each functional committee and the Board on December 12, 2023.	Evaluation Items	Average score	A. The degree of participation in the Company's operations	18	B. Understanding of functional committees' responsibilities	23	C. Improvement to the decision-making quality of functional committees	31	D. Composition of functional committees and appointment of members	14	E. Internal control	13
Evaluation Items	Average score												
A. The degree of participation in the Company's operations	18												
B. Understanding of functional committees' responsibilities	23												
C. Improvement to the decision-making quality of functional committees	31												
D. Composition of functional committees and appointment of members	14												
E. Internal control	13												
IV. The evaluation of targets (such as establishing an Audit Committee and increasing information transparency) for strengthening of the functions of the Board during the current and the most recent fiscal year, and measures taken toward achievement thereof: (I) Regularly arrange training courses for directors to enhance their professional advantages and abilities and help them grasp the latest laws and regulations. Every director took classes for the number of hours suggested in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies in 2023. (II) Insure directors' liability insurance every year to diversify and reduce the risks bear by the Company and shareholders. (III) Review the appropriateness of internal regulations every year and amend them regularly to ensure the implementation of the management system. Regulations amended in 2023 include Management of the Use of Seal, Corporate Governance Best Practice Principles, Sustainable Development Best Practice Principles, Prevention of Insider Trading, Rules of Procedure for Shareholders' Meetings, Regulations Governing Level of Authority, Remuneration Committee Charter, Computerized Information System Circulation and so on.													

(II) Audit Committee Implementation Status

The Audit Committee held nine meetings (A) from the most recent year and up to the printing date of the annual report. The qualifications and record of the members' attendance is as follows:

Title	Name	No. of Meetings Attended (B)	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%) (B/A)	Remark
Independent Director	Por Hsiung Lai	9	0	100.00%	—
Independent Director	Kuo Chien Chung	9	0	100.00%	—
Independent Director	Yong-Xiang Chiu	9	0	100.00%	—

Other matters that are required to be disclosed:

I. If the operations of the Audit Committee fall under any of the circumstances below, please specify the date of the meeting, the term of the Audit Committee, the content of the proposal, independent directors' dissenting opinion or qualified opinion or major suggestions, the results of the Audit Committee's resolutions, and the Company's response to the Audit Committee's opinions:

(I) Matters listed in Securities and Exchange Act §14-5:

Audit Committee Meeting Date	Session	Motion	Opinion of Independent director	Execution
2023/2/21	2nd Session 12th Meeting	The Company's 2022 business report and financial statements	Approved	Executed as approved
		Report of performance reviews and remunerations for directors, functional committee members, and managerial officers of the Company as well as remuneration reporting matters for the year 2022	Approved	Executed as approved
		2022 earnings distribution	Approved	Executed as approved
		The proposal for report on the allocation of shareholders' dividends for the year 2022	Approved	Executed as approved
		Proposal of amending the "Articles of Incorporation"	Approved	Executed as approved
		Amendments to "Seal Control Regulations", "Corporate Governance Best Practice Principles for Companies", "Sustainable Development Best Practices Principles" and "Code for Prevention of Insider Trading"	Approved	Executed as approved
		Proposal of Evaluation of the independence of the company's CPA	Approved	Executed as approved
2023/5/9	2nd Session 13th Meeting	The Statement of Internal Control System in 2022	Approved	Executed as approved
		It is planned to stipulate the Company's General Principles of Non-Assurances Services Pre-Approval Policy	Approved	Executed as approved
		Due to the CPA firm's internal transfer, CHB changed the CPA	Approved	Executed as approved
		Proposal of appointment and remuneration of certified public accountant	Approved	Executed as approved

2023/5/24	2nd Session 14th Meeting	Proposal for the financial statement of the company for the first quarter of 2023	Approved	Executed as approved
		Proposal of amending “ Procedure for Shareholders Meetings”	Approved	Executed as approved
		The Company prepares the summary financial forecast of the second quarter to the third quarter of 2023	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		To control the quality of raw materials and to enhance market competitiveness, the Company plans for a strategic investment plan	Approved	Executed as approved
2023/8/8	2nd Session 15th Meeting	Proposal for the financial statement of the company of the second quarter in 2023	Approved	Executed as approved
		The Company prepares the summary financial forecast of the third quarter to the fourth quarter of 2023	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		Earnings distribution for the first half of 2023	Approved	Executed as approved
		The Company’s rental of the Zhangbin Plant	Approved	Executed as approved
		Proposal for the Company's organization chart adjustment	Approved	Executed as approved
2023/9/28	2nd Session 16th Meeting	The Company revises the 2023 financial forecasting for the third quarter to the fourth quarter as per the laws and regulations	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
2023/10/26	2nd Session 17th Meeting	The Company plans for issuance of new shares through cash capital increase before IPO	Approved	Executed as approved
		The Company prepares the summary financial forecast of the fourth quarter of 2023 to the first quarter of 2024 and the statement of cash receipts and disbursements	Approved	Executed as approved
		The Company prepares the statement of cash receipts and disbursements	Approved	Executed as approved
		The Company plans to sign a mandate contract in compliance with the laws of the Republic of China (Taiwan) and relevant regulations in connection with the TWSE listing with the lead securities underwriter Fubon Securities Co., Ltd.	Approved	Executed as approved
		Proposal of amending”Regulations Governing Level of Authority”	Approved	Executed as approved
		Proposal of amending” Remuneration Committee Charter”	Approved	Executed as approved
2023/11/7	2nd Session 18th Meeting	Proposal for the financial statement of the company of the second quarter in 2023	Approved	Executed as approved
		The Company plans to apply for credits lines from banks in order to enhance its overall financing stability and flexibility	Approved	Executed as approved
		The revision of the Company's “Computerized Information System Cycle	Approved	Executed as approved

		Plan”		
2023/12/12	2nd Session 19th Meeting	Proposal of year-end bonus for chairman and managerial positions of 2023	Approved	Executed as approved
		Proposal of Annual Audit Plan for 2024 for both the Company and the wholly-owned subsidiary CH Biotech, LLC.	Approved	Executed as approved
2024/2/27	2nd Session 20th Meeting	For the business report and financial statement of 2023	Approved	Executed as approved
		For the report of performance reviews for directors, functional committees, and managerial officers of the Company, and remuneration thereof for the year 2023	Approved	Executed as approved
		For the 2023 Earnings Distribution	Approved	Executed as approved
		For the proposal of the allocation of Shareholders’ dividends and bonuses for the year 2023	Approved	Executed as approved
		For the amendments to the Company's organization chart	Approved	Executed as approved
		For the progress report and additional budget proposal for the investment project of the Company’s Fermentation Plant Based in Changhua Coastal Industrial Park	Approved	Executed as approved
		For the amendments to the Company’s“Rules of Procedure for Board of Directors Meetings”	Approved	Executed as approved
		For the amendments to the Company's“Audit Committee Charter”	Approved	Executed as approved
		For proposal of Evaluation of the independence of the company's CPA	Approved	Executed as approved
		For the Statement of Internal Control System in 2023	Approved	Executed as approved

(II) In addition to the above-mentioned matters, any resolutions made by over two-thirds of the Board of Directors but not approved by the Audit Committee: No such matter.

II. For the implementation of the directors’ avoidance of conflict of interests, the names of directors, contents of the motion, the reason for interest avoidance and participation in resolution shall be specified:

Meeting Date	Audit Committee Member	Motion	Reason for Interest Avoidance	Participation in Resolution
None				

III. Communication between Independent Directors, the Internal Audit Officer, and CPAs (including the communication of material matters, methods, and results regarding the Company’s financial and business status).

(I) Communication between independent directors and the Internal Audit Officer:

Meeting Date	Key points	Suggestions and results
Audit Committee meeting dated 2023/2/21	The Audit Plan from 2022/11/1 ~ 2022/12/31 and its execution.	All independent directors had no opinion.
	Descriptions of the follow-up report on improvements on deficiencies and irregularities of internal control.	All independent directors had no opinion.
	Descriptions of the communications between the independent directors and the independent auditor in 2022.	All independent directors had no opinion.
	Reviewing and approving amendments to Internal Control Systems of the Company.	Reported to the Board after approval.
	Review and approve the Company's 2022 Statement of Internal Control System.	Reported to the Board after approval.
Audit Committee	The Audit Plan from 2023/1/1 ~ 2023/3/31 and its execution.	All independent directors had no opinion.

meeting dated 2023/5/9	Descriptions of the follow-up report on improvements on deficiencies and irregularities of internal control.	All independent directors had no opinion.
	Reviewing and approving amendments to Internal Control Systems of the Company.	Reported to the Board after approval.
Audit Committee meeting dated 2023/8/8	The Audit Plan from 2023/4/1 ~ 2023/6/30 and its execution.	All independent directors had no opinion.
	Descriptions of the follow-up report on improvements on deficiencies and irregularities of internal control.	All independent directors had no opinion.
Audit Committee meeting dated 2023/10/26	The Audit Plan from 2023/7/1 ~ 2023/9/30 and its execution.	All independent directors had no opinion.
	Descriptions of the follow-up report on improvements on deficiencies and irregularities of internal control.	All independent directors had no opinion.
	Reviewing and approving amendments to Internal Control Systems of the Company.	Reported to the Board after approval.
Audit Committee meeting dated 2023/11/7	Reviewing and approving amendments to Internal Control Systems of the Company.	Independent Director Por Hsiung Lai suggested that from the audit perspective, the Company should review the previous major amendments when revising the internal control measures, which will be helpful for the Company's future development direction. Future amendments to the Company's internal control system will be implemented in accordance with the recommendations of Independent Director Por Hsiung Lai.
Audit Committee meeting dated 2023/12/12	The Audit Plan from 2023/10/1 ~ 2023/10/31 and its execution.	All independent directors had no opinion.
	Reviewing and approving the 2024 audit plan for the Company and its subsidiary.	Reported to the Board after approval.
Audit Seminar on 2023/12/12	Progress of audit work and its execution.	All independent directors had no opinion.
	Presentation of the 2024 audit plan.	All independent directors had no opinion.
Audit Committee on 2024/2/27	The Audit Plan from 2023/11/1 ~ 2023/12/31 and its execution.	All independent directors had no opinion.
	Descriptions of the follow-up report on improvements on deficiencies and irregularities of internal control.	All independent directors had no opinion.
	Descriptions of the communications between the independent directors and the independent auditor in 2023.	All independent directors had no opinion.
	Reviewing and approving amendments to Internal Control Systems of the Company.	Reported to the Board after approval.
	Review and approve the Company's 2023 Statement of Internal Control System.	Reported to the Board after approval.

(II) Communication between independent directors and CPAs:

Meeting Date	Key points	Suggestions and results
Audit Committee meeting dated 2023/2/21	2022 business report and financial statements.	No objection. After reported to the Board, the report was filed to the competent authority.
Audit Committee meeting dated 2023/5/9	2023 Q1 financial statements.	No objection. After reported to the Board, the report was filed to the competent authority.
Audit Committee meeting dated 2023/8/8	2023 Q2 financial statements.	No objection. After reported to the Board, the report was filed to the competent authority.

Audit Committee meeting dated 2023/11/7	2023 Q3 financial statements.	No objection. After reported to the Board, the report was filed to the competent authority.
2023/12/12 Key matters review meeting	An annual audit plan.	No objection after inquiry
	Description of key audit matters.	No objection after inquiry
	Updates of important laws and regulations.	No objection after inquiry
Audit Committee on 2024/2/27	2023 business report and financial statements.	No objection. After reported to the Board, the report was filed to the competent authority.

(III)Corporate Governance Operating Status, Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I.Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Board has approved, and the Company has enacted the Company’s “Corporate Governance Best Practice Principles for Companies” in accordance with relevant regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in its aim to establish sound corporate governance systems. The Company follows the spirit of corporate governance and implements its relevant regulations. Relevant information has been placed on the Company’s website for shareholders’ inquiry.	No discrepancy
II.Shareholding structure and shareholders’ rights				
(I)Has the Company established the internal procedures for handling shareholders’ proposals, doubts, disputes, and litigation matters; in addition, have the procedures implemented accordingly?	V		The Company convenes the Shareholders’ Meeting in accordance with the Company Act and related laws and regulations, formulates the “Rules of Procedure for Shareholders Meetings,” and entrusts Stock Agency Institutions to be responsible for Stock affairs and has established a spokesperson system for spokesperson and deputy spokesperson to deal with investors’ suggestions and doubts. Also, the Company has revealed its contact information on the Company’s website, through which shareholders may express opinions and such opinions will be responded to.	No discrepancy.
(II)Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company employs a professional stock agency to report changes in the shareholdings held by insiders (Directors, Management, and Shareholders holding more than 10% of the total shares) in accordance with laws and regulations and publish such information on the MOPS every month. In addition, the Company holds information on the major shareholders and its ultimately controlling persons of the Company based on the shareholder register provided by the stock agency on the closing date.	No discrepancy.
(III)Has the company established and implemented risk management practices	V		The operations and finance of the Company and its affiliated companies are independent of one another. In addition, the Company has established	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
and firewall systems between the Company and the companies it is affiliated with?			“Regulations for Transactions with Specific Companies, Related Parties, and Group Enterprises,” and auditors perform regular inspections in accordance with the regulations. The Company has also formulated the “Regulations for Supervision of Subsidiaries” to establish appropriate risk control mechanisms and firewalls.	
(IV)Has the company established internal policies that prevent insiders from trading securities against non-public information?		V	The Company has formulated the “Procedures for Handling Material Inside Information” and “Code for Prevention of Insider Trading.” The Company promulgates on a periodic basis the compliance to the laws and regulations to Directors, Management, employees and other people who have access to major internal information of the Company due to their status, occupation or controlling relationship. The Company also encourages the personnel to participate in the decision making of important resolutions and carry out duties with the due care of a good administrator, due diligence and loyalty, and principle of good faith.	No discrepancy.
III.Composition and Responsibilities of the Board of Directors				
(I)Has the Board formulated a diversity policy and specific management objectives and duly implemented them?		V	The Company has stated in the “Corporate Governance Best Practice Principles” and “Procedures for Election of Directors” that the composition of the Board shall be based on the diversity principle, and the Company shall devise a diversity policy based on its operations, business model, and development needs, including but not limited to gender, age, and education. The Company’s 4th term of board of directors consists of nine directors (including three independent directors). Directors’ professional knowledge and skills are in the fields of industry, finance, accounting, technology, management, and law. They possess the required knowledge, skills, and competency for carrying out their duties. We have fully considered and implemented the concept of diversity (please refer to “Three, II, (I) Names, educational background (experience), shareholding and nature of directors”);	It is to reserve female seats in the 2024 re-election of the Board of Directors.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			however, presently, there are no female Board members.	
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		V	The Company has established a Remuneration Committee and an Audit Committee in accordance with the law and the committees operate in accordance with relevant laws and regulations. In the future, other functional committees will be added depending on the Company’s operating needs and relevant laws and regulations.	Relevant mechanisms will be established in accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.”
(III) Has the Company established a methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meetings and used as reference for remuneration and the nomination for re-election?		V	1. The Company has established the “Procedures for Performance Evaluation of Board of Directors.” Each year, the performance evaluation of the board of directors and functional committees is performed in accordance with the evaluation procedures and evaluation indicators. The self-evaluation is conducted through questionnaires. The evaluation results are recorded and submitted to the board of directors for review and improvement. The evaluation results will be used as the reference basis for electing or nominating directors and the evaluation results of individual director members will be used as the reference basis for determining their remuneration. 2. The average scores of the internal self-evaluation of the board of directors, individual directors, and functional committees in 2023 all reached above 90 points (out of a total of 100 points). The overall operations are great. The results have been reported to each functional committee and the board of directors on December 12, 2023 (please see “Three, IV. (I) Board of directors implementation status” of the annual report).	No discrepancy.
(IV) Does the company regularly evaluate the independence of CPAs?		V	In order to implement corporate governance, the Company regularly evaluates the independence and competence of the CPAs when signing the contract every year and makes a written record and submits it to the Board of Directors for discussion. There is no direct or indirect financial interest relationship among the Directors and the	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			Company’s KPMG Taiwan CPAs. The quality and timeliness of auditing, taxation, and other services of the CPAs meet the standards and they are substantially independent and competent.	
IV.Has the Company designated qualified and appropriate number of personnel and appointed a corporate governance officer for handling the corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors to comply laws, dealing with the matters related to board meetings and shareholders’ meetings according to the laws, keeping board meeting and shareholders’ meeting minutes)?	V		The Department of Finance of the Company functions as the dedicated unit of corporate governance concurrently in charge of the corporate governance affairs. The main responsibilities are as follows: 1. Handling matters related to the Board meetings in accordance with the laws and regulations: To inform all directors to attend the meetings and provide sufficient information about the meeting agenda seven days before the Board meeting to facilitate directors’ understanding of the relevant proposals; to remind parties with conflict of interests to avoid the interests in advance; to distribute the minutes of the Board meetings to each director after the meeting. 2. Handling matters related to the shareholders’ meetings in accordance with the laws and regulations: To register the date of the shareholders’ meeting every year according to the laws and regulations, to prepare and report meeting notice, handbook, and proceedings before the deadline; to apply for company changes after the amendment to the Company’s Articles of Incorporation or after the director’s election. 3. Assisting the directors in complying with various laws and codes of practice: Regular training for directors is held every year (Note 1), and information on the operation of the Company is provided for the directors to facilitate their understanding of the latest regulatory changes related to the Company. The board of directors invites CPAs at least four times annually to communicate with the directors on annual reports, quarterly reports, IFRS, regulations related to securities, and the impact of the amendments to tax laws.	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			4. Dealing with investor-related matters: To provide shareholders’ meeting information, to announce material information, to provide financial statements, and financial and business briefings, and to participate in investor conferences. 5. In 2023, the unit performed various duties as per their responsibilities and met the requirements for corporate governance officers’ continuing education for a total of 84 hours in 2023 (Note 2).	
V.Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers, and suppliers)?	V		The Company has a system for a spokesperson and deputy spokesperson. The spokesperson coordinates external speeches, but for different entities (including suppliers, investors, and other interested parties), the Company will respond and communicate with the corresponding units according to the different situations and maintain good relationships. In addition, the Company has a section on the Company website for stakeholders. In such section will be the relevant information, including contact personnel, contact numbers, and emails so as to respond to and properly handle important CSR issues concerning stakeholders in order to respect and maintain stakeholders’ due rights.	No discrepancy.
VI.Has the company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed the Stock Affairs Agency Department of Mega Securities Co., Ltd. as the shareholders’ service agency of the Company in assisting all shares-related matters.	No discrepancy.
VII.Information Disclosure				
(I)Has the Company set up a company website to disclose financial and corporate governance information?	V		The Company has set up a website to regularly update financial information and corporate governance in the investor section.	No discrepancy.
(II)Has the Company adopted other means to disclose information (e.g. English website, assignment of specific	V		The Company has implemented the spokesperson system, and discloses the Company’s operating information in accordance with the information disclosure requirements. An English version of the website has been set up	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?			and relevant information about the Shareholders’ Meeting is regularly updated on the Company’s website.	
(III)Has the Company made public announce and report the annual financial statements within a period of two months after the end of each fiscal year, and has the Company also made announcements and provided a report of the first, second, and third quarter financial statements as well as the monthly business operation status before the prescribed deadline?	V		The Company has announced and reported the financial report and monthly financial performance before the prescribed deadline. In the future, an annual financial report will be announced and reported in advance according to the Company’s operating performance and relevant laws and regulations.	No discrepancy.
VIII.Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations	V		1.Employee rights and employee care: The Company provides numerous employee welfare benefits and has set up an email box to allow employees to express their opinions fully. 2.Investor relations: The Company proactively ensures the complete implementation of investor rights, announces real-time information and discloses financial and business-related information to achieve public disclosure of information. Specific matters are as follows: (1)An “Investor” section has been set up on the Company’s website to assist investors in understanding the Company’s financial and business performances. (2)The minutes of the Company’s general shareholders’ meeting are recorded in accordance with relevant laws and regulations and published on the Company’s	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
policies, and purchasing insurance for directors and supervisors)?			website and the Market Observatory Post System (MOPS). 3.Supplier relations: The Company requires suppliers to provide raw materials equipped with non-hazardous substance guarantee. 4.Rights of stakeholders: The Company establishes various channels to provide the latest information and communication to ensure the rights and interests of both parties. 5.Status of continuing training of directors: The Department of Finance periodically invites lecturers to provide lectures at the Company, and reports the latest laws and issues on corporate governance of finance and taxation to the board of directors. If necessary, the Company also appoints CPAs to provide project reports in order to enhance professional knowledge and to further implement corporate governance thoroughly. Relevant information on the continuing education status of directors is also disclosed on the “MOPS” (Note 1). 6.Risk management policies and risk measurement standard implementation status: Based on the principle of stable operations, the Company focuses on the operation of its core business, and formulates all its business strategies based on the principle of controllable and acceptable risks. In addition, the Company also conducts regular or irregular audits by the internal audit unit, in order to reduce the possible operational risks. 7.Status of customer policy implementation: The Company upholds the customer-oriented principle to design and manufacture high-quality products in order to meet customers’ demand for quality and quantity. In addition, the Company also maintains a proper communication channel with customers, conducts regular reviews on customer relationships, and fully communicates with customers in order	

Evaluation Items	Implementation Status			Discrepancies from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			to maintain proper long-term partnerships. 8. Status of liability insurance purchased by the Company for directors: In 2023, the Company has purchased liability insurance for all directors. The insurance amount reached US\$3 million, and the insurance period was from March 10, 2024, to March 10, 2025, which has also been reported to the board of directors on March 26, 2024. In addition, the insurance enrollment status has also been disclosed on the company’s website and MOPS.	
IX. Please provide explanation of the improvement status of the corporate governance evaluation announced by the Taiwan Stock Exchange (TWSE) in the most recent year, and provide priority enhancement and measures for matters yet to be improved: The Company has been listed for less than one year and is therefore not listed as a company under evaluation for the corporate governance evaluation. Hence, it is not applicable.				

Note 1: Directors’ continuing education

Title	Name	Date of continuing education		Hours of continuing education (hours)	Course title	Organizer
Chairman	Cheng-Pang Wu	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Director	Kuang Fu Han	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Directors' Representative of Loveland Products Canada Inc.	Robert James Christopher Clayton	2023/10/2	2023/10/2	5	Show up like a Coach for Effective Performance Management	Chartered Professional Accountants Canada
		2023/10/9	2023/10/9	3	Using	Chartered

Title	Name	Date of continuing education		Hours of continuing education (hours)	Course title	Organizer
					Emotional Intelligence to Be a Better Leader	Professional Accountants Canada
		2023/10/9	2023/10/9	5	Decision Making and Critical Thinking in a Data Driven World	Chartered Professional Accountants Canada
Director	Yung Ming Chou	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Director	Chao Tsung Chiu	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Director	Xian-Guo Hsu	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Independent Director	Por Hsiung Lai	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Independent Director	Kuo Chien Chung	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact	Securities and Futures Institute

Title	Name	Date of continuing education		Hours of continuing education (hours)	Course title	Organizer
					Measurement and Management	
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
Independent Director	Yong-Xiang Chiu	2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute

Note 2: The corporate governance officer's continuing education

Title	Name	Date of continuing education		Hours of continuing education (hours)	Course title	Organizer
Corporate Governance Officer	Lin Hsiu-Feng	2022/12/2	2023/3/31	72	Climate Change Adaptation Administrator and International Certificate Training Course	Taiwan Institute for Sustainable Energy
		2023/5/24	2023/5/24	3	Sustainable Development Goals Impact Measurement and Management	Securities and Futures Institute
		2023/5/24	2023/5/24	3	Climate Change Risk Assessment and Response	Securities and Futures Institute
		2023/12/7	2023/12/7	6	Valuation of Intangible Asset Loss Compensation and Reading and Utilization of Intangible Asset Valuation Reports	Chinese Association of Business and Intangible Assets Valuation

(IV) If the Company has established the Remuneration Committee, the composition, responsibilities, and operations of the Remuneration Committee shall be disclosed:

1. Remuneration Committee Member Information

Title	Name	Criteria	Professional qualifications and experience	Independence criteria	Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Por Hsiung Lai		For relevant educational background and experience, please refer to Three, II, (I) Names, educational background (experience), shareholding, and nature of directors. The individual is equipped with at least five years of work experience and professional qualifications necessary for the Company's business.	The independent director himself, his spouse, and relatives within the second degree of kinship are not acting as directors, supervisors, or employees of the Company or its affiliates, and are not holding any shares of the Company. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial, and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	1
Independent Director	Kuo Chien Chung (Convener)		For relevant educational background and experience, please refer to Three, II, (I) Names, educational background (experience), shareholding, and nature of directors. The individual is equipped with at least five years of work experience in the fields of finance, accounting, and the Company's business, as well as a CPA license.	The independent director himself, his spouse, and relatives within the second degree of kinship are not acting as directors, supervisors, or employees of the Company or its affiliates. The independent director himself holds 101 thousand shares/102,800 thousand shares of the Company with a shareholding percentage of 0.10%, not exceeding relevant requirements. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial, and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	None
Independent Director	Yong-Xiang Chiu		For relevant educational background and experience, please refer to Three, II, (I) Names, educational background (experience), shareholding and nature of directors. The individual is equipped with at least five years of work experience in the field of law necessary for the Company's business and the professional qualification of attorney.	The independent director himself, his spouse and relatives within the second degree of kinship are not acting as directors, supervisors or employees of the Company or its affiliates, and are not holding any shares of the Company. The individual has not received remuneration from the Company or its affiliates for providing commercial, legal, financial and accounting services to the Company or its affiliates in the most recent two years. Independence Compliance Note 2: (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11).	None

Note 1: Independent directors are not involved in any conditions defined in the subparagraphs of Article 30 of the Company Act.

Note 2: During the two years before being elected or during the term of office, an independent director may not have been or be

any of the following (people who meet the circumstance are disclosed in the table above).

- (1) An employee of the Company or any of its affiliates.
- (2) A director or supervisor of the Company or any of its affiliates (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holding.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer in (1) or any of the persons in (2) or (3).
- (5) A director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholding, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (The same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (the same does not apply to independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) A director, supervisor, officer or a shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (the same does not apply to specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the Company and independent directors appointed in accordance with the Company Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the most recent 2 years has received cumulative compensation NT\$ 500 thousand, or a spouse thereof; provided, this restriction does not apply to a member of a remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) A spouse of or is related to other directors within the second degree of kinship.
- (11) A government agency, a juristic person or its representative being elected as defined in Article 27 of the Company Act.

2. Remuneration Committee Implementation Status

(1) The Company has three Remuneration Committee members.

(2) Term of office of present committee members: July 6, 2021 to July 5, 2024.

(3) The Remuneration Committee held a total of six meetings (A) in the most recent year and up to the printing date of the annual report. The qualification and record of the members' attendance is as follows:

Title	Name	No. of Meetings Attended (B)	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%) (B/A)	Remark
Convener	Kuo Chien Chung	6	0	100%	—
Member	Por Hsiung Lai	6	0	100%	—
Member	Yong-Xiang Chiu	6	0	100%	—

Other matters that are required to be disclosed:

I. If any of the below listed-circumstances of operations of the Remuneration Committee occurs, meeting date, session, contents of the motion, opinions of the Remuneration Committee and opinions handling shall be specified:

Remuneration Committee Meeting Date	Session	Motion	Remuneration Committee's opinions	Execution
2023/2/21	3 rd Session 8 th Meeting	Report of performance reviews and remunerations for directors, functional committee members, managerial officers of the Company as well as remuneration reporting matters for the year 2022	Approved	Executed as approved
		Distribution of remuneration of 2022 for employees and directors of the Company	Approved	Executed as approved
2023/10/26	3 rd Session 9 th Meeting	Proposal of amending "Remuneration Committee Charter"	Approved	Executed as approved
2023/11/7	3 rd Session 10 th Meeting	Proposal of the Company implementing capital increase by cash through stock purchase for managers in 2023	Approved	Executed as approved
2023/12/12	3 rd Session 11 th Meeting	Proposal of year-end bonus for chairman and managerial positions of 2023	Approved	Executed as approved
2024/2/27	3 rd Session 12 th Meeting	Performance Reviews for Directors, Functional Committees, and Managerial Officers of the Company, and Remuneration Thereof for the Year 2023	Approved	Executed as approved
		2023 Employees' and Directors' Remuneration	Approved	Executed as approved
2024/3/26	3 rd Session 13 th Meeting	To motivate employees and enhance employee benefits, the Company plans to launch the Employee Stock Ownership Trust Plan. Please proceed to discuss	Approved	Executed as approved
		For the ratification of consultant appointments, please proceed to discuss	Approved	Executed as approved
		For the reappointments of consultants for the first quarter, please proceed to discuss	Approved	Executed as approved

II. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, meeting date, session, contents of the motion, the Board of Directors resolution and opinions handling shall be specified (if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the discrepancies and reasons shall be specified): None.

III. For resolutions made by the Remuneration Committee, if a member shows dissenting or qualified opinion which is on record or stated in a written statement regarding a motion, meeting date, session, contents of the motion, all members' opinions and opinions handling shall be specified: None.

(V) Sustainable Development Promotion Status, Discrepancies from the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons; company meets certain criteria shall disclose the climate related information.

1. Systems, measures and execution status adopted by the Company for the environmental protection, community participation, social contribution, social service, social public welfare, consumer rights, human rights, safety and health as well as other social reasonability activities:

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development, set up a dedicated (concurrent) unit to promote sustainable development, and authorized the senior management by the board of directors to handle and supervise the situation on behalf of the board of directors?		V	The Company has set up a Corporate Sustainability Execution Team under the President’s Office as the dedicated unit to coordinate the sustainable development policies, systems, or related management approaches and to propose specific promotion plans, execute, and regularly report the Sustainable Development Best Practice Principles to the Board. In the future, the Company will set up a dedicated unit to promote sustainable development depending on the actual operating situation.	A dedicated unit will be set up in the future if required.
II. Does the Company conduct risk assessments of 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?		V	The Company complies with the materiality principle and each responsible unit performs risk evaluation on issues of the environment, society, economy, and corporate governance related to the business operation of the Company, in order to establish relevant risk management strategies. In addition, the Company has established the “Regulations Governing Risk Management” and the standards for risk identification, measurement, monitoring, response, and report resolved and approved by the board of directors, in order to reduce the impact of risks. The 2023 risk management implementation status has been reported to the board of directors on February 27, 2024, and relevant information has been disclosed on the Company’s website.	No discrepancy.
III. Environmental issues				
(I) Has the Company established an appropriate environmental management system based on its industrial characteristics?		V	The Company is headquartered in Chung Hsing Park at the Central Taiwan Science Park. To set up a plant in Chung Hsing Park, a business should be an industrial research-oriented institution without the risk of causing pollution. The Company’s environmental protection is in compliance with the regulations of this research-oriented park and relevant environmental protection regulations, and our waste is in alignment with the total maximum amount of waste in the park (as per the Central Taiwan Science	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			Park Bureau’s Letter Zhong-Huan No. 1050002265 dated January 22, 2016, the Chung Hsing Park’s Investment Setting, Change Application, and Total Pollution Estimate Form and the Industry Category and Total Pollution Determination Form were approved). We are also committed to protecting natural resources and creating a safe, healthy, and comfortable work environment. During this process, all our employees are committed to continuously improving and preventing any potential negative impact on the environment. The Company’s environmental policy: 1. Environmental regulation compliance. 2. Investment in environmental protection.	
(II) Is the company committed to improving energy efficiency and using recycled materials with less negative effects on the environment?	V		The Company's current dependence on energy is low; the total electricity consumption from January 2023 to December 2023 was 6,543,330 kWh. The Company met the “Annual Electricity Saving Rate” by more than 1% in the review from 2018 to 2023 as per the Energy Conservation Targets by Energy Users and Implementation Plan Regulations launched by the Bureau of Energy, Ministry of Economic Affairs. We still actively implement various energy reduction measures, including the use of equipment with high energy efficiency and energy-saving designs, to optimize energy efficiency. Our current energy-saving policies are as follows: 1. The ventilation system in the parking space operates for a certain period of time every day, and the period has been reduced from eight hours to 15 minutes every two hours during working hours every day. 2. The minimum temperature of the entire building, except for laboratories and other spaces with specific temperature-setting requirements, is set at 25.5°C to follow the approach adopted by the public sector. 3. We clean the cooling tower of the air-conditioning system every two months, adjust the chemical addition system to improve the scale formation of the cooling tower fins, and regularly maintain the air-conditioning system to allow it to operate in the best condition.	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			4. Adjusted the operation efficiency of the three chiller units, in order to prevent waste and to effectively achieve energy-saving operation. 5. Newly added two air-conditioning inverters to enhance the energy efficiency of the air-conditioning system. 6. Replaced 200 old T5 lightweight ceiling light fixtures with T8-LED bulbs to enhance energy efficiency. The active ingredients of the Company’s main products are low-toxic, low-residue, and eco-friendly raw materials. We are actively developing recycled materials as raw materials for new products with a focus on the conservation and reuse of common resources on Earth. The Company signed the Supplier Corporate Social Responsibility Statement with our major raw material suppliers to jointly promote energy conservation, carbon reduction, and environmental protection while giving priority to choosing suppliers who strive to protect the environment. The packaging materials used in our products are recyclable ones to alleviate the impact on the environment.	
(III) Has the Company assessed the climate change on the present and future potential risks and opportunities of the corporation, and has the Company adopted relevant responsive actions?	V		The Company’s highest governing body for climate change management is the Chairman’s Office which keeps abreast of the trends and policy changes made by conferences of important international organizations on climate change issues. Climate change poses potential risks to the Company. The Company shall identify risks, develop risk measurement methods, as well as monitor, respond to, and report risks as per the Company’s “Regulations Governing Risk Management” approved by the Board. There is a development niche for the Company’s products regarding climate change. The Department of R&D conducts long-term research on the impact of climate on our markets, such as agricultural damage surveys, and examining the climate stress crops encountered in various states in the U.S., to evaluate and develop new products based on market needs. The Company has clearly identified the impact of climate change on agriculture, developed relevant technologies and products as early as possible, and deployed the markets. “Endurance” is one of our representative PGR products that can	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			enhance the climate resilience of crops and maintain agricultural productivity under the climate impact. “OnWard” is able to increase the carbon sink capacity of crops and reduce the carbon emissions of farming systems; it is a product that responds to the global trend and the policy of net zero carbon emissions. When high temperatures and drought change the efficacy of traditional agrochemical products and even cause phytotoxicity, “Radiate” alleviates the phytotoxicity caused by herbicides, and is experiencing growing sales as the climate impact intensifies. The Company will continue to develop new technologies and products in response to climate change issues, while making good use of our market niche, enabling our products to help agricultural production combat climatic stress. Climate change has prompted the world to take seriously the consequences of greenhouse gas emissions, and policies related to carbon reduction will lead to changes in the industry. The Company is paying close attention to the policy trends and carbon reduction benefit analysis to strive for the sustainable development of agricultural production and the Company’s operations.	
(IV)Has the Company statistically analyzed the greenhouse gas emission, water usage and waste total weight over the past years, and does the Company establish policies for the reduction of greenhouse gas emissions, reduction of water consumption or other waste management?	V		1.The Company statistically analyzes the greenhouse gas emissions, water consumption, and total weight of waste produced for the past two years and formulates policies to continue the execution of energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management, as explained in the following: (1)Greenhouse gas statistics: The Company's greenhouse gas emissions in 2022-2023 were 3,839.712 metric tons CO₂e and 3,897.066 metric tons CO₂e, respectively. ① The Company's greenhouse gas emissions in 2022 were certified according to the "SGS Taiwan Limited – Greenhouse Gas Inspection Declaration (Declaration Unique Code)," and the total direct and indirect greenhouse gas emissions were 3,839.712 metric tons CO₂e.	No discrepancy.

Item	Status of implementation			Discrepancies from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			② In 2023, the "US manufacturing center" was added to the Company. Therefore, the base year was reset to 2023 and has obtained the "SGS Taiwan Limited – Greenhouse Gas Inspection Declaration (Declaration Unique Code)," and the total direct and indirect greenhouse gas emissions were 3,897.066 metric tons CO₂e. ③ Assurance explanation: SGS evaluated the greenhouse gas information system, supervision method, and report procedure of CH Biotech R&D based on an objective and impartial approach. The greenhouse gas emission covered the period from January 1 to December 31, 2023. According to the inspection result, its applicable scope, target, and standard consistency and appropriateness were assured. Accordingly, reasonable assurance for Type 1 and Type 2 were provided. For Type 3 to Type 6, a limited assurance inspection statement was provided along with unqualified opinions. (2) Water consumption and discharge: The water consumption for 2022 and 2023 was 19,314 and 14,503 cubic meters respectively, a decrease of 4,811 cubic meters. The Company only uses a small amount of tap water, which will not have any impact on the water source and does not produce a large amount of waste gas and wastewater. In addition to the existing waste gas and wastewater treatment equipment, the Zhangbin Plant wastewater treatment equipment was installed in 2022 and NT\$1,867 thousand was invested to ensure that all environmental inspections have complied with government regulations. (3) Wastes: We currently entrust qualified treatment companies to treat the business waste (infectious waste, waste liquid, waste soil, and plant residue). The total waste in 2022 was 15.857 tons. The total waste in 2023 was 13.995 tons, a decrease of 1.862 tons from 2022.	

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			(4)Energy saving or improvement policy: In response to the impact of climate change on water resources, the Company has constructed two rainwater recycling pools in place: one pool with a volume of approximately 530 tons is used for plant irrigation of the site, and the other pool with a volume of 450 tons and is used for experimental irrigation in the greenhouse of the site. Furthermore, three rainwater recycling pools have been constructed in the Zhangbin Plant with the volume of approximately 200 tons and used for plant irrigation of the site. In addition to recycling tap water and rainwater, we have obtained the right to use reclaimed water from the Central Taiwan Science Park Bureau to supply water officially. We use reclaimed water for plant irrigation to reduce the consumption of tap water. 2.Zhangbin Plant has not yet started its official production, and presently, it is under the trial stage. Nevertheless, the plant is categorized as an enterprise requiring implementation of water pollution preventive measure plan according to the Water Pollution Control Act. Currently, Zhangbin Plant has obtained the waste (sewage) connection to industrial park sewage system discharge permit for discharging its waste (sewage) from the Changhua Coastal Industrial Park Service Center. 3.As for the manufacturing plant of a subsidiary in the U.S., the process only involves raw material dissolving, stirring, mixing, and packaging without exhaust gas emitted. As for the wastewater, it holds a zero-discharge license issued by the city government, and the source of wastewater is mainly boiler washing water that does not contain hazardous substances. The wastewater will be stored in buckets, about 10,000 gallons a year, for irrigation or natural evaporation. The company’s subsidiaries do not produce business waste, and the packaging materials, such as carton and cardboard, are recycled by carton companies.	
IV.Social Issues				

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(I) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		The Company recognizes and voluntarily complies with the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization, and other internationally recognized human rights standards and honors the protections stipulated in human rights conventions. The Company has formulated employee policies and related management measures in accordance with the Labor Standards Act, the Act of Gender Equality in Employment, and other labor regulations to protect employees’ rights and interests. The Company does not discriminate its employees by gender, age, religion, race, nationality, etc. The Company is in compliance with various employment and labor regulations, does not employ child labor or illegal labor, has implemented measures regarding workplace sexual harassment prevention measures and relative disciplinary measures, handles employees’ workplace sexual harassment complaints, and establishes a safe and friendly working environment. Up to now, the Company and our subsidiaries have never violated labor and human rights laws and regulations, which resulted in serious penalties.	No discrepancy.
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees’ compensations?	V		The Company has formulated various employee benefit measures in accordance with the Labor Standards Act and relevant regulations, including: 1. Employee compensation: The Company contributes to the year-end bonus based on the monthly list of in-service personnel and their full salary every month as the budget for the year-end bonus. After considering the ratio of employment and their annual performance evaluation results, we distribute the year-end bonus to all employees to retain them to work together for the realization of the Company's goals. 2. Employee benefit measures: The Company’s various employee benefits include marriage, childbirth, and funeral allowances and a corporate cafeteria, and we have an employee welfare committee in place to plan and provide various benefits to employees, such as gifts or	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			cash gifts for holidays or festivals; marriage, childbirth, and funeral allowances; employee travel, or events on festivals, and other arrangements. 3. In addition to the leave system established in accordance with the Labor Standards Act and relevant regulations, if employees need longer leave due to family factors, they can also apply for unpaid leave to take care of their family. 4. Diversity and equality in the workplace: The Company has established a friendly workplace, created a safe, healthy, and excellent work environment, recruited more people with disabilities than what the government has required, and employed foreign employees to achieve workplace diversity. 5. All the Company’s employees, regardless of gender or nationality, are entitled to equal pay for equal work and equal opportunities for promotion. The ratio of male and female employees of the Company were close, and up to the end of December 2023, the male employee ratio was 53.96%, and the female employee ratio was 46.04%. 50% for male executives and 50% for female executives. 6. Parental leave system: We respond to the needs of employees to take care of their families. The Company not only provides high amount of childbirth allowances but also entitles all employees to the parental leave according to the rights conferred by the Act of Gender Equality in Employment. Employees can apply for unpaid parental leave and apply for reinstatement after the end of the leave. Up to the end of December 2023, the Company’s employees on unpaid parental leave have returned to work smoothly, and the reinstatement rates for both males and females have reached 100%. 7. Retirement system: The Company adopts the defined contribution system according to the Labor Pension Act. For employees to which the Act is applied, the monthly employee pension appropriation rate borne by the Company is not less than 6% of the monthly salary of the employees. In addition, for foreign employees to which the old pension system is applied, 6% of the monthly	

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			employee salary is appropriated as pension reserve for depositing in the pension reserve account at Bank of Taiwan. 8. Operational performance is reflected in employee compensation: According to Article 26 of the Company’s Articles of Incorporation, if the Company makes a profit for a fiscal year, it shall allocate 3% to 10% as employee compensation. 9. Status of agreements between labor and management, and various measures to protect employees’ rights and interests: The Company operates in compliance with the Labor Standards Act and protects employees’ rights and interests. The Company satisfies employees’ needs through communication, incentives, services, and education, to enhance employees’ commitment and satisfaction with the Company, thereby making greater contributions and creating greater values for the Company while creating a harmonious labor-management relationship.	
(III) Does the company provide a safe and healthy work environment for employees and regularly implement safety and health education for employees?	V		The Company provides employees with a safe and healthy work environment in accordance with the relevant regulations regarding the Occupational Safety and Health Act. The Company regularly reviews and maintains a safe and healthy work environment, to reduce the harm of the work environment to employees’ safety and health. No relevant occupational safety injuries have occurred since the Company was established. The specific implementation is as follows: 1. In 2023, the Company hired contracted occupational medical doctors three times a year and nurses three times a month to provide on-site services in accordance with regulations to assess on-site hazards, provide health consultation service, and provide home and medical care and assessments for our employees to receive comprehensive health services. A total of 86 employees were interviewed by the occupational health nurses, and four health promotion activities were organized with a total of 349 participants. 2. From 2021 to 2023, three employees obtained the first-aid personnel license.	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			3.As for working environment monitoring, we monitor the work environment regularly every six months in accordance with regulations to provide employees with a safe and healthy work environment. 4.Regarding the health education, the Company implements the General Safety and Health Education Training for New Employees for newcomers, and implements the General Safety and Health Education Training for in-service employees in the first and second half of each year, increasing their awareness of safety and health standards, operating procedures, and regulations as well as their abilities in this regard through various safety and health propaganda. 5.We implement health checks for general employees every three years, and all in-service employees can participate (regardless of age), which is superior to what is stipulated in law. 6.Construction safety: Occupational safety personnel are responsible for inspecting and supervising the construction companies’ personnel carrying out construction projects on site and raising their awareness of construction safety, to greatly reduce the chance of occupational accidents. 7.Occupational safety: We regularly offer self-defense fire-fighting group training and general safety and health training in the first and second half of each year, to help our employees to acquire the skills needed for and be familiar with the emergency escape and emergency procedures.	
(IV)Does the company establish effective career development training programs for its employees?	V		The Company’s employee training plan is based on the Company’s operating policy. We provide multiple learning channels to encourage independent learning. Also, we consider employee’s individual development plan and functional training for all levels of positions. The Company aims to improve employees’ professional knowledge and skills through internal or external professional training, so that all levels of the Company’s personnel can receive appropriate development cultivation. 1.New employee training: The Company provides courses on company history, corporate culture and business	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			philosophy, occupational health and product introduction to allow the new employees to have a complete understanding of the Company. 2. Professional training: Depending on the function and duties of each department, different professional functions and skills are required. 3. Management training: Based on the behavior level of the management, the management is required to be equipped with different administrative capacities. We provide needed education training for the management in different levels (senior, middle, and junior management). 4. Special training: The Company provides special training according to the strategic development of the Company, instructions of the senior management, implementation of projects and requirements of relevant project units. 5. Every year, our managers regularly discuss and plan the individual annual ability development plan with employees and prepare a budget to encourage them to improve their expertise and professional skills. Employees will provide feedback on the effectiveness regularly and discuss and revise the plan to help them create the most appropriate ability development plan. 6. The Company’s total number of career training hours in 2023 was 4,546.5 hours.	
(V) Does the company comply with the relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services and develop relevant policies and complaint procedures to protect consumers’ or clients’ rights and interests?	V		The Company has established relevant procedures for customer protection in internal control operations and provides product descriptions and contact information on the Company’s website. Customers can express their opinions. In addition, the Company has set up a special section for stakeholders to ask questions and make complaints.	No discrepancy.
(VI) Does the company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues	V		The Company is committed to effectively managing the impact of products and procurement on society and the environment. To integrate corporate social responsibility with the Company’s long-term development goals, the Company has	No discrepancy.

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
such as environmental protection, occupational safety, and health or labor rights and their implementation?			established the CH Biotech Supplier Corporate Social Responsivity Self-Evaluation Questionnaire in 2022. With such questionnaire mechanism, we aim to promote and request suppliers to jointly fulfill corporate social responsibility and to ensure compliance with regulations on labor rights and human rights, labor health and safety, environmental protection, and ethical management regulatory requirements. The Company, in order to reduce impact on society and the environment during the procurement and production, has stipulated the Supplier Corporate Social Responsibility Declaration and has invited existing suppliers to sign, hoping to attain the goals of corporate sustainable development and long-term development. The returned percentage for the Supplier Corporate Social Responsibility Declaration in 2023 was 62%. In the future, the Company will continue to invite existing raw material suppliers to sign the Declaration, and it will also be included as part of the evaluation item.	
V.Has the Company stipulated and complied the sustainability report and other reports disclosing non-financial information of the Company according to internationally-accepted report standards or guidelines? Have such reports been assured, verified or certified by a third party?	V		The Company makes reference to the GRI Standard Core Option issued by the Global Reporting Initiative (GRI Standards) as the basis for the sustainability report information disclosure. For this report, we have entrusted an independent entity with credibility, SGS Taiwan, Ltd., to provide assurance on this report in accordance with the Type 1 moderate-level assurance of the AA1000AS v3 Assurance Standards and the options of GRI Standards, in order to ensure the accuracy of the information disclosure. In addition, the SGS Assurance Declaration has been obtained and published on the Company’s website.	No discrepancy.
VI.If the Company has established corporate social responsibility principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation: The Company has established the Sustainable Development Best Practice Principles. The Company is committed to promoting sustainable development, and there is no discrepancy between the principles and the Company’s implementation.				

Item	Status of implementation			Discrepancies from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
VII.Other important information to facilitate better understanding of the Company’s promotion of sustainable development:				
(I)Industry–academia collaboration: To effectively increase the competitiveness of the agricultural biotechnology industry, the Company actively invests in R&D innovation, and also engages in creating diverse industry-academia collaboration programs with numerous domestic colleges, universities, and professional institutions. Since 2018 up till now, the Company has also activated the internship collaboration program with the National Taiwan University, National Pingtung University of Science and Technology, National Chung Hsing University, National Tsing Hua University, China Medical University, National Cheng Kung University, and National University of Tainan, and provides scholarships for cultivating potential talents and assistance in reducing the skills gaps in the workforce. Furthermore, since 2019, the Company has established the “CH Biotech Innovation Award” in order to promote the academic sector in Taiwan to focus on the topic of “Agricultural Biotech,” thus encouraging more youngsters and scientists to participate in relevant research and development works.				
(II)Environmental sustainability and development: The Company focuses on the objective of sustainable development and is committed to energy saving, waste reduction and resource recycling, in order to achieve product quality and production efficiency improvement, to reduce operational risk and to achieve a safe, healthy and comfortable workplace and friendly environment. Furthermore, to meet the global trend of net zero emissions, since 2022, the Company has invested resources in the greenhouse gas inventory and verification operations to control the greenhouse gas emission sources and manage them.				
(III)Public welfare:				
1.Through the method of charity donation, the Company aims to assist charity groups and to provide stable security to society.				
2.The Company organizes the Lantern Festival, Christmas event and community sharing seminars, and also invites community residents to participate in such events and seminars jointly, in order to improve social image and to promote corporate social responsibility, thereby allowing the public to understand the local corporate culture and to maintain proper interactions.				
3.The Company also initiates the blood donation event of “Join CH Biotech to donate one bag of blood per person,” and all employees and their relatives are encouraged to participate in this event and to contribute effort to society. In addition, the Company further invited local government agencies and community residents to participate in the event jointly. In 2023, two blood donation activities were held, totaling 348 bags of blood were donated.				

2.Implementation of climate-related information:

Item	Status of implementation												
I.Describe the oversight and governance of climate-related risks and opportunities by the Board of Directors and the management.	1.In response to climate change, the Company has the board of directors as the highest risk management unit to clearly grasp the risks faced by its operations, ensure the effectiveness of risk management, and assume the ultimate responsibility for risk management. Under the Board of Directors, the President's Office is responsible for managing and reviewing the Company's risk management implementation. Each department is responsible for identifying and assessing risks in operation, finance, climate change, legal compliance, occupational safety, human resources, business ethics, and other aspects. The Audit Office prepares an annual audit plan based on the risk assessment results, executes audits according to the plan, provides improvement suggestions in a timely manner, and submits audit reports to the Audit Committee and the Board of Directors on a regular basis to ensure the implementation and compliance of the Company's risk management. 2.Since 2021, the President has served as the convener of the Company's corporate sustainability implementation meeting on a regular basis. At least two meetings are required to be convened annually. The meeting agenda included proposals related to the sustainability report preparation schedule, energy policy, waste policy, sustainability performance and greenhouse gas inventory inspection progress, etc.												
II.Describe how the identified climate risks and opportunities affect the Company's business, strategy, and finance (short-, medium-, and long-term).	1.To cope with climate change, the Company has been focused on the four core elements of corporate governance, strategy, risk management, and indicators and goals in accordance with the "Recommendations of the Task Force on Climate-related Financial Disclosures" issued by the International Financial Stability Board (FSB) in 2023, and the disclosure framework has been included in the sustainability report of CH Biotech R&D to demonstrate the effectiveness of climate change management and enhance the completeness and transparency of climate-related information disclosure. 2.For the Climate Risks and Opportunities of CH Biotech R&D, each department is responsible for collecting information on the risks and opportunities of climate change and energy, and conducts a review every two years. Consider transition risks (policy and legal/market/technology/company reputation) and physical risks (chronic and acute), and make a risk assessment of possible events, including the degree of financial impact and the duration of the impact (short, medium, and long), risk assessment of impacted objects and risk possibilities in the value chain. When developing opportunity scenarios, we consider resource efficiency, energy sources, products and services, markets, and adaptability, and conduct opportunity assessments on the recurrence of possible events including finance impact level, the duration of the impact (short, medium, long period), the value chain targets impacted, and the possibility of opportunities. 3.In 2023, we have identified six risks and seven opportunities. Countermeasures and strategies were formulated according to the length of impact and the severity of the impact. The analysis of climate change risks and opportunities is as follows: (1)The six risks are summarized as follows: <table><tr><th>Type of issue</th><th>Impact time</th><th>Potential financial impact</th><th>Risk or opportunity analysis of the current situation (potential impact on the Company)</th><th>Response/development strategies</th><th>Grade</th></tr><tr><td>Policy and Law</td><td>Mid-term</td><td>Increase operating costs</td><td>According to the regulations of the Sustainable Development Roadmap for TWSE/TPEx-listed Companies issued by the competent authority, the Company should complete the carbon</td><td>In response to the requirements of the competent authority, the greenhouse gas inventory of all factory areas will be completed by 2024, and it is expected to cultivate internal seed personnel</td><td>Low risk</td></tr></table>	Type of issue	Impact time	Potential financial impact	Risk or opportunity analysis of the current situation (potential impact on the Company)	Response/development strategies	Grade	Policy and Law	Mid-term	Increase operating costs	According to the regulations of the Sustainable Development Roadmap for TWSE/TPEx-listed Companies issued by the competent authority, the Company should complete the carbon	In response to the requirements of the competent authority, the greenhouse gas inventory of all factory areas will be completed by 2024, and it is expected to cultivate internal seed personnel	Low risk
Type of issue	Impact time	Potential financial impact	Risk or opportunity analysis of the current situation (potential impact on the Company)	Response/development strategies	Grade								
Policy and Law	Mid-term	Increase operating costs	According to the regulations of the Sustainable Development Roadmap for TWSE/TPEx-listed Companies issued by the competent authority, the Company should complete the carbon	In response to the requirements of the competent authority, the greenhouse gas inventory of all factory areas will be completed by 2024, and it is expected to cultivate internal seed personnel	Low risk								

Item	Status of implementation				
				for inventory through guidance by external consultants.	
	Policy and Law	Short-term	Increase operating costs	The "Clean Competition Act" introduced by the U.S. House of Representatives imposes a carbon fee on the importers and domestic manufacturers of regulated products, which will increase the operating cost in the future.	Medium risk
	chronic	Mid-term	Increase operating costs	Under the influence of extreme climate, the average temperature may rise in the future, and under the circumstance of increasing heat load, it will lead to an increase in the power consumption of chillers and air conditioners, resulting in an increase in the Company's operating costs.	Low risk
	Market	Mid-term	Reduce product revenue	The Company currently sells some of its additives to customers for mixing fertilizers with high nitrogen, phosphorus and potash contents into the final fertilizer. If the use of chemical fertilizers is reduced due to laws or policies in the future, it will lead to a decline in sales of additives products, which may reduce the Company's revenue. The Company is actively developing new products to improve the efficiency of nutrient and fertilizer use. These new products will be included in the new grower program, because nitrogen, phosphorus and potassium (NPK) can be absorbed and utilized more effectively, so farmers can obtain similar yields while using less nitrogen, phosphorus, and potassium (NPK) fertilizer.	High risk

Item	Status of implementation					
	Market	Mid-term	Increase in production cost	To comply with the international trend of net zero emissions, suppliers may purchase related equipment, use renewable energy, and take other methods in line with the spirit of sustainability, resulting in increased production costs, and the costs are passed on to the Company.	1. Cooperate more with second source suppliers. 2. Grasp the market changes as a material purchasing strategy. 3. Develop alternative raw materials and promote sustainable development and environmentally friendly industrial transformation.	Low risk
	Reputation	Mid-term	Decrease in available capital	In light of the international sustainable development trend and rising awareness of environmental protection, financial institutions not only review the economic performance of the company when evaluating loans but also review the company's ESG performance. Failure to meet the requirements of financial institutions may result in increased borrowing interest rates and, in severe cases, no loan will be granted.	Continue to promote corporate sustainability activities in line with the development path of Corporate Governance in Taiwan. Actively participate in ESG assessments and continue to refine ESG-related sustainability strategies to increase market recognition.	Low risk
(2)The seven opportunities are summarized as follows:						
	Type of issue	Impact time	Potential financial impact	Risk or opportunity analysis of the current situation (potential impact on the Company)	Response/development strategies	Grade
	Adaptability	Mid-term	Increase product revenue	In the face of global climate change and possible operational disruptions caused by disasters, the Company's Zhangbin Plant has installed a solar energy system to provide diversified energy sources, reduce dependence on traditional energy sources, and enable the Company to be more resistant to risks.	The rooftop of the Company's Zhangbin Plant is rented to businesses for installation of solar panel power generation. In the future, when the production capacity reaches a level that allows for mass production, the rooftop solar energy equipment will be purchased from the supplier and used for generating electricity for	Low chance

Item	Status of implementation					
	Products and services	Mid-term	Increase product revenue	The Company has products (PGR) and technologies developed for commercial agriculture, which not only help crops directly absorb and utilize water more effectively, but also promote root growth, so that they can better penetrate the soil to obtain water or break down hardened soil (make soil softer and more suitable for plant growth). These technologies can be applied to turf-based industries, such as golf courses or sports fields, while saving water and maintaining appearance.	our own use to improve the Company's operational resilience. Adjust existing products and technologies to create a product portfolio specifically targeting water conservation in the turf care and turf markets. At the same time, we use our existing customers to establish cooperative relations with distributors in the turf grass market.	High chance
	Products and services	Short-term	Increase product revenue	Due to the impact of climate change, plant growing conditions are changing. The recent increase in temperature and the instability of meteorological conditions have led to the extension of the growing season, resulting in increased pest damage and frequency of growth promoter use. In addition, the prolonged warm period means that the number of arable days in the northern United States becomes longer. The once-a-year crop may become a bi-annual crop. In the future, the use of PGR and fertilizers may increase.	In the future, we will work with distributors to promote products that meet customer needs; actively develop diversified products, and increase brand and product recognition and loyalty.	High chance
	Products and services	Mid-term	Increase product revenue	In the future, it may be possible to cooperate with existing consultants to establish a consultant team on crops responding to climate change to provide services for the Company's product categories, including plant growth regulators, peptides and nutrient efficiency enhancing supplements.	Subsequently, we will conduct a detailed market survey to determine the consulting service areas and team strength that meet the Company's needs. Secondly, we will evaluate the professional knowledge, experience and past achievements of potential consulting partners to ensure that	Low chance

Item		Status of implementation				
					they can effectively solve the challenges faced by the Company.	
Products and services	Short-term	Increase product revenue	In response to the goal of controlling global warming to 1.5°C, the Company's existing products can improve the efficiency of crops' absorption of fertilizer and water, increase the efficiency of plants in absorbing CO2 and synthesizing sugar, and reduce carbon emissions in the production process of crops, aligning to the current trends in carbon reduction. For future promotion and entry into new markets, the Company may gain first-mover opportunities and increase market share.		To improve the performance of our existing products, we are actively conducting research and development and are committed to the development of innovative formulas. Through in-depth scientific analysis and experiments, we continue to optimize the original ingredient ratio and introduce advanced technology and materials to ensure that the new formula can achieve better performance in many aspects.	High chance
Products and services	Mid-term	Increase product revenue	According to a report by the Food and Agriculture Organization of the United Nations (FAO), the frequency of extreme climates (heat waves, cold snaps, droughts, or floods) has become more and more frequent, causing unpredictable pests and diseases, which will reduce crop yield and quality, and reduce global food production capacity. The agricultural biotechnology and new pharmaceuticals developed by the Company, including Persevere, all feature climate resilience enhancement to enhance the resistance of crops under the impact of adversity as one of the innovative products, enabling us to seize business opportunities in the future market.		The field environment is changeable, and the climate conditions and soil characteristics are different from place to place. In order to understand the efficacy of the product in actual large-scale fields, it is necessary to conduct multiple field trials in the main production areas of the target market, and obtain field data for the three major proposals: efficacy, registration, and market orientation.	Medium chance
Products and services	Mid-term	Increase product revenue	The Company adopts the circular economy mindset as the direction of process research and development, uses bio-recyclable resources as raw		The Company is committed to the adoption of circular design and the use of renewable and biodegradable materials to reduce	High chance

Item	Status of implementation															
			materials, reduces the carbon emission of crops and product manufacturing processes, and achieves products with both environmental protection and market value. In the future, there will be opportunities to increase product revenue.	the environmental impact of the production stage. At the same time, it is also actively recruiting professional talents to build a creative and professional team.												
III.Describe the impacts of extreme climate events and transformation actions on the Company’s finance.	Financial impacts from extreme climate and transformation initiatives are described in Item 2 above.															
IV.Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	1.Each department of the Company is responsible for collecting information on the risks and opportunities of climate change and energy and conducts a review every two years. Consider transition risks (policy and legal/market/technology/company reputation) and physical risks (chronic and acute), and make a risk assessment of possible events, including the degree of financial impact and the duration of the impact (short, medium, and long), risk assessment of impacted objects and risk possibilities in the value chain. When developing opportunity scenarios, we consider resource efficiency, energy sources, products and services, markets, and adaptability, and conduct opportunity assessments on the incurrence of possible events including finance impact level, the affected time (short, medium, long period), the value chain targets impacted, and the possibility of opportunities. 2.The Company has established relevant risk management strategies according to the “Regulations Governing Risk Management” approved by the board of directors through resolution on August 6, 2021. The risk management process includes: risk identification, risk measurement, risk control, risk response, and risk report. <table><tr><th>Management process</th><th>Contents</th></tr><tr><td>Risk identification</td><td>It shall include the risk change status of operating activities (such as operation, finance, climate change and others) of the Company, and risks that may cause impacts shall be identified.</td></tr><tr><td>Risk measurement</td><td>After each risk management unit identifies the possible risk factors that may be encountered, it is necessary to establish appropriate measurement method, in order to use it as the basis for risk management.</td></tr><tr><td>Risk control</td><td>Each risk management unit shall perform control of various risks encountered within the responsible scope. In case of discovery of any material risks that may cause threats to the corporate operation, it is necessary to propose appropriate countermeasures and report to the senior management.</td></tr><tr><td>Risk response</td><td>For the risk encountered, appropriate response shall be adopted and the implementation result is also recorded.</td></tr><tr><td>Risk report</td><td>The risk management implementation result is reported to the board of directors at least once annually.</td></tr></table>				Management process	Contents	Risk identification	It shall include the risk change status of operating activities (such as operation, finance, climate change and others) of the Company, and risks that may cause impacts shall be identified.	Risk measurement	After each risk management unit identifies the possible risk factors that may be encountered, it is necessary to establish appropriate measurement method, in order to use it as the basis for risk management.	Risk control	Each risk management unit shall perform control of various risks encountered within the responsible scope. In case of discovery of any material risks that may cause threats to the corporate operation, it is necessary to propose appropriate countermeasures and report to the senior management.	Risk response	For the risk encountered, appropriate response shall be adopted and the implementation result is also recorded.	Risk report	The risk management implementation result is reported to the board of directors at least once annually.
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Risk report	The risk management implementation result is reported to the board of directors at least once annually.															
V.If a scenario analysis is used to assess the resilience to climate change risks, the	1.In accordance with the TCFD Recommendations, the Company incorporates the analysis results into the strategic resilience assessment by using The Worst-case Scenario for the transformation and physical risks. For transition risk, we refer to Taiwan's 2050 net zero emission pathway and strategy, the EU Carbon Border Adjustment Mechanism (CBAM), and Taiwan's carbon fee system. Based on the above scenarios, we analyze the impact on the Company's market, technology, reputation, finance and operation. For physical risks, we															

Item	Status of implementation																								
scenarios, parameters, assumptions, analysis factors, and main financial impacts used shall be described.	to the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), National Science and Technology Center for Disaster Prevention and Rescue, Climate Central, and Carbon Brief.																								
	2.Through scenario analysis, the Company analyzes the climate-related financial impacts of different scenarios from multiple perspectives. The transition risk scenario referenced Taiwan's 2050 Net Zero Emission Pathway and Strategy and the U.S. Clean Competition Act. The carbon tax is set as a parameter. Analysis is made on the impacts to the Company's policies and several aspects in legal, market, technology, reputation, finance and operations, under the situation of carbon tax at US\$55 per metric tons.																								
	(1)We have referred to RCP 8.5 for the physical risk scenario, the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) and the National Science and Technology Center for Disaster Prevention and Rescue to collect Taiwan's temperature rise and single-day rainfall. The average change rate of the annual total number of days with a single day rainfall exceeding 200mm is used as a parameter to simulate the future climate conditions of Nantou and Changhua. The Climate Change Knowledge Portal is used to collect temperature rise parameters in the United States to simulate the future climate conditions of the US manufacturing center. RCP 8.5 scenario simulates local climate conditions:																								
	<table><tr><th>Evaluation factor</th><th>Location</th><th>Nantou</th><th>Changhua</th><th>U.S. Production Center</th></tr><tr><td>Temperature rise from 2021 to 2040 (Taiwan)</td><td></td><td>1.5°C</td><td>1.5°C</td><td>2.55°C</td></tr><tr><td>Temperature rise from 2020 to 2039 (United States)</td><td></td><td>44%</td><td>128%</td><td>-</td></tr><tr><td>The average change rate of the annual total number of days with a single day rainfall exceeding 200mm</td><td></td><td></td><td></td><td></td></tr></table>	Evaluation factor	Location	Nantou	Changhua	U.S. Production Center	Temperature rise from 2021 to 2040 (Taiwan)		1.5°C	1.5°C	2.55°C	Temperature rise from 2020 to 2039 (United States)		44%	128%	-	The average change rate of the annual total number of days with a single day rainfall exceeding 200mm								
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	(2)The physical risk scenario is based on RCP 8.5. Climate Central and Carbon Brief is used to collect parameters such as sea level rise, area below the tide line (risk of inundation), flood level below 2050, and average drought time to simulate the future climate conditions of the Headquarters, Zhangbin Plant, and the US manufacturing center. RCP 8.5 scenario simulates local climate conditions:																								
	<table><tr><th>Evaluation factor</th><th>Plant area</th><th>Corporate headquarters</th><th>Zhangbin Plant</th><th>U.S. Production Center</th></tr><tr><td>Sea level rise</td><td></td><td>Unaffected</td><td>Unaffected</td><td>Unaffected</td></tr><tr><td>Below the tidal line (risk of flooding)</td><td></td><td>Unaffected</td><td>Unaffected</td><td>Unaffected</td></tr><tr><td>Below the flood level in 2050</td><td></td><td>Unaffected</td><td>Unaffected</td><td>Unaffected</td></tr><tr><td>Average drought time</td><td></td><td>4 months</td><td>4 months</td><td>3 months</td></tr></table>	Evaluation factor	Plant area	Corporate headquarters	Zhangbin Plant	U.S. Production Center	Sea level rise		Unaffected	Unaffected	Unaffected	Below the tidal line (risk of flooding)		Unaffected	Unaffected	Unaffected	Below the flood level in 2050		Unaffected	Unaffected	Unaffected	Average drought time		4 months	4 months
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Below the flood level in 2050		Unaffected	Unaffected	Unaffected																					
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3.Please refer to Item 2 above for details on financial impacts.																									

Item	Status of implementation																				
VI.If there is a transformation plan in place to manage climate-related risks, specify the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.	Climate-related indicators and targets are as follows: <table border="1"> <thead> <tr> <th>Strategy</th><th>Future Goals</th></tr> </thead> <tbody> <tr> <td>Greenhouse gas inventory and verification</td><td>Completion of greenhouse gas inventories for all offices and production plants by 2024</td></tr> <tr> <td>Energy Efficiency Improvement</td><td>Completion of greenhouse gas verification for all offices and production plants by 2024</td></tr> <tr> <td>Adoption of renewable energy</td><td>In 2024, a small water chiller will be further purchased to be used together with the existing large water chiller to improve the overall operation efficiency of the equipment.</td></tr> <tr> <td>Develop sustainable products</td><td>Evaluate in 2030 to repurchase the rooftop solar energy equipment of Zhangbin Plant and convert it to self-generated solar energy.</td></tr> <tr> <td>Supply chain involvement</td><td>Develop 10 environmentally friendly and low-carbon products by 2033.</td></tr> <tr> <td></td><td>Completion of key suppliers' CSR declaration by 2030</td></tr> <tr> <td></td><td>Complete supplier ESG assessments by 2030.</td></tr> <tr> <td rowspan="3">Marketing promotion</td><td>Participate in at least three large-scale exhibitions each year to promote products to growers or distributors' sales personnel.</td></tr> <tr> <td>Product training for customers (distributors) at least three times a year</td></tr> <tr> <td>Hire or acquire a consulting team specializing in the field of biostimulants by 2025 to assist in the promotion of sustainable development related markets.</td></tr> </tbody> </table>	Strategy	Future Goals	Greenhouse gas inventory and verification	Completion of greenhouse gas inventories for all offices and production plants by 2024	Energy Efficiency Improvement	Completion of greenhouse gas verification for all offices and production plants by 2024	Adoption of renewable energy	In 2024, a small water chiller will be further purchased to be used together with the existing large water chiller to improve the overall operation efficiency of the equipment.	Develop sustainable products	Evaluate in 2030 to repurchase the rooftop solar energy equipment of Zhangbin Plant and convert it to self-generated solar energy.	Supply chain involvement	Develop 10 environmentally friendly and low-carbon products by 2033.		Completion of key suppliers' CSR declaration by 2030		Complete supplier ESG assessments by 2030.	Marketing promotion	Participate in at least three large-scale exhibitions each year to promote products to growers or distributors' sales personnel.	Product training for customers (distributors) at least three times a year	Hire or acquire a consulting team specializing in the field of biostimulants by 2025 to assist in the promotion of sustainable development related markets.
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	Hire or acquire a consulting team specializing in the field of biostimulants by 2025 to assist in the promotion of sustainable development related markets.																				
VII.If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	The internal carbon pricing has not yet been evaluated, as all the equipment in the factory areas of CH Biotech R&D are newly purchased, and there is no consideration for equipment replacement. In the future, re-evaluation will be made depending on the business plan.																				
VIII.If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and yearly progress should be explained; if using carbon offsets or renewable energy certificates (RECs) to achieve the goals, it should be	None.																				

Item	Status of implementation
explained on the source and volume of carbon reduction credits or the number of renewable energy certificates (RECs) in exchange.	
IX. Greenhouse gas inventory and assurance, and reduction goals, strategies, and concrete action plans.	The "Greenhouse Gas Inventory and Assurance Status" is prepared.

(1)GHG inventory and assurance in the last two years

① Greenhouse Gas Inventory Information

Describe the greenhouse gas emission volume (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million), and data coverage for the most recent two years.

- 1.The Company's greenhouse gas emission amounted to 3,839.712 metric tons CO₂e in 2022 and 3,897.066 metric tons CO₂e in 2023.
- 2.The intensity in 2022 is 2.677 tons CO₂e /NT\$ million; the intensity in 2023 is 2.573 tons CO₂e /NT\$ million.
- 3.The greenhouse gas inventory data covers the "Scope 1, Scope 2, and Scope 3-6 - employee commuting, business travel (aircraft), and waste disposal."

② Greenhouse gas reduction goals, strategies and concrete action plans

Describe the status of assurance in the last two years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, criteria of assurance, and opinions of assurance.

- 1.Scope of assurance: Corporate Headquarter and R&D Center, Zhangbin Plant, U.S.A. Manufacturing Center, and employee dormitories of CH Biotech R&D Co., Ltd.
- 2.Assurance institution: SGS Taiwan Limited
- 3.Guidelines for assurance: ISO 14064-1: 2018
- 4.Assurance opinion: SGS has issued a revised unqualified opinion based on the following conditions.
 - (1) The verifier has sufficient and appropriate evidence to support the actual emissions, removals, or storage.
 - (2) The verifier has adopted appropriate criteria for the physical emissions, removals, or storage.
 - (3) Where the verifier intends to rely on the relevant control, its effectiveness has been assessed.
 - (4) The verifier has applied ISO 14064-1:2018 and no material errors have arisen as a result of the adjustments and corrections.

(2)Greenhouse gas reduction goals, strategies, and concrete action plans

Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of the reduction goals.

- 1.The base year for GHG reductions was originally set to be year 2021, but as the U.S. manufacturing center has been included in 2023, the base year was adjusted to 2023.
- 2.As CH Biotech R&D Co., Ltd. is a R&D-oriented enterprise, it does not emit a large amount of greenhouse gas. The level of greenhouse gas emission depends on the implementation of R&D projects.
- 3.In 2023, solar photovoltaic power generation accounted for 10% of the total power consumption. It is estimated that it will reach 15% in 2024 with continued power-saving operations.
- 4.According to the greenhouse gas inventory results from 2021 to 2023, greenhouse gas emissions from electricity accounted for about 80% of total emissions. In the future, the Company will reduce greenhouse gas emissions by purchasing green electricity and adding solar photovoltaic power generation equipment.

(VI) Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons

TWSE/GTSM Listed Companies and Reasons				
Evaluation Items	Implementation Status			Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
I.Establishment of Corporate Ethics Policies and Plans				
(I)Has the Company established the corporate ethical management policies approved by the board of directors and manifested relevant policies and measures expressively in the Company’s regulations and external documents, and has the Board and management carried out their promises with respect to the policies?	V		1.The Company values reputation and considers ethics and integrity as the core of sustainable management. In particular, the “Ethical Corporate Management Best Practice Principles” and the “Code of Ethical Conduct” are the corporate conduct and ethics compliance practices of the Company’s Directors, Management, employees or persons with substantial control to prevent conflicts of interest and dishonesty, thereby allowing the Company’s stakeholders to have a better understanding of the Company. 2.The meetings of the Company’s board of directors aim to establish a proper governance system, to improve supervision functions and to strengthen management functions. Unless otherwise provided by laws or the articles of incorporation, Board meetings shall be conducted in accordance with the Company’s “Regulations Governing Procedure for Board of Directors Meetings.” When a board of directors’ meeting is convened, the unit (Department of Finance) in charge of such meetings shall prepare relevant materials for the directors to consult at any time and notify the personnel of the relevant departments to attend the meeting according to the content of proposals. If necessary, it may also invite CPAs, attorneys, or other professionals to attend the meeting.	No discrepancy.
(II)Has the Company established an evaluation mechanism for the risk of dishonesty	V		The “Ethical Corporate Management Best Practice Principles” has established	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
behaviors? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?			relevant precautionary measures and encourages internal and external personnel to report dishonesty or misconduct. In addition, in order to ensure the corporate conduct and ethics compliance practices, the Company has established an effective accounting system and internal control system. Internal auditors regularly check the compliance of various systems and report to the Board of Directors.	
(III)Has the Company established the operating procedures, guidelines, punishment for violation and complaint mechanism for preventing any unethical conduct in the corporate ethical management policies and implemented them as well as regularly review and amend them?	V		The Company has formulated and implemented the “Ethical Corporate Management Best Practice Principles” to regulate the operations of the Company’s operating procedures, behavioral guidelines, disciplinary and complaint systems.	No discrepancy.
II. Corporate Conduct and Ethics Compliance Practice				
(I)Has the company conducted investigation regarding unethical records with whomever the Company is doing business, and included business conduct and ethics-related clauses in the contracts?	V		Before the Company conducts trading activities with counterparties, various assessments, including ethical behavior, will be conducted to avoid trading with those who have a record of unethical behavior.	No discrepancy.
(II)Has the Company set up a dedicated unit for promoting the corporate ethical management under the Board and reporting the ethical management policies and plans for preventing unethical conducts as well as the supervision of implementation to the Board periodically (at least once a year)?	V		The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct.” The Department of Finance is responsible for the establishment and supervision of the implementation of ethical management policy and prevention programs. In addition, the implementation status has been reported to the board of directors on February 27, 2024.	No discrepancy.
(III)Has the Company established policies to prevent conflicts of interest and provided appropriate	V		The Company has formulated the “Ethical Corporate Management Best Practice Principles,” containing measures to prevent	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
communication and complaint channels?			conflict of interest, to regulate the employee’s conduct to comply with the Company’s code of business. The Company has published relevant internal regulations on the Company’s website, organized regular education and training, and provided appropriate channels for opinions. If any reports of dishonesty or illegal behaviors have been received, such reports will be handled by the designated staff.	
(IV)Has the Company established effective accounting and internal control systems for the implementation of ethical management policies, prepared audit plans according to the evaluation results of dishonesty risks, and audited such execution and compliance or hired external CPAs to audit such execution and compliance?	V		The Company has established an effective accounting system and internal control system to ensure the corporate conduct and ethics. 1. Accounting system: To implement corporate conduct and ethics compliance practices, the Company has established an effective accounting system. The Company’s accounting system is established in accordance with relevant laws and principles such as the Securities and Exchange Act, Company Act, Business Entity Accounting Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, and is designed in accordance with the Company’s rules and regulations in aim to meet the actual operation needs. 2. Internal control system: The Company revises the internal control system on a regular basis to respond to changes in the environment in a timely manner to adjust the design and implementation of the internal control system and improve the internal control system's inspection quality and efficiency audit department. The Company reports the amendments to the Audit	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
			Committee and submits them to the Board of Directors for approval. The internal audit evaluates the Company's risks every year, draws up an annual audit plan, conducts inspections according to the plan, issues audit reports and continuously follows-up on reports to improve the situation and conducts internal control self-evaluation operations every year. The chief of internal audit of the Company regularly communicates on the audit report results and the implementation of the follow-up report with the members of the Audit Committee and conducts audit reports and discussions with Independent Directors in the Audit Meeting and the Board Meeting. The internal audit has fully communicated the implementation status and effectiveness of the audit business.	
(V)Does the Company provide training regarding ethic compliance practice regularly?	V		According to the budget proposals submitted by each department based on annual needs, the Company provides employees with external professional training incentives and internal education training courses to improve employees' awareness of integrity.	No discrepancy.
III.Company’s reporting system implementation status				
(I)Has the Company established a reporting and reward system and a convenient channel for reporting unethical behaviors as well as designated appropriate personnel to handle the person being investigated?	V		The Company has established relevant reward and punishment measures and a channel for reporting unethical behaviors, making amendments from time to time.	No discrepancy.
(II)Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the	V		The Company adopts a confidential and rigorous approach to the reports received and subsequent investigations.	No discrepancy.

Evaluation Items	Implementation Status			Discrepancies from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
investigation is completed and related confidentiality mechanisms?				
(III)Has the Company established measures to protect the identity of the informers from being treated unpleasantly after reporting unethical behaviors?	V		The Company provides proper and independent reporting channels and keeps the identity of the informers and the contents of the reports confidential in order to maintain the personal safety of the informers.	No discrepancy.
IV.Enhancement of information disclosure				
(I)Has the Company published the content and implementation of the Company’s “Ethical Corporate Management Best Practice Principles” on its website and the MOPS?	V		The Company has set up a special section on the website, filed reports for various financial and business information on the MOPS on a regular and irregular basis, and disclosed the “Ethical Corporate Management Best Practice Principles” relevant content.	No discrepancy.
V.If the Company has established corporate governance policies based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancies between the policies and their implementation: The Company has established the “Ethical Corporate Management Best Practice Principles” and implements properly to comply with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and relevant regulations.				
VI.Other important information to facilitate a better understanding of the Company’s corporate conduct and ethics compliance practices: (e.g. amendments to the Company’s Ethical Corporate Management Best Practice Principles)				
(I)In order to implement the corporate ethical management, in addition to formulating the Company’s “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company further established other internal regulations, including “Procedures for Ethical Management and Guidelines for Conduct”, “Codes of Ethical Conduct” and “Code for Prevention of Insider Trading.”				
(II)In accordance with relevant regulations on recusal for conflicts of interest in the Company’s “Codes of Ethical Conduct,” relevant personnel shall recuse themselves from any conflicts between personal interests and the Company’s interests. When the Company receives a report from a party that his/her own behavior violates the principle of recusal for conflicts of interest, the chairman (applicable to directors) or the top human resources executive (applicable to relevant personnel other than directors) and the top executive of the unit to which the party belongs shall jointly discuss the response principles and submit it to the President for approval (applicable to relevant personnel other than directors), or hand it over to the board of directors (applicable to directors) for discussion.				
(III)According to the Company’s “Regulations Governing Procedure for Board of Directors Meetings”, if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter.				

(VII) If the Company has stipulated the corporate governance principles and relevant regulations, the inquiry methods shall be disclosed:

Regarding the corporate governance related principles, the Company has formulated “Corporate Governance Best Practice Principles for Companies”, “Rules of Procedure for Shareholders Meetings”, “Regulations Governing Procedure for Board of Directors Meetings”, “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” and have disclosed them on the Corporate Governance section on the Company’s website and the MOPS. Relevant regulations are also disclosed on the Annual Report and Shareholders Meeting Handbook. All information is available on the Company’s website and the MOPS.

(VIII) Other information that facilitates the understanding in the Company’s corporate governance should be also disclosed: Please refer to the Company website (<http://www.chbio.com.tw>).

(IX) Internal Control System Execution Status

1. Statement of Internal Control

CH Biotech R&D Co., Ltd.
Statement on Internal Control System

Date: February 27, 2024

Based on the findings of a self-assessment, CH Biotech Co., Ltd. states the following with regard to its internal control system during the year 2023:

- I. CH Biotech's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms and CH Biotech takes immediate remedial actions in response to any identified deficiencies.
- III. CH Biotech evaluates the design and operating effectiveness of its internal control systems based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Environment control, 2. risk assessment, 3. Activity control, 4. information and communication, and 5. Activity monitoring. Each key component consists of several items. For the aforementioned items, please refer to the Regulations.
- IV. CH Biotech has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, CH Biotech believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of CH Biotech's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This Statement was passed by the Board of Directors in their meeting held on February 27, 2024, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

CH Biotech R&D Co., Ltd.

Chairman: Cheng-Pang Wu
Signature

President: Cho-Chun Huang
Signature



2. Where CPA is entrusted to review the internal control system, the CPA audit report shall be disclosed:

Assurance Report on Internal Control System Review

To CH Biotech Co., Ltd.:

We have reviewed the accompanying Statement of Internal Control System of CH Biotech Co., Ltd. (“the Company”) dated December 31, 2023, stating that its internal control system has been evaluated and assessed to be effective in the design and implementation with respect to external financial reporting and safeguarding of assets on February 27, 2024, following reasonable assurance review procedures.

Underlying Subject Matter and Applicable Criteria Thereof

The subject of this assurance case and the subject information are the design and implementation status of the internal control system of the Company related to external financial reporting and safeguarding of assets as of December 31, 2023, and the Statement of Internal Control System issued by the Company on February 27, 2024, stating that its internal control system has been evaluated and assessed to be effective in the design and implementation with respect to external financial reporting and safeguarding of assets

The applicable benchmarks for measuring or evaluating the aforesaid assurance subjects are the evaluation items for the effectiveness of the internal control system in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies.”

Inherent Limitations

As any internal control system has its inherent limitations, the above internal control system of the Company may not be able to prevent or detect errors or frauds that have already occurred. In addition, circumstances may change in the future and the degree of compliance with the internal control system may decrease, therefore, the internal control system that is effective in the current period does not necessarily mean that it will be effective in the future.

Management’s Responsibilities for the Report

Management is responsible for establishing an internal control system in accordance with relevant laws and regulations, reviewing the system at any time to maintain its effective design and implementation on an ongoing basis, and evaluating the effectiveness of the system before issuing the Statement of Internal Control System.

Our Responsibilities

Our responsibilities are to perform the procedures necessary to obtain reasonable assurance about the subject matter of the assurance in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and “TWSAE No.3000-Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and to express a conclusion as to whether the subject matter of the assurance complies with the applicable standards in all material respects and whether it is fairly stated.

Independence, Professional Standards, and Quality Control

We have complied with the independence and other ethical requirements of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional conduct. In addition, the firm applies the Standards of Quality Management and accordingly maintains a comprehensive quality management system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, and

applicable laws and regulations.

Summary of Work Performed

We applied professional judgment in the planning and conduct of necessary procedures to obtain relevant evidence about the underlying subject matter. The procedures we performed included obtaining an understanding of the Company's internal control system, evaluating management's process for assessing the effectiveness of the internal control system as a whole, testing and evaluating the effectiveness in the design and implementation with respect to external financial reporting and safeguarding of assets, as well as performing such other procedures as we considered necessary to perform our review. We believe that the work performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, judging in accordance with the evaluation items for the effectiveness of internal control systems in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the internal control system of the Company related to external financial reporting and safeguarding the security of assets was designed and implemented to maintain effectiveness in all material respects as of December 31, 2023, and its Statement of Internal Control System, stating that its internal control system has been evaluated and assessed to be effective in the design and implementation with respect to external financial reporting and safeguarding of assets on February 27, 2024, is fair in all material respects.

KPMG International Limited

CPA

April 15, 2024

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

(XI) Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting:

1. Resolutions of the Board of Directors' Meeting

Minutes of the Board of Directors Meeting							
Meeting Date	Type of Meeting	Major Resolution	Status of implementation				
2023/5/24	Annual Shareholders' Meeting	Ratification of the Company's 2022 business report and financial statements	(1)There were 76,726,613 votes in favor of the proposal, accounting for 99.89% of the voting rights of attending shareholders. (2)It has been announced on the MOPS.				
		Ratification of the Company's 2022 earnings distribution	(1)There were 76,726,613 votes in favor of the proposal, accounting for 99.89% of the voting rights of attending shareholders. (2)It has been announced on the MOPS. (3)On February 21, 2023, the board of directors resolved to distribute cash dividends at a total amount of NT\$376,682,040 with NT\$ 3.88 per share. The ex-dividend record date was set to be March 20, 2023 and the cash dividend distribution date to be April 10, 2023.				
		Amendments to the Company's "Articles of Incorporation"	(1)There were 76,727,750 votes in favor of the proposal, accounting for 99.89% of the voting rights of attending shareholders. (2)The National Science and Technology Council has approved the registration on May 31, 2023, and the amended Articles of Incorporation have been disclosed on the Company's website.				
		By-election of directors	(1)Election results: <table border="1"><thead><tr><th>Title</th><th>Name</th><th>Number of votes won</th></tr></thead><tbody><tr><td>Director</td><td>Loveland Products Canada Inc.</td><td>76,636,567 votes</td></tr></tbody></table> (2)The National Science and Technology Council approved the registration on May 31, 2023.	Title	Name	Number of votes won	Director
Title	Name	Number of votes won					
Director	Loveland Products Canada Inc.	76,636,567 votes					

2.Resolutions of the Board of Directors' Meeting

Meeting Date	Type of Meeting	Major Resolution
2023/2/21	4th Session 15th Meeting	(1)Business report and financial statement. (2)Report of performance reviews and remunerations for directors, functional committee members, managerial officers of the Company as well as remuneration reporting matters for the year 2022 (3)Distribution of remuneration of 2022 for employees and directors of the Company (4)The Company's distribution of surplus profit of 2022 (5)The proposal of report on the allocation of shareholders' dividends and bonuses for the year 2022 (6)Amendments to the "Articles of Incorporation" (7)The date, location and cause of the Annual shareholders' meeting in 2023 (8)Amendments to "Seal Control Regulations", "Corporate Governance Best Practice Principles for Companies", "Sustainable development Best Practices Principles" and "Code for Prevention of Insider Trading" (9)Proposal of Evaluation of the independence of the company's CPA (10)The Statement of Internal Control System in 2022
2023/3/14	4th Session 16th Meeting	(1)Proposal of by-election of director (2)Nomination of the Company's director (3)Revise the cause of the general shareholders' meeting in 2023
2023/5/9	4th Session 17th Meeting	(1)To stipulate the Company's General Principles of Non-Assurances Services Pre-Approval Policy (2)Due to CPA firm internal transfer, CHB changed CPA (3)Proposal of appointment and remuneration of certified public accountants (4)Proposal for the financial statement of the company of the first quarter in 2023 (5)Proposal of amending "Rules of Procedure for Shareholders Meetings"
2023/5/24	4th Session 18th Meeting	(1)The Company prepares the summary financial forecast of the second quarter to the third quarter of 2023 (2)The Company prepares the statement of cash receipts and disbursements (3)To control the quality of raw materials and to enhance market competitiveness, the Company plans for a strategic investment plan
2023/8/8	4th Session 19th Meeting	(1)Proposal for the financial statement of the company of the second quarter in 2023 (2)The Company prepares the summary financial forecast of the third quarter to the fourth quarter of 2023 (3)The Company prepares the statement of cash receipts and disbursements (4)Earnings distribution for the first half of 2023 (5)The Company's rental of the Zhangbin Plant (6)Proposal for the Company's organization chart adjustment (7)The Company plans to apply for supply chain financing program to J.P. Morgan Chase Bank
2023/9/28	4th Session 20th Meeting	(1)To comply with the regulation revisions of the Taiwan Innovation Board and to cope with the Company's IPO application, it is planned to coordinate specific shareholders to make available to the lead underwriter an over-allotment option for issued common stock and to deposit their shares

Meeting Date	Type of Meeting	Major Resolution
		for a specific period of time from the listing date (2)The Company revises the 2023 financial forecasting for the third quarter to the fourth quarter as per the laws and regulations (3)The Company prepares the statement of cash receipts and disbursements (4)To increase the stability and flexibility of the Company's overall financial scheduling for the "post-epidemic stimulus package loan provided by the Ministry of the Economic Affairs to assist in the small and medium-sized enterprises," it is planned to increase the short-term loan limit to CTBC Bank Co., Ltd.
2023/10/26	4th Session 21st Meeting	(1)The Company plans for issuance of new shares through cash capital increase before IPO (2)The Company prepares the summary financial forecast of the fourth quarter of 2023 to the first quarter of 2024 and the statement of cash receipts and disbursements (3)The Company prepares the statement of cash receipts and disbursements (4)The Company plans to sign a mandate contract in compliance with the laws of the Republic of China (Taiwan) and relevant regulations in connection with the TWSE listing with the lead securities underwriter Fubon Securities Co., Ltd. (5)Proposal of amending "Regulations Governing Level of Authority" (6)Proposal of amending Remuneration Committee Charter
2023/11/7	4th Session 22nd Meeting	(1)Proposal for the financial statement of the company of the second quarter in 2023 (2)Proposal of the Company implementing capital increase by cash through stock purchase for managers in 2023 (3)The Company plans to apply for credits lines from banks in order to enhance its overall financing stability and flexibility (4)The revision of the Company's "Computerized Information System Cycle Plan"
2023/12/12	4th Session 23rd Meeting	(1)Proposal of year-end bonus for chairman and managerial positions of 2023 (2)The proposal of Corporate Business Plan and Annual Forecast for 2024 (3)Renewal of liability insurance for the Company's Directors, Supervisors and key officers (4)Proposal of Annual Audit Plan for 2024 for both the Company and the wholly-owned subsidiary CH Biotech, LLC.
2024/2/27	4th Session 24th Meeting	(1)Business report and financial statement of 2023 (2)Performance reviews for directors, functional committees, and managerial officers of the Company, and remuneration thereof for the year 2023 (3)2023 Employees' and Directors' Remuneration (4)2023 Earnings Distribution (5)Allocation of Shareholders' dividends and bonuses for the year 2023 (6)Amendments to the Company's organization chart (7)To control the quality of raw materials and to enhance market competitiveness, the Company plans to diversify its business scope and make a strategic investment. (8)Progress report and additional budget proposal for the investment project of the Company's Fermentation Plant

Meeting Date	Type of Meeting	Major Resolution
		Based in Changhua Coastal Industrial Park (9)Appointments of consultants for the first quarter (10)Amendments to the Company’s “Rules of Procedure for Board of Directors Meetings” (11)Amendments to the Company's “Audit Committee Charter” (12)Re-election of Directors (13)Proposal of nomination and qualification review of nine Directors (including three independent Directors) (14)Proposal of release the prohibition on new directors from participation in competitive business (15)The date, location, and proposals to be presented in the 2024 Annual Shareholders’ Meeting (16)The Company’s plan to apply for a line of credit from a financial institution for the purchase of industrial real estate (17)The Company’s plan to apply for a line of credit from a financial institution for the purchase of industrial land located in the Changhua Coastal Industrial Park (18)Proposal of Evaluation of the independence of the company's CPA (19)The Statement of Internal Control System in 2023
2024/3/26	4th Session 25th Meeting	(1)Employee Stock Ownership Trust Plan (2)Ratification of Consultant Appointments (3)Reappointments of Consultants for the First Quarter

- (XII)For the most recent year and up to the printing date of the annual report, if any director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, the principal contents thereof shall be disclosed: None.
- (XIII)Summary of resignations and dismissals of the Company’s chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer in the most recent year and up to the printing date of the annual report: None.

V. Information Regarding the Company's Audit Fee

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remark
KPMG Taiwan	Shyhhuar, Kuo	2023/1/1 - 2023/12/31	2,150	2,505	4,655	Tax compliance audit, TP transfer pricing service, travel and transportation allowances, and internal system project review, agreement procedure, listing counseling, totaling NT\$ 2,482 thousand.
	Tzu-Hsin Chang					

Note: The assessment results of the independence of the CPAs:

Evaluation Item	Evaluation result
1. Not hired by the Company or affiliates.	☒ Yes ☐ No
2. Not a director of the Company or affiliates (Not applicable to independent directors of a company or its parent company, a subsidiary that a company possesses over 50% shares with voting right directly or indirectly).	☒ Yes ☐ No
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.	☒ Yes ☐ No
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.	☒ Yes ☐ No
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or not a director, supervisor, or employee of a corporate shareholder that ranks among the top five in shareholdings.	☒ Yes ☐ No
6. Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.	☒ Yes ☐ No
7. Not a spouse or relative within the second degree of kinship of other directors.	☒ Yes ☐ No
8. Not violated any of the circumstances in the subparagraphs of Article 30 of the Company Act.	☒ Yes ☐ No
9. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.	☒ Yes ☐ No
10. Not a director, managerial officer, or in a position with material influence over auditing in the recent two years of the company.	☒ Yes ☐ No
11. Not involved in management functions of making decisions of the company.	☒ Yes ☐ No
12. Has completed the auditing and attestation of financial statements of the company on time.	☒ Yes ☐ No
13. Has completed the financial auditing of the invested companies of the company on time.	☒ Yes ☐ No
14. Has provided financial and taxation consulting services from time to time.	☒ Yes ☐ No
After evaluation, the appointed CPAs did not have any of the conditions described in the above independence evaluation items and met the criteria for evaluation of suitability, which are sufficient to certify that the financial reports issued by the CPAs can be relied upon.	

- (I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: Not applicable

VI. Replacement of CPA :

(I) Information about the former CPA

Replacement date	April 11, 2023		
Replacement reasons and explanations	Internal rotation of KPMG Taiwan		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Status \ Client	Certified Public Accountant	Consignor
	Appointment terminated automatically	N/A	N/A
	Appointment rejected (discontinued)	N/A	N/A
Opinions and reasons for audit reports other than unqualified opinions issued within the most reason two years	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	None	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10, Subsection 6, Item 1-4 to Item 1-7 of the Regulations)	None		

(II) Successor CPAs

Accounting Firm	KPMG Taiwan
Name of CPA	Shyhhuar, Kuo, Tzu-Hsin Chang
Date of Engagement	April 11, 2023
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement	N/A
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	N/A

VII. The Company's Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Who Has in the Most Recent Year Held a Position at the Accounting Firm of Its Auditing CPAs or at an Affiliated Enterprise of Such Accounting Firm: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer or shareholder with a stake of more than 10% during the most recent fiscal year and up to the date of publication of the annual report

(I)Equity transfer and change status of directors, supervisors, managerial officers and major shareholders

Unit: share

Title	Name	2023		Up to March 23, 2024	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman and Shareholders with a stake of more than 10 percent	Zhao Song Investment Co., Ltd. Representative: Cheng-Pang Wu	—	—	—	—
	Cheng-Pang Wu	—	—	—	—
Director	Kuang Fu Han	—	—	—	—
Director	Brent Randall Smith (Note 1)	—	—	—	—
Director	Chao Tsung Chiu	—	—	—	—
Director	Yung Ming Chou	—	—	—	—
Director	Xian-Guo Hsu	—	—	—	—
Director and major shareholder holding more than 10% of the shares	Loveland Products Canada Inc. (Note 2)	—	—	—	—
	Representative: Robert James Christopher Clayton	—	—	—	—
Independent Director	Por Hsiung Lai	—	—	—	—
Independent Director	Kuo Chien Chung	—	—	—	—
Independent Director	Yong-Xiang Chiu	—	—	—	—
General Manager	Cho-Chun Huang	9,000	—	—	—
Vice President, Department of Management	Lin Mu-Sheng	6,000	—	—	—
Assistant Vice President, Department of Finance	Lin Hsiu-Feng	—	—	—	—
Head of Department of R&D	Li Kuei-Chun	—	—	—	—
Manager, Department of Accounting	Lo Hsin-Chun	(5,000)	—	—	—

Note 1: Director Brent Randall Smith resigned on March 2, 2023. The aforementioned transfer and pledge of shares is only disclosed for the period in which he was in office.

Note 2: The new director of Loveland Products Canada Inc. were appointed on May 24, 2023. The transfer and pledge of shareholdings mentioned above are only disclosed during the period of service.

(II)Where the counterparty in any such transfer of equity interests is a related party: None.

(III)Where the counterparty in any such pledge of equity interests is a related party: None.

IX. Relationship information, if among the Company's ten largest shareholders, any one is a related party, or is the spouse or a relative within the second degree of kinship of another

March 23, 2024; Unit: Shares; %

Name	Shares Held Directly		Shares Held by Spouse or Minors		Total Shares Held Using Other's Names		Name and relationship of any related party or spouse or a relative within the second degree of kinship among the Company's 10 largest shareholders (Note 3)		Remark
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Company name (or name)	Relationship	
Loveland Products Canada Inc. Representative: Jesse Hamonic	23,115,040	22.49%	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Zhao Song Investment Co., Ltd. Representative: Cheng Pang Wu	18,230,810	17.73%	—	—	—	—	Wealth Milestone Investment Corp.	same responsible person	—
	2,962,374	2.88%	—	—	24,322,139	23.66%			—
Wealth Milestone Investment Corp. Representative: Cheng-Pang Wu	6,091,329	5.93%	—	—	—	—	Zhao Song Investment Co., Ltd.	same responsible person	—
	2,962,374	2.88%	—	—	24,322,139	23.66%			—
Tenfold Holdings, LLC: Representative: David Lanciault	4,623,006	4.50%	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
HIGH PROFIT TRADING LIMITED Representative: Li-Hwa Kuan	3,609,027	3.51%	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Cheng-Pang Wu	2,962,374	2.88%	—	—	24,322,139	23.66%	Zhao Song Investment Co., Ltd. Wealth Milestone Investment Corp.	responsible person of the company on the left	—
EXCELLENT VISION INVESTMENT LTD. Representative: Kuang Fu Han	2,746,252	2.67%	—	—	—	—	—	—	—
	—	—	602,389	0.59%	2,746,252	2.67%	—	—	—
Wang-Jie	2,500,000	2.43%	—	—	—	—	—	—	—
Chi-Tsang Niu	2,205,061	2.15%	—	—	2,138,910	2.08%	Chun Tang Investing Co., Ltd.	responsible person of the company on the left	—
Chun Tang Investing Co., Ltd. Representative: Chi-Tsang Niu	2,138,910	2.08%	—	—	—	—	—	—	—
	2,205,061	2.15%	—	—	2,138,910	2.08%	Chi-Tsang Niu	The person on the left is the responsible person of Chun Tang Investing Co.	—

Note 1: All top ten shareholders shall be listed, and for the institutional shareholders, their name and names of their representatives shall be listed respectively.

Note 2: The calculation of the percentage of shares held, shall be calculated separately for these shares held under the shareholders' name, under the spouses and children of minor age, or under others' name.

Note 3: For the shareholders referred to above including legal person and natural person, shall have the relationship disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

X. The shareholdings of the Company and its Directors, Supervisors, Managers, and the enterprises directly or indirectly controlled by the Company in the same invested company and the consolidated shareholding ratio: None.

Four. Capital Raising

I. Company's capital and share issuance status

(I) Source of Capital

1. Type of Shares

March 23, 2024; unit: shares

Type of Shares	Authorized Capital			Remark
	Outstanding	Unissued	Total	
Common shares	102,800,000	47,200,000	150,000,000	Listed on December 21, 2023

2. Process of capital formation

Capital change in the most recent five fiscal years and up to the printing date of this annual report:

March 23, 2024; Unit: Thousand Shares; NT\$ thousand

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number	Amount	Number	Amount	Source of Capital	Invested with Assets Other than Cash	Others
2013.11	10	100	1,000	100	1,000	Establishment with capital in cash of NT\$1,000 thousand	None	Note 1
2014.01	10	600	6,000	600	6,000	Capital increase by cash of NT\$5,000 thousand	None	Note 2
2014.11	10	40,000	400,000	30,000	300,000	Capital increase by cash of NT\$294,000 thousand	None	Note 3
2017.10	10	80,000	800,000	50,940	509,400	Capital increase by retained earnings of NT\$ 209,400 thousand	None	Note 4
2018.02	140	80,000	800,000	53,487	534,870	Capital increase in cash by NT\$25,470 thousand	None	Note 5
2018.08	10	80,000	800,000	60,000	600,000	Capital increase by retained earnings of NT\$65,130 thousand	None	Note 6
2019.07	10	100,000	1,000,000	80,400	804,000	Capital increase by retained earnings of NT\$204,000 thousand	None	Note 7
2020.08	10	100,000	1,000,000	84,420	844,200	Capital increase by retained earnings of NT\$40,200 thousand	None	Note 8
2021.07	10	150,000	1,500,000	84,420	844,200	Authorized capital revised in the Articles of Incorporation	None	Note 9
2022.08	10	150,000	1,500,000	97,083	970,830	Capital increase by retained earnings of NT\$126,630 thousand	None	Note 10
2023.12	60	150,000	1,500,000	102,800	1,028,000	Capital increase by cash of NT\$57,170 thousand	None	Note 11

Note 1: NTCG Bei-Fu-Jing-Si No. 1025075953 dated 11/29/2013

Note 2: MOEA Jing-Shou-Zhong No. 10333001680 dated 1/3/2014

Note 3: MOEA Jing-Shou-Zhong-Zi No. 10333876920 dated 11/14/2014

Note 4: MOEA Jing-Shou-Zhong-Zi No. 10601140960 dated 10/11/2017

Note 5: MOEA Jing-Shou-Shang No. 10701014230 dated 2/23/2018

Note 6: MOST Zhong-Shang No. 1070019455 dated 8/7/2018

Note 7: MOST Zhong-Shang No. 1080014875 dated 7/15/2019

Note 8: MOST Zhong-Shang No. 1090016186 dated 8/5/2020

Note 9: MOST Zhong-Shang No. 1100015646 dated 7/15/2021.

Note 10: NSTC Zhong-Shang No. 1110018912 dated 8/8/2022.

Note 11: NSTC Zhong-Shang No. 1120029853 dated 12/27/2023.

(II) Structure of Shareholders

March 23, 2024; unit: person; shares; %

Structure of Shareholders	Government Institution	Financial institution	Other legal persons	Individual	Foreign institutions and foreign individuals	Total
Quantity						
Number of persons	0	2	22	2,142	27	2,193
Shareholding	0	11,000	24,573,640	27,564,313	50,651,047	102,800,000
Percentage of Shares Held	0.00	0.01	23.91	26.81	49.27	100.00

Note: No shareholdings of investors from mainland China.

(III) Status of Ownership Dispersion

March 23, 2024; unit: person; shares; %

Shareholdings range	No. of shareholders	Increase (Decrease) in Shares Held	Percentage of Shares Held
1 ~999	522	93,823	0.09
1,000 ~5,000	1,101	2,422,932	2.36
5,001 ~10,000	221	1,666,511	1.62
10,001 ~15,000	91	1,118,880	1.09
15,001 ~20,000	41	743,440	0.72
20,001 ~30,000	61	1,497,286	1.46
30,001 ~40,000	37	1,287,357	1.25
40,001 ~50,000	25	1,151,783	1.12
50,001 ~100,000	36	2,591,708	2.52
100,001 ~200,000	21	2,879,750	2.80
200,001 ~400,000	11	3,064,444	2.98
400,001 ~600,000	4	1,973,029	1.92
600,001 ~800,000	4	2,662,084	2.59
800,001 ~1,000,000	2	1,922,923	1.87
1,000,001 以上	16	77,724,050	75.61
Total	2,193	102,800,000	100.00

(IV) List of Major Shareholders: Shareholders who hold more than 5% or greater of the outstanding shares or the top ten shareholders

March 23, 2024; Unit: shares; %

Names of major shareholders	Shares	Shareholding	Percentage of Shares Held
Loveland Products Canada Inc.		23,115,040	22.49
Zhao Song Investment Co., Ltd.		18,230,810	17.73
Wealth Milestone Investment Corp.		6,091,329	5.93
Tenfold Holdings, LLC		4,623,006	4.50
HIGH PROFIT TRADING LIMITED		3,609,027	3.51
Cheng-Pang Wu		2,962,374	2.88
EXCELLENT VISION INVESTMENT LTD.		2,746,252	2.67
Wang-Jie		2,500,000	2.43
Chi-Tsang Niu		2,205,061	2.15
Chun Tang Investing Co., Ltd.		2,138,910	2.08

(V)Market price, net worth, earnings, dividends per share and relevant information for the most recent two years

Unit: NT\$ thousand; thousand shares

Item \ Year			2022	2023
Market price per share (Note 1)	Highest		Unlisted (non-OTC)	84.70
	Lowest		Unlisted (non-OTC)	79.30
	Average		Unlisted (non-OTC)	81.50
Net worth per share (Note 2)	Before dividends distribution		21.50	24.52
	After dividends distribution		17.62	21.43
Earnings per Share	Weighted average		97,083	102,800
	Earnings per share (Note 3)	Before adjustment	4.79	4.76
		After adjustment	4.79	4.76
Dividends per share	Cash dividends		3.88	4.09 (Note 8)
	Stock dividends	Stock dividends from surplus	—	—
		Stock dividends from capital reserve	—	—
	Cumulative un-paid dividends (Note 4)		—	—
Analysis on ROI	Price-earnings ratio (Note 5)		Unlisted (non-OTC)	17.12
	Price-dividends ratio (Note 6)		Unlisted (non-OTC)	19.93
	Cash dividend yield rate (Note 7)		Unlisted (non-OTC)	5.02%

Note 1: The highest and lowest share prices for each year are provided, calculated at the average annual market value for the trading value of each year and the trading volume. The Company's shares were listed on December 21, 2023.

Note 2: Use the number of the outstanding issued shares at year's end and the distribution passed at the board of directors' meeting or the following year's shareholders' meeting to fill in. The 2023 earnings distribution was approved by the Board of Directors' meeting on February 27, 2024 to distribute the cash dividends of year 2024 on April 12, 2024.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the issuance criteria of equity securities specify that dividends undistributed in the current year are to be accumulated to the year with earnings for issuance, then the accumulated unissued dividends up to the current year shall be disclosed respectively.

Note 5: Price-earnings ratio = Current average closing price per share / EPS.

Note 6: Price-dividends ratio = Current average closing price per share / Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / Average stock closing price of the current year.

Note 8: Please refer to Four. Capital Raising, (VI)Dividend Policy and Implementation Status, 2. Proposed Distribution of Dividends at the Annual Shareholders Meeting This Year..

Note 9: Net value and earnings per share should be presented as of the latest quarterly report date, which has been audited by CPAs, and the rest of the columns should be presented as of the printing date of the latest annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend policy specified in the Articles of Incorporation of the Company

The Company's surplus earning distribution or loss off-setting may be proposed at the close of each half fiscal year.

If there is any surplus after the settlement of the previous half fiscal year, the Company shall estimate and reserve the amount for the taxes to be paid, accumulated losses to be made up according to law, and remuneration for employees and directors, and allocate a reserve of ten (10) percent as legal reserve. However, if the accumulated legal reserve has reached the Company's total capital, it is not subject to this limitation. The appropriation or reversal of special reserve may then be made in accordance with laws or regulations announced by the competent authorities

In accordance with the procedures stipulated in Paragraphs 2 and 3, if there is any remaining surplus, the Board of Directors shall propose the distribution of the remaining balance, along with the accumulated undistributed surplus of the prior period, through the issuance of new shares to the Shareholders' Meeting for resolution before conducting such distribution.

Should the distribution be conducted in cash, the Board of Directors is authorized to do so after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and shall report to the Shareholders' Meeting.

Pursuant to Article 241 of the Company Act, when distributing legal reserve and capital reserve, in whole or in part, through the issuance of new shares or by cash, to shareholders in proportion to their original shares, the Company shall resolve to conduct the distribution in accordance with the aforementioned method.

Looking forward to the future, the Company will, in response to its environment and growth stage, grounded on capital expenditure, business expansion needs, and sound financial planning for sustainable development, perform a dividend policy according to its future capital expenditure budget and fund need, appropriating no less than 10% of the foresaid surplus to shareholders as dividends, and among the bonus to be distributed to shareholders, the proportion of cash dividends to be distributed shall not be less than 10% of the total bonus for shareholders.

However, to maintain earnings per share and to consider the influence of stock dividends on the Company's operating performance, it shall be proposed to the Board of Directors to appropriately adjust the amount and proportion of dividends if EPS declines by more than 20% than that of the previous year.

2. Proposed Distribution of Dividends at the Annual Shareholders Meeting This Year

The Company's 2023 earnings distribution proposal was approved by the Board on February 27, 2024. The distribution is as follows:

2023 Earnings Distribution Table

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	186,640,589
Net income in 2023	463,290,610
Remeasurements of defined benefit plans	(691,836)
Reversal of equity debited to special reserve	12,026,369
Provision for legal reserve	(5,828,624)
Distributable earnings for the current period	602,979,486
Items to which earnings are distributed	
Cash dividend for the first half of 2023 (NT\$ 1 per share)	(97,083,000)
Cash dividend for the second half of 2023 (NT\$ 3.09 per share)	(317,652,000)
Retained undistributed earnings	188,244,486

Note: After cash dividend is resolved by the board of directors, it will be reported to the annual shareholders' meeting. The cash dividends for the year 2023 shall be distributed on October 18, 2023 and April 12, 2024.

(VII) The impact of the stock dividend issuance proposed to this annual shareholders' meeting on the company's business performance and EPS: The Company did not distribute stock dividends for the current year, so it is not applicable.

(VIII) Remuneration to employees and directors:

1. The percentages or ranges with respect to the remuneration of employees and directors as set forth in the Articles of Incorporation:

If there is surplus profit in one fiscal year, the company shall allocate three (3) to ten (10) percent as remuneration for employees and no more than five (5) percent as remuneration for directors. However, the company shall first cover accumulated losses if there is any.

Remuneration for employees shall be in the form of shares or cash, and the resolution may be adopted by two-third of the voting rights exercised by the directors present at the board meeting who represent a majority of the board. The decision shall be reported to the shareholders' meeting.

As for qualification requirements of employees, including employees of parent company or subsidiary, for receiving shares or cash as remuneration stated in the preceding paragraph, the Board would be authorized to determine such qualification.

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

(1) Pursuant to the Company's Articles of Incorporation. Where there is profit after covering the accumulated losses, three to ten percent (3–10%) of the profit shall be distributed as remuneration to employees and not more than five percent (5%) to Directors. The estimated distribution of bonus and remuneration to Directors in accordance with the Company's Articles of Incorporation: 5% to employees, 3% to Directors.

(2) Accounting treatment of discrepancy between the actual distributed amount and the estimated figure for calculating the number of shares to be distributed as employee profit-sharing compensation: any discrepancies between the actual distribution of bonuses to employees and remuneration to Directors determined on the Shareholders' Meeting and the originally estimated amount are recorded as profit or loss of the current year.

3. Distribution of remuneration approved by the Board of Directors:

(1) The amount of remuneration distributed to employees and Directors in the forms of cash or shares. If there is a difference from the estimated annual amount in the recognized expenses, the amount, reason and treatment should be disclosed: According to the Company's Articles of Incorporation, the 2023 employee remuneration was proposed to be NT\$31,577 thousand and has been distributed fully in cash. The directors' remuneration was proposed to be NT\$18,946 thousand approved by the Remuneration Committee and the Board of Directors on February 27, 2024, and has been fully paid.

(2) The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: No stock dividend distributed to employees.

4. Report on the status and result of compensation distribution at a shareholders' meeting:

The Company's 2023 cash remuneration to employees and directors was approved by the Remuneration Committee and the Board of Directors on February 27, 2024, and has been fully paid. There is no difference between the actual distribution amount in remuneration to Directors and the accrued amount.

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

The Company's actual distributed remuneration to the employees and to the directors in 2022 had no discrepancy from the amount resolved by the Board.

(IX)Buyback of Treasury Stock: None

II. Corporate Bonds (incl. Overseas Corporate Bonds): None.

III. Preferred Shares: None.

IV. Global Depository Receipts (GDRs): None.

V. Issuance of Employee Stock Options: None.

VI. Issuance of New Restricted Employee Shares: None.

VII. Status of Mergers and Acquisitions: None.

VIII. Issuance of New Shares in Connection with Acquisitions of Shares of Other Companies: None.

IX. Implementation of the Company's Capital Allocation Plans

(I) Plan Content

1. Approval date and letter from the regulating authority of a target business: No. 1121805443 dated November 13, 2023
2. Required total capital amount for this plan: NT\$343,020 thousand
3. Source of capital:

Capital increase in cash by issuing 5,717 thousand shares at NT\$10 face value per share, totaling NT\$57,170 thousand. For the minimum underwriting price of auction, its upper limit shall be 70 percent of the simple arithmetic mean of the average trade prices, after factoring out ex-rights trading in connection with issuance of stock dividends (or ex-rights trading in connection with capital reduction) and ex-dividend trading, of the 30 business days on which trades have been executed before the filing of the competitive auction agreement with the Taiwan Securities Association. The shares are set at NT\$ 55.56 per share. Bidder with the high bid price will have the priority to subscribe first. Each winning bidder shall subscribe according to the winning price. The total bid price of this auction is NT\$411,436 thousand; the public underwriting price is based on the winning bid price and the weighted average of the bid price of all successful bids, NT\$ 79.97 per share. However, the average price was 1.08 times higher than the minimum underwriting price. Therefore, the issue price per share was issued at a premium of NT\$ 60. NT\$34,320 thousand were raised from employee subscription, and the total amount raised was NT\$445,756 thousand.

4. Capital increase plan, progress of capital utilization and estimated possible benefits:

Unit: NT\$ thousand

Plans	Expected Deadline for Completion	Total funds required	Progress of scheduled fund utilization
			2024 First Quarter
Repayment of long-term bank loans	2024 First Quarter	343,020	343,020
Enrich working capital	2024 First Quarter	102,736	102,736
Total		445,756	445,756

5. Expected benefits:

(1) Repayment of long-term bank loans

This time, the Company plans to use NT\$343,020 thousand to repay long-term bank borrowings to reduce financial costs and improve financial structure. Assuming the current long-term borrowing interest rate of 1.968%, it is expected to save NT\$ 5,659 thousand in interest expenses in 2024 and NT\$6,751 thousand per year in the future (calculated as follows). Apart from reducing financial burden, it can also increase solvency, sound financial structure and reduce the dependence on financial institutions which helps in the flexibility in the flexible deployment of funds in the medium and long term, which will be positively beneficial to the Company's overall operation development and strengthening of financial structure.

The hypothetical calculation of interest expense is as follows:

2024 (March - December) interest expense saved = NT\$343,020 thousand * 1.968% * 306/365 = NT\$5,659 thousand,

2025 - subsequent years = NT\$343,020 thousand * 1.968% = NT\$6,751 thousand.

(2) Enrich working capital

NT\$102,736 thousand of the funds raised by the bidding and auction of this project will be used to enrich the working capital, which will enable the Company to have more self-owned capital, increase long-term capital stability, improve mid- and long-term competitiveness, and strengthen the financial structure in a positive way for the Company's business growth and overall operational development.

6. Changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any changes to the plan, the benefits yielded by the funds before and after any change to the plan, and the date on which the change to the plan was reported at a Shareholders' Meeting:
Not applicable.

(II) Status of implementation

As of the first quarter of 2024, the Company's accumulated funds used to repay long-term bank borrowings and replenish working capital amounted to NT\$445,756 thousand, and the progress of implementation has been 100%.

Five. Operational Highlights

I.Business Activities

(I)Business Scope

1.Description of the Company's business scope

The Company is an agricultural technology company approved by the Council of Agriculture, Executive Yuan, (December 17, 2015) and a biotech and new pharmaceutical company approved by the Ministry of Economic Affairs (May 19, 2021). Our main business is research, development, production and sales of agri-biotech new drugs.

Aiming at the business opportunities of the global agricultural market, the Company is innovating core key technologies independently and developing efficient, precise, and low-carbon plant growth regulators (PGR) and fertilizer products in alignment with the needs in modern agricultural production. The unique and innovative features of our products are:

- (1)Reduce carbon emissions from crop production.
- (2)Protect food production from climate change.
- (3)Reduce energy consumption for crop cultivation.

2.Proportion of business

The Company's products are mainly PGR and fertilizers. The proportions of the products for the most recent two years are as follows:

Unit: NT\$ thousand; %

Main products \ Year	2022		2023	
	Operating revenue	Proportion	Operating revenue	Proportion
PGR	1,111,439	77.50	1,248,604	82.42
Fertilizers	317,417	22.13	261,706	17.28
Others	5,259	0.37	4,519	0.30
Total	1,434,115	100.00	1,514,829	100.00

3.Existing products (services) of the Company

Product category	Product name	Purpose and features
PGR	MegaGro L (Radiate)	It is mainly used to reduce the phytotoxicity of herbicides and improve the root system establishment for food crops. It improves the crop carbon sequestration and nitrogen assimilation capacity, reduces fertilizer loss, and helps reduce carbon emissions and fertilizer used in crop production.
	Promote (OnWard 、AGX21028/InnoCharge)	It is used in food crops and cash crops to promote the distribution of nutrients to grains and fruits, and reduce the proportion of crop residues (straws and dead leaves). It improves fertilizer use efficiency, reduces energy consumption in crop production, and reduces carbon emissions from treatment of crop residues.
	Persevere (Endurance)	It is mainly used on cash crops for activating the defense mechanism of crops against adverse climatic factors, and is suitable for crop production in planting areas and seasons where adverse climate events take place. It meets the needs for guaranteeing crop production and food yield during global climate change with the foresight to facilitate the

Product category	Product name		Purpose and features
			development of agriculture today and in the future.
	Promote Max (OnWard Max)		It is the upgraded version of the product of OnWard with the dosage form and application methods improved to expand its applications and strengthen its competitiveness.
	MegaGro 2.0 (Radiate NEXT)		Its main purpose is to enhance the ground photosynthesis and resistance to harsh environment during the growth period of crops (from flowering period to seed filling period), in order to effectively generate and convert energy, thereby increasing the economic production volume of crops. MegaGro 2.0 can be used in conjunction with Radiate, the product of the same series, to effectively reduce carbon emissions during agricultural production.
Fertilizer (Note)	Customized order, with registration service	NutriSync D /MicroSync D	It is used for dicotyledons (fabids and amphisarca) to provide an optimal nutrient combination, and facilitate the distribution of mineral nutrients to the fruit in certain directions. It improves the use efficiency of nutrient elements and reduces the fertilizers used for crop planting.
		NutriSync M /MicroSync M	It is used in monocotyledons (cereals), for providing an optimal nutrient combination, and facilitating the distribution of mineral nutrients to the grains in certain directions. It improves the use efficiency of nutrient elements and reduces the fertilizers used for crop planting.
		NutriSync 3D	It is used in dicotyledons (fabids and amphisarca), in combinations with herbicides, insecticides, and fungicides, to provide an optimal nutrient combination, and facilitate the distribution of mineral nutrients to the fruit in certain directions. It not only possess the characteristics of NutriSync D but also help reduce the process and cost of using agrochemical products, and save energy consumption in crop production.
	Fertilizer additives, not required for registration	Additive (CHB 6030 、CHB 7001 、CHB 6020)	It is a product required by the manufacturers of basic fertilizers (nitrogen, phosphorus, and potassium) to add to the production formula of such basic fertilizers in order to prevent fertilizer injury and to improve fertilizer use efficiency. Provide basic fertilizer upgrade solution, and promote joint development with operators in the fertilizer industry.

Note: The Company's fertilizer products are specialized fertilizers. Different from basic fertilizers of nitrogen, phosphorus, and potassium, specialized fertilizers are high-efficiency fertilizers designed according to specific nutrient needs for each type of crop during different period.

4.Developing products (services)

Product category	Description of the main products planned to be developed and their applications	
PGR	Fruit Quality Enhancer	It is used in fruit trees to improve the appearance quality and flavor quality of the fruits and increase the market values.
	Disease Suppression	It is used in food crops and cash crops to activate the self-defense mechanism of crops against diseases as a new measure other than pesticides for the prevention and control of pest damage.
	Strive(CHB-SR)	It is mainly used in food crops to activate the self-defense mechanism of crops against adverse climate events as a security measure for crop production under deteriorating climate conditions.
	Nursery Brancher	It is used in ornamental crops to improve their plant structure and increase their ornamental values.
	Foliar Nitrogen Assimilation	It is used in food crops and cash crops to increase the absorption, transition, and assimilation efficiency of nitrogen fertilizers by crops, promote the conversion process of nitrogen fertilizers to protein, improve the yield and quality of crops, and reduce the loss of nitrogen fertilizers and energy consumption in crop production.
Fertilizers	Amino acid and peptide product	It is a protein hydrolyzate, which can promote crop growth, increase the nitrogen assimilation enzyme activity of plants, improve plant resistance to environmental adversity, promote root growth, and increase the absorption of plant nutrients and the yield. It has excellent promoting effect on seed germination and plant growth.

(II)Industry overview

1.Status and development of the industry

(1)Plant growth regulators (PGR)

① Overview of PGR products

PGR is a chemical substance synthesized or extracted that transmits signals to regulate, command, and induce crops like plant endogenous hormones. It is a trace biologically active substance that can significantly regulate the growth and development of plants. The research and development of PGR is one of the indicators for technology development standard.

PGR features low dosage and fast and remarkable effect and is an important agrochemical product in agriculture to achieve high yield of high-quality agricultural products and environmental protection. It is generally used to enhance the resistance of crops against cold, drought, salt damage, and pest damage, and it is also able to reduce pruning and trimming through plant type control effect and may also be used to achieve flower thinning, fruit thinning, and pollination. It facilitates the development of large-scale modern agriculture and mechanization of agriculture, including mechanized sowing and harvesting operation, reduces the large manpower input as required in traditional agriculture, and fosters socioeconomic development.

Important applications of PGR products are classified by crops as follows:

Food crops (e.g. wheat, soybeans, and corn)	Cash crops (such as fruits, vegetables, cotton, and beverage crops)	Ornamental crops and lawns
• Seed dressing • Herbicide protectants • Dwarf and resistance to lodging agent	• Flower thinning and fruit thinning • Ripening and defoliant • Adjustment to fruit ripening time • Management of fruit size and shape • Protection of growth after transplanted • Promotion of fruit coloring	• Lawn height adjustment • Improvement to plant appearance and marketability

Source: Modern Plant Growth Regulator Technology Handbook, 2018

② Overview of PGR in global and U.S. markets

In terms of production value, the global PGR market was approximately US\$3.34 billion in 2023 and is expected to grow at a compound growth rate of 7.13%, reaching US\$5.41 billion by 2027 (360iResearch, 2024).

The PGR market is classified by the crops to which it is applied as food crops (such as corn, soybeans, and wheat), fruit, vegetables, lawn grass, and ornamental plants according to the market shares. (*Modern Plant Growth Regulator Technology Handbook*, 2018.)

The U.S. is a major agricultural country in the world. It adopts advanced agricultural technologies to produce high-quality agricultural products in alignment with the international export standards. However, it continues to encounter three major problems: the loss of soil nutrients caused by long-term farming, the reduction of per capita arable land, and changes in climate conditions. Under the constraints of the reducing consumption of agrochemical products and the declining arable land while with a demand for high-yield and high-quality agricultural products, the need for PGR products in the U.S. is rising.

PGR products sold in the U.S. are regulated by the U.S. Environmental Protection Agency (EPA). Currently, the number of the technical-grade PGR registration certificates obtained by the manufacturers from the U.S. EPA. and the rankings are listed in the table below. The leader is Fine Agrochemicals, which has the largest number of such certificates and has been actively engaged in the development of post-patent PGR products. The types of CH Biotech's technical-grade PGR are unique with the number of such certificates ranking second. International agrochemical manufacturers, including Bayer, Syngenta, and BASF, do not have many such certificates, and most of them engage in single technical-grade and PGR finished products derived therefrom in bulk, while continuing to develop new types of technical-grade ingredients to seize business opportunities from the PGR market and to increase the efficacy of finished products.

Technical-grade PGR registration certificates from U.S. EPA

Manufacturers	Technical-grade registration certificates
Fine Agrochemicals	15
CH Biotech	13
Nufarm	11
Valent	11
Amvac Chemical	9
Bayer Cropscience	6
Loveland Products	5
Syngenta Crop Protection	4
BASF	4
Stoller	5
Repar	4
SEPRO	2

Source: Compiled by the Company from the website of the U.S. Environmental Protection Agency (EPA) (as of December 31, 2023).

③ Development of the PGR industry

A. Innovative PGR products and pursuit of substantially improving crop yield per unit area and quality.

The world's population continues to rise and the demand for food continues to increase, but the global per capita arable land continues to decline. It is estimated that five metric tons of cereal crops need to be produced per hectare to meet the food demand by 2050. Compared to the level from 2005 to 2007, the food productivity should increase by 52% (Rattan Lal, 2016, *Food and Energy Security*).

To continue to increase the yield per unit area of crops, we need to make new breakthroughs in the development of innovative agri-biotech new drugs to meet the food demand. PGR products can increase the yield of crops per unit and improve the resistance of crops against adversity, which is very critical for improving the yield of crops per unit.

B. PGR products in alignment with sustainability and safety have gradually become a powerful tool for realizing low-carbon agriculture.

The 26th Conference of the Parties (COP) under the United Nations Framework Convention on Climate Change in 2021 is the most influential conference after the Paris Agreement, at which the U.S. among other 45 countries have pledged to engage in policy reforms, research, and innovation to transform agriculture and food systems to reduce carbon emissions, protect nature, and ensure food security.

PGR is not only safe but also helps to improve the efficacy of existing agrochemical products, including increasing the absorption and utilization of fertilizer ingredients, improving the safety of herbicides and fungicides to crops (such as products containing kinetin (Tiwari et al., 2019), γ -Aminobutyric acid (Zhao et al., 2019), and brassinolides (Shahzad et al., 2018), to ensure the sustainable security of the environment and farming systems.

In addition, PGR can distribute nutrients for crops by maximizing the nutrients to the parts to be harvested to reduce residues, such as crop straws, to facilitate energy-saving and carbon reduction farming methods (such as products containing indole-3-butyric acid (Oul et al., 2017), mepiquat chloride (Chen et al., 2021), and prohexadione-calcium (Hytonen et al., 2009)) and greatly reduce the expenditure of manpower input and machinery for crop production, thereby achieving low-carbon agriculture.

C. Products that enhance crop climate resilience and mitigate the impact of extreme climate events on agricultural production

In recent years, extreme climate events have occurred frequently, such as heat waves in the Americas, cold damage in Brazil, and torrential rains in western Europe, imposing severe impacts on global crop yields. This has led to further increases in food prices.

PGR products can be applied to enhance the resistance of crops against adversity, effectively relieve damage, increase the vitality of crops, and regulate the growth process of crops to avert the periods of adversity. For example, most crops are sensitive to low temperatures in the seedling stage, and the use of PGR can still promote the growth of seedlings at low temperatures.

Today, extreme climate events have become the norm, and more growers adopt the PGR products as a routine measure and include them in their crop planting plans, which not only helps their crops resist the adverse effects of extreme climate events but ensures the overall yield and quality. More PGR products aim at helping crops withstand climatic adversity, and the adverse climate change effects on agricultural production have become a niche for development of PGR products.

(2) Fertilizers

① Overview of fertilizers

Plants require major elements, such as nitrogen, phosphorus, potassium, and minor and trace elements, such as calcium, magnesium, sulfur, iron, boron, manganese, copper, zinc, molybdenum, and chlorine to grow.

Fertilizer is a composition, containing one or more of the above-mentioned elements, and is used in crops or soils to supplement the insufficient supply of soil fertilizers, improve soil properties, and indirectly or directly increase crop yield and quality. It is an indispensable and important material for crop production.

② Status of the global fertilizer market

The fertilizer industry and market is large and well-developed, and the growth is slowing down. According to a market analysis report, the global fertilizer market reached US\$207 billion in 2022, and the global fertilizer compound growth rate for 2023–2032 is estimated to be approximately 3.3% (Precedence Research, 2023), and the top three types of fertilizers are basic fertilizers, namely nitrogen, phosphorus, and potassium.

Different from basic fertilizers, special fertilizers are new emerging concept products in the fertilizer market. With the world population growth, available cultivation lands are reduced. Presently, precision farming and new technology development are promoted, and specialized fertilizers are high-efficiency fertilizers designed according to specific nutrient needs of each crop during different periods, thus facilitating the maximization of crop production volume, which is part of the implementation of precision farming. In 2022, the global specialized fertilizer market scale has reached US\$24.16 billion, and the annual compound growth rate for 2023–

2030 is expected to be 7.31%, indicating that its growth trend is more aggressive than basic fertilizers (Fortune Business Insights, 2023).

According to statistics from the Agriculture News website, the world's major chemical fertilizer companies are Nutrien Ltd., Yara International, Mosaic Company, Israel Chemicals, CF Industries Holdings, Uralkali PJSC, and K + S AG. As per the companies' 2022 financial statements, Nutrien Ltd. had the highest sales of US\$37.8 billion, followed by Yara International with sales of US\$24 billion.

As fertilizer production requires high capital expenditure, it is difficult for new competitors to step into the mainstream market; thus, large global manufacturers remain large. However, most of the fertilizer products on the market are not differentiated. In addition, as the application of fertilizers is subject to regulatory supervision and environmental problems are becoming more severe, fertilizer manufacturers have invested in R&D or sought collaboration with companies with new fertilizer technologies, with the aim of quickly launching differentiated new products. Therefore, seeking innovative technologies from small manufacturers has thus become the main development strategy for large manufacturers to rapidly develop new products.

③ Development of the fertilizer industry

A. Trends in reducing natural resources and energy input

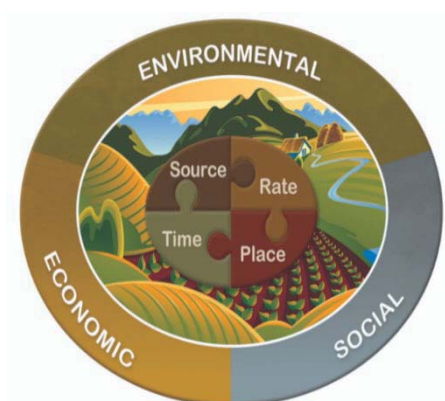
Fertilizers provide necessary nutrients to crops and are indispensable to support food production for all human beings. However, the utilization rates of the mainstream fertilizer forms are low (50–70% for nitrogen, 15% for phosphorus, and 50–60% for potassium; Finck, 1992). It is a long-standing dilemma for fertilizer products. Fertilizers that are not absorbed and utilized by crops will go into the soil and water bodies, causing water pollution and soil salinization and further reducing the arable land. With the increasing food demand due to the growing population, the gradually decreasing arable land has forced farmers to increase agricultural yield by increasing the amount of fertilization. The environmental degradation has attracted the attention of the government, industry, and people.

Moreover, fertilizer production relies on the consumption of a large amount of natural minerals and energy. As per the 2020 Food and Agriculture Organization's (FAO's) Global Agricultural Greenhouse Gas Emissions Survey Report, the emissions from agriculture account for 17% of the total emissions of all industries in the nation, among which fertilizer production and consumption are the major sources of carbon emissions. As the UN launched the goals of reducing the consumption of agrochemical products in 2012, countries around the world have followed suit, and policy restrictions have significantly affected traditional chemical fertilizers. The UN COP has set conventions on reduction of carbon emissions and combating of global warming, increasing the pressure on the fertilizer industry to innovate and develop rapidly. The chemical fertilizer industry has long been developing technologies and products to reduce the consumption of fertilizers and continually increasing the fertilizer use efficiency, reducing the energy consumption of using fertilizers, and alleviating environmental pollution.

B. An international fertilizer management approach has led to the trend of precise application of fertilizers

The International Plant Nutrition Institute (2014) has advocated the use of "4Rs" as a fertilizer management approach to crop cultivation. The 4Rs include right source/type (matching fertilizer type with crop need), right time (providing nutrients when crops need them), right rate (matching fertilizer amount with crop need), and right place (placing fertilizer where crops can access the nutrients). Following the 4Rs management approach can help farmers maximize the economic, social, and environmental benefits of nutrients. The UN FAO also recommends using the most appropriate fertilizer sources based on the 4Rs. The fertilizer industry develops relevant products and solutions according to the fertilizer management approach to strive to improve the balance of crop nutrition and optimize the existing fertilizer products towards improving the precise application of fertilizers.

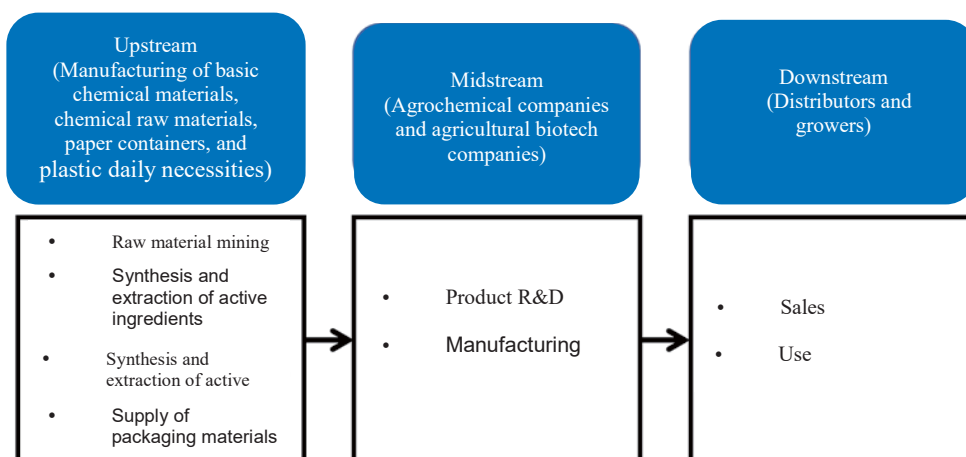
Fertilizer management approach - 4Rs



Source: International Plant Nutrition Institute, 2014

2.Relations among upstream, midstream and downstream industries

Relations among upstream, midstream, and downstream sections of the agrochemical industry



Source: The Company

(1)Upstream: Providing raw materials, which affects the midstream and downstream product manufacturing and sales stability

The upstream of agrochemical industry includes the manufacturing of basic chemical materials, chemical raw materials, paper containers, and plastic daily necessities:

- ① Basic chemical materials manufacturing industry mines and extracts phosphate and potash minerals, petroleum, and trace element minerals and provides phosphate, potash, and nitrogen fertilizers and trace elements.
- ② The chemical raw material manufacturing industry develops processes and produces active ingredients for the midstream businesses to manufacture products.
- ③ Paper container manufacturing industry and plastic daily product manufacturing industry provide the packaging materials for agrochemical products.

Upstream supply and price fluctuations will affect the manufacturing cost and sustainability of the agrochemical industry. Therefore, ensuring the supply stability of raw materials and energy is one of the factors for the healthy development of the midstream and downstream businesses in the agrochemical industry. The midstream production layout should be mainly based on areas where upstream manufacturing can be conducted within reasonable costs and supply is stable.

(2)Midstream: Product R&D and manufacturing, which connects supply and demand of upstream and downstream businesses

The midstream businesses are agrochemical and agricultural biotech companies. They are mainly formula R&D and finished product manufacturers and engage in

formulation design, efficacy testing, dosage form improvement, field trials, product registration, and production. The midstream businesses purchase active ingredients from upstream ones, and they produce finished products after R&D and processing. The use and selection of raw materials by the midstream businesses affect the operating income of the upstream businesses, and the attributes and efficacy of products affect downstream distributors' market layout and farmers' income.

The design and formulation of the dosage forms of agrochemical products play a critical role in their efficacy. As the applicability of the formulations and the control of the compounding process have a significant impact on the efficacy of the pharmaceuticals, advanced technological capabilities are required to best apply the active ingredients.

(3) Downstream: The sales and use of products affect the development direction of midstream products. The downstream refers to the sales end and consumers:

- ① Sales channels are divided into distributors, intermediate wholesalers, retailers, and supply and marketing cooperatives formed by farmers.
- ② Consumers are growers (farmers), who are the end users of agrochemical products.

There are many agrochemical brands on the market with complex formulations. Farmers purchase such products based on distributors' efficacy description and word-of-mouth recommendations by other farmers. Based on downstream distributors' sales and farmers' use of such products, midstream businesses get to know the problems faced by farmers in farming immediately, and this indirectly determines the midstream businesses' production scale, technological innovation, and product development direction.

3. Product development trends and competition:

(1) PGR product development trends and competition:

Currently, many characteristics of PGR are still under research. As PGR can change the physiological metabolism of crops with a very low amount, and different processes may lead to changes in the effect of PGR. If PGR is applied at the wrong time or in the wrong amount, it may cause unexpected physiological changes in plants. Therefore, the R&D of PGR is difficult with high barriers to entry, and meticulous research on plant physiology is required. Companies with the ability to develop PGR are usually large international manufacturers with enormous R&D investment or innovative small manufacturers in specialized fields.

PGR products can be innovated through the development of new active ingredients and compounding technology and the expansion of new functions, and can be developed to increase the quality and quantity of agricultural products, realize low-carbon agriculture, and help crops resist adversity.

① Development of new active ingredients of PGR and competition

The development of new active ingredients, from the discovery of regulatory effects, efficacy testing, mass production to obtaining of registration certificates, requires time and money, which is a huge burden for the academia and the industry. However, as new active ingredients usually have unique physiological regulatory effects, it is expected to lead to revolutionary and innovative applications with high market values. Therefore, manufacturers with R&D capabilities are still actively investing in the development of new active ingredients to seize market opportunities.

Since 2010, the types of PGR active ingredients newly developed with registration certificates issued by the U.S. EPA have not been many. The more representative ones are abscisic acid (Valent BioSciences, 2010), brassinosteroids (REPAR, 2010), salicylic acid (Loveland Products, 2012), methyl jasmonate (BASF, 2013), γ -aminobutyric acid (CH Biotech R&D, 2014), and choline chloride (CH Biotech R&D, 2015). Among them, abscisic acid, brassinosteroids, salicylic acid, and methyl jasmonate are plant hormones, and it requires decades from academic discovery to registration. γ -aminobutyric acid and choline chloride are naturally occurring active substances in animals and plants. Their efficacy and safety have been guaranteed in the medical and food fields for years. They are the new active ingredients for plants, and the Company has successfully obtained their U.S. EPA registration certificates.

② Development of PGR active ingredient compounding and competition

The growth and development of plants are regulated by many hormones. Effective use of the antagonism and synergy of plant hormones can solve many

agricultural cultivation problems. Therefore, the compounding of multiple PGR active ingredients began to be developed. In addition to the rapid expansion of the product lines, the compound formula can achieve the effect that the monomeric formula cannot create. However, it should be noted that the combination of ingredients requires a high level of professionalism, or unexpected consequences are likely to occur. Therefore, PGR active ingredient products with new proportions pose a daunting challenge to R&D.

Compared with the development of new active ingredients, the cost of developing compound formulas is smaller and the speed of launching them to the market is also faster. The ratio of two or more PGR active ingredients to achieve the highest economic benefits is also the focus of the R&D of compounds of different companies.

PGR active ingredient compounds with new proportions: For example, in 2015, Valent BioSciences developed Ryzup Duo, a compound of abscisic acid and gibberellin, to promote the growth of forage crops in the cold season and enhance the growth of cotton seedlings in early spring.

The Company has been developing choline chloride compound products with new proportions, such as various new PGR compounding ratios with γ -aminobutyric acid, triacontanol, or indole-3-butyric acid, or kinetin, and launched seven compound products with high efficiency from 2017 to 2022.

Other PGR compound products with non-new proportions are being developed faster but less monopolistic with fiercer competition. Such common compound products include IBA + GA3 + Kinetin, 6-BA + GA4/7, and NAA + IBA, for each of which two or more manufacturers hold registration certificates.

③ Development of new functions of PGR and competition

Increasing the existing PGR functions is an important key to extending the life cycle of active ingredients and relevant products and reducing the R&D costs. The expansion of PGR functions is mainly in two aspects, namely, the increase of the application scope of the existing products for more crops and the increase of functions of the same active ingredients.

A. Increase of the application scope of the existing products for more crops:

Take Syngenta's Palisade® 2E and BASF's Apogee® as examples: The active ingredient of Palisade® 2E is 25.5% trinexapac-ethyl, which was registered for lawns in 2006. In 2012, it was registered and approved by the U.S. EPA for barley, wheat, oats, and sugarcane. The active ingredient of Apogee® is 27.5% prohexadione-Ca, which was registered in 2000 for apple and pear trees only and was subsequently approved for sweet cherries, peanuts, and lawn grass. Increasing the application scope for more crops in the registration has greatly expanded the application scope of trinexapac-ethyl and prohexadione-Ca, enabling farmers to have more choices and also increasing profit margins for the manufacturers' corresponding cost of PGR R&D.

B. Increase of functions of the same active ingredients:

For example, Valent BioSciences used the active ingredient abscisic acid as a ProTone product for coloring of grapes in 2010 and then developed it into a product in the ConTego series for drought and cold resistance, and it expanded its application in 2011 as a BioNik product to delay the germination of cereal seeds.

(2) Fertilizer product development and competition:

① Products that increase the fertilizer use efficiency and reduce resource and energy consumption

Fertilizers are critical to the healthy growth and high yields of plants. Under the premise of regulatory restrictions and sustainable environmental protection, the fertilizer consumption should be reduced, so the nutrient use efficiency (NUE) in fertilizers should be improved, to avoid any decrease of yield due to nutrient loss during fertilization.

Enhanced-efficiency fertilizers (EEFs) have gradually attracted the attention from the academia and the industry, which has been reflected in the increase of the number of patents year by year (Kanter, 2014), and potential technologies that can be used have also emerged accordingly. In addition to adding inhibitors or chelating agents to reduce the loss of nutrients, Materials Science technologies can be used to innovate the production processes; for example, encapsulation technology or

nanotechnology can be adopted to improve the form and method of fertilizer absorption, thereby releasing fertilizers in the soil slowly and improving the loss of nutrients of water-soluble fertilizers.

The first technology developed aims to transform the chemical or physical properties of the products, including improvement to the contact and absorption between crops and chemicals and enhancement of the distribution and penetrability of chemicals, and develop slow-release technology to release the ingredients of agrochemical products slowly in the soil, thereby reducing nutrient loss and waste.

Major chemical fertilizer manufacturers have launched EEFs and relevant services. The market share of ammonia and urea products in North America is occupied by two major players: Nutrien and CF Industries, for a total of 61% (Nutrien fact book, 2022). Among them, Nutrien actively improves the chemical and physical properties of fertilizers. It has recently launched Environmentally Smart Nitrogen technology, for which the encapsulation technology was adopted to encapsulate nitrogen particles to control the slow release of nitrogen through specific moisture and temperature conditions. Nutrien has also adopted the patented nanotechnology Aqua-Yield to improve the fertilizer use efficiency, earning it the award for 2021 Next Gen Fertilizer Innovations Challenge issued by the USDA and EPA.

The second technology developed aims to improve the ability of crops to actively use nutrients, which is an effective way to resolve the problems of energy conservation and carbon reduction. We have striven to increase enhanced efficiency and adopt new technologies to achieve energy conservation and carbon reduction goals without affecting the original product chain.

Please refer to the Company's current products (services) for our Company's EFF technology (additive (CHB 6030, CHB 7001 and CHB 6020). It is to design and regulate plants' absorption and conversion of fertilizers through the regulation of the biological internal mechanism of crops. With the existing huge basic fertilizer market, this technology is developed for large basic fertilizer companies as product upgrade solutions and to enable mainstream fertilizer products to be quickly absorbed and used by crops; as a result, the Company and mainstream basic fertilizer companies have formed mutually beneficial relations.

- ② Products in alignment with precision fertilization have been developed to maximize the optimal productivity and output value of the soil-crop-fertilizer farming system

The soil itself contains minerals and organic matter required for crop nutrients. However, due to the different natural conditions of soils in different regions, the types and contents of nutrients contained therein are different. Ideally, different soil fertility levels need to be analyzed to adjust the type and dosage of fertilizers added manually. Meanwhile, if the fertilizer nutrient input is insufficient or excessive, it will have an impact on crop yield, economic benefits, and the environment. Therefore, the concept of "precision fertilization" has become the goal that fertilizer manufacturers aim to achieve in terms of fertilizer composition, form, and application method.

According to the specific nutrient combination of various crops in each period, "specialized fertilizers" are plant nutrition products tailored for crops and farming environments. They provide the right amount of required nutrients to specific crops in specific environments and manage the nutrients of crops better, to maximize yield. For example, the Nutrisync series developed by the Company are fertilizers particularly designed for cereal crops in North America, dicotyledons, crop growth stages, and field crops in Argentina.

Fertilizers are also moving toward precise application. Granular fertilizers are moving toward micro granule fertilizers. Water-soluble fertilizers feature precise application. Compared with solid fertilizers, they are more convenient to apply to crops and are absorbed and used more efficiently. They are easy to use and save resources (reduce irrigation water, fertilizers, and labor), making them suitable for modern irrigation systems and extensive application, as one of the important directions toward which the fertilizer industry continues to develop.

(III) Technology and R&D Overview

1. Product development technical levels

The development of agrochemical products can be divided into three levels as per their technological level:

(1) Generic drug level

Active ingredients or formulas are simulated and imitated, of which the patents have expired. Active ingredients are then directly synthesized using chemical methods or formulas are mixed using existing formulas; thus, there is no need for a large amount of funds and too much time to invest in R&D to develop generic drug products.

(2)Chemical engineering level

It has been the main technical level for half a century. Through chemical synthesis, a chemical library of a large number of artificially synthesized molecules is built, chemical molecules with potential through biological functions (such as changes in appearance during crop growth or yield) are screened, and then chemical modification is adopted to optimize the structure and efficacy of molecules before applying for patents and developing active ingredient products with new structures. Phillips McDougall, an international research institute, published a report in 2018 to point out that developing new agrochemical active ingredients has become more difficult. Currently, it takes 11.3 years to screen an average of 160,000 compounds in the amount of US\$286 million. In addition, when a patent expires, manufacturers specializing in generic drugs will rush to simulate the development, which will result in price war, thereby squeezing profit margin.

(3)Biological function level

Over the past 20 years, the genomes of major crops have been decoded gradually, and their gene functions have been revealed as the best tool for R&D technology to be upgraded to the level of biological functions. The biological function level aims at the genes, proteins (including enzymes), and metabolic pathways related to crop yield and quality, to precisely design bioactive molecules, to precisely regulate the time and location of targeted gene expression, thereby activating relevant metabolic and physiological processes.

According to the rule of plant growth and development, the biological function level can achieve precise goals and precise effects and can shorten the R&D cycle, allowing the crop yield and quality to fully unleash the potential.

Agrochemical product development technical levels

Technical level	Technical foundation	Technical features
Generic drug technical level	Imitation of existing products on the market	Rapid development, low cost, and high competition
Chemical engineering level	Chemical synthesis and efficacy screening	Time-consuming development, high cost, and strong technology protection
Biological function level	Combination of the knowledge of modern biological genomics to design targeted therapy	Products are developed with high efficacy and precision and strong technology protection

Source: The Company

The Company develops agricultural biotechnology and new drugs at the biological function level based on the Company's own technologies, and without simulating or imitating drugs, of which the patents expired.

2.Source of Product Manufacturing and Development Technologies (Essential Core Technologies)

Building on modern biotechnology, the Company precisely designs the functions of new products, confirms the efficacy through a function verification platform, and builds a field test platform in the mainstream markets around the world to obtain approvals for products, accelerate the launch and rapidly develop agricultural biotech and new pharmaceutical products.

(1)Core technology 1: Combination of next-generation genome sequencing technology to efficiently develop active ingredients and functions for agri-biotech new pharmaceuticals.

① Application of interdisciplinary technologies to active agricultural ingredient development

The Company makes good use of modern biotechnology to develop formulas and formulations with active ingredients as signaling molecules to precisely

regulate the timing and location of specific gene expression and control the growth and development of crops in a way desired by growers.

Attention should be paid to the safety and effectiveness of the active ingredients of new pharmaceuticals for plants for the formulations will be applied to crops and released into the environment as well, and most of the crops will become food ingredients after being harvested. Therefore, the new active ingredients selected by the Company should be safe to the human body and non-toxic to the environment with stable efficacy.

The safety requirements for medicines and edible health supplement ingredients are high, and the parties to whom they are used and mechanisms are similar to those of plants. It is highly feasible to develop medicines and edible health supplement ingredients as candidate active ingredients for plants, which is expected to greatly shorten the development cycle of new ingredients. The Company uses small chemical molecules for medical, food, and animal use purposes and translates them in the physiological performance of plants through the common functional characteristics of living organisms, including aerobic respiration to generate energy, free radical scavenging action for cell damage, and decomposition and absorption of nutrients. In addition, the Company's ability to control the key factors of plant growth is the key to efficiently developing new agricultural biotech pharmaceutical ingredients.

The Company grasps market demand information, recruits professional talents from different fields for the R&D team, and also focuses on the cross-field knowledge exchange, allowing the Company to continue developing various types of crop-control active ingredients and functions, such as the biological active substance – choline. Choline exists in animal and plant organs to help maintain cell structures and functions, which is also a safe food nutrient. The Company develops its compound – choline chloride for agricultural applications, including the expansion of the applicable scope of choline chloride in promoting plant growth. In addition, the choline chloride formula is approved to be useful for various functions of enhancing plant photosynthesis, increasing resistance to harsh environments, and adjusting nutrient absorption. The Company is now the sole supplier of the technical-grade choline chloride approved by the U.S. EPA and owns the key ingredient property rights to use them in the development of products flexibly. Up to the end of March 2024, the Company has developed numerous compound agricultural biotech new pharmaceuticals with the use of choline chloride effectively and swiftly, and all of these products have received the U.S. EPA registration certificates: Promote (2017), Persevere (2018), CHB-MP (2020), Promote MAX (2021), EXCIRA (2021), MegaGro 2.0 (2021), Strong Finish (2022), and CHB-SR (2023), among many of which have been sold to customers.

② Utilization of next-generation sequencing to build gene big data for an active ingredient gene regulation database

To understand the effects of specific active ingredients on crops under certain conditions, the Company adopts the modern next-generation sequencing technology to obtain gene big data so as to design active ingredient combinations (formulas) to precisely regulate crop growth. Specifically, we perform big data analysis of gene transcriptomes of plants, analyze the impact of various active ingredients on plant marker genes and gene functional groups under specific processing conditions, and fully study the response and regulation of plants at the gene expression level, thereby expanding the database of active ingredient regulation. Accordingly, we utilize such data to evaluate the effect of active ingredients to identify the optimal concentration and increase new functions.

Take the Company's newly developed product MegaGro 2.0 for an example, we adopted the next-generation sequencing technology (RNA-Seq) to establish a transcriptome database to achieve comprehensive data mining. From the 73,555 transcriptomes in the database, we selected MegaGro 2.0 candidate formulations with regulatory effect for specific genes in a short period of time and explored the full potential of the candidate formulations in regulating plant growth. Subsequently, we moved the candidate formulations of MegaGro 2.0 to the systematic efficacy verification stage and the field trial stage, providing verification data that directly reflected their commercial values.

Control group (clear water) vs. MegaGro 2.0 Differentially Expressed Gene Networks

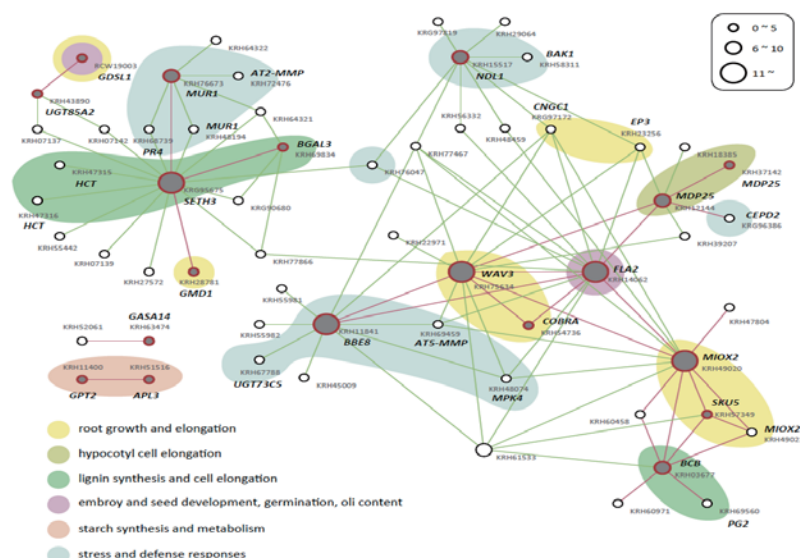
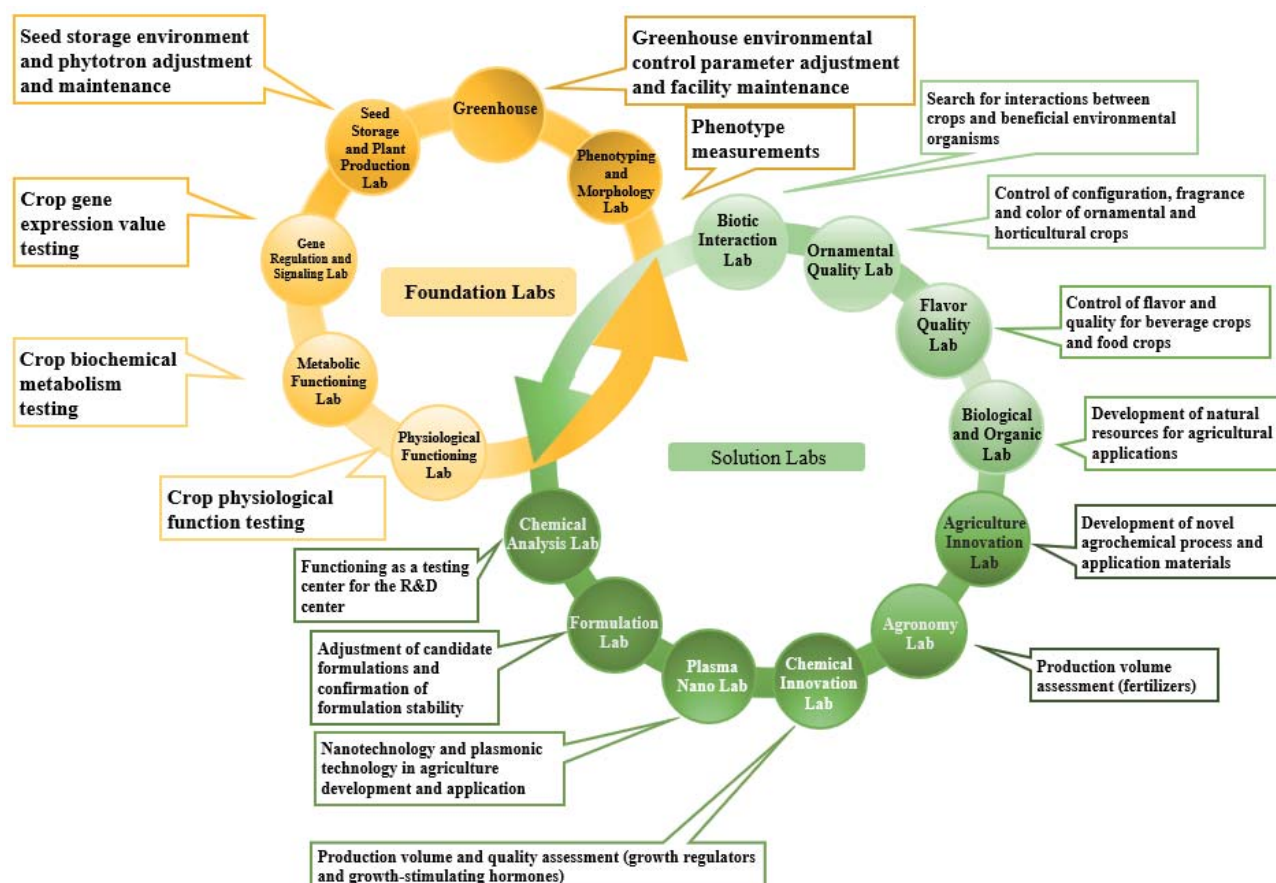


Illustration: The table shows that 219 differentially expressed genes regulated by the candidate formulations were screened out for gene annotation and classification. We learned that the candidate formulations regulated stress and defend relevant genes, hypocotyl, and root growth-related genes, as well as estimating candidate formulations based on the expression of cell wall synthesis genes, including genes involved in the biosynthesis of lignin, pectin, and hemicellulose, so as to achieve the effect of cell elongation. In addition, the candidate formulations also influenced embryo and seed development, cell division, and the expression of genes related to starch anabolism.

(2)Core technology 2: The R&D platform that systematically verifies the efficacy of the formulations and shortens the R&D cycle for product commercialization

The systematic R&D platform rapidly collects data and feedback simultaneously from multiple sources to screen a large number of candidate formulations in a short time to make improvements and shorten the time for commercialization. We performed chemical testing and analysis of new active ingredients or new combinations of active ingredients, and new dosage forms predicted through the genome technology firstly in the early development stage, confirmed the content of active ingredients and the stability of the formulations and then verified the product efficacy at the levels of gene expression, biochemical metabolism, physiological state, cell development, and growth phenotype; and provided feedback on and improved formulations based on the experimental results.

CH Biotech R&D's systematic R&D platform



The Company has built a global R&D center with complete facilities in Chung Hsing Park, Central Taiwan Science Park, the structure of which is divided into the “Foundation Labs”, the “Solution Labs”, and the “GLP Lab”. The three functional facilities of the three sectors are connected seamlessly and can collect test data and feedback and make corrections at the same time, while integrating multi-faceted data, improving candidate products promptly, and shortening the commercialization time.

Sector	Task	Structure and mission
Foundation Labs	Identifies and accesses key issues that arise during agricultural production in a systematic and thorough manner, analyzes the biological mechanism of the problems, systematically provides research data from the macroscopic to the microscopic levels, and then puts forth countermeasures and solutions to	Seed Storage and Plant Production Lab & Phytotron Establishes growth models of various crops under diverse climate conditions.
		Phenotyping and Morphology Lab Judges the causes of problems from the appearances.
		Physiological Functioning Lab Judges the causes of problems from physiological processes.
		Metabolic Functioning Lab Judges the causes of problems from metabolic regulation.
		Gene Regulation and Signaling Lab Determines the causes of problems from the gene expression.
		Greenhouse Tests the efficacy of products on various crops under various climate conditions and conducts tests for small-scale precision agriculture.

Sector	Task	Structure and mission
	the problems.	
Solution Labs	Integrates the Foundation Labs's analysis data and the countermeasures against problems, confirms the best technologies and product development paths, and conducts the efficacy tests, registrations, and production process standardization for products.	Biotic Interaction Lab Seeks crop disease resistance and beneficial environmental biological interaction to improve crop growth.
		Ornamental Quality Lab Controls the configurations, fragrance and colors of ornamental and horticultural crops.
		Flavor Quality Lab Includes the Flavor Compound Center, and controls the flavor and quality of beverage crops and food crops (coffee, tea, cocoa, and wheat).
		Biological and Organic Lab Develops and utilizes natural resources in response to trends in food safety and environmental protection.
		Agriculture Innovation Lab Develops novel agrochemical production processes and application materials.
		Agronomy Lab Develops and constructs high-efficiency and high-quality fertilizers for crops.
		Chemical Innovation Lab Develops technical products that regulate crop yield and quality (growth regulator, growth stimulating hormone, etc.).
		Chemical Analysis Lab Functions as a testing center for the R&D center.
		Formulation Lab Confirms the content of product active ingredients and formulation stability, solves problems of product processes and automated production line, and measures various physical and chemical properties.
GLP Lab	Provides analysis reports required for product registration in target market countries and regions.	Plasma Nano Lab Develops the applications of plasmonic technology and nanotechnology in agriculture.
		GLP Lab It is a lab in alignment with OECD GLP standards. Establishes an internationally recognized standardized process based on the requirements and details of product registration and tests and analyzes such products. The analysis data is recognized by the international registration institutions, and the relevant R&D data can be directly used for product registration in the countries of production and sales.

(3)Core technology 3: A complete field trial platform for the international target market to accelerate product registrations and facilitate marketing

Before the registration of a developed formulation and launching it to the market, field trials of its efficacy, registration, and markets should be conducted. In addition to the complete safety information required for product registration, field trials provide

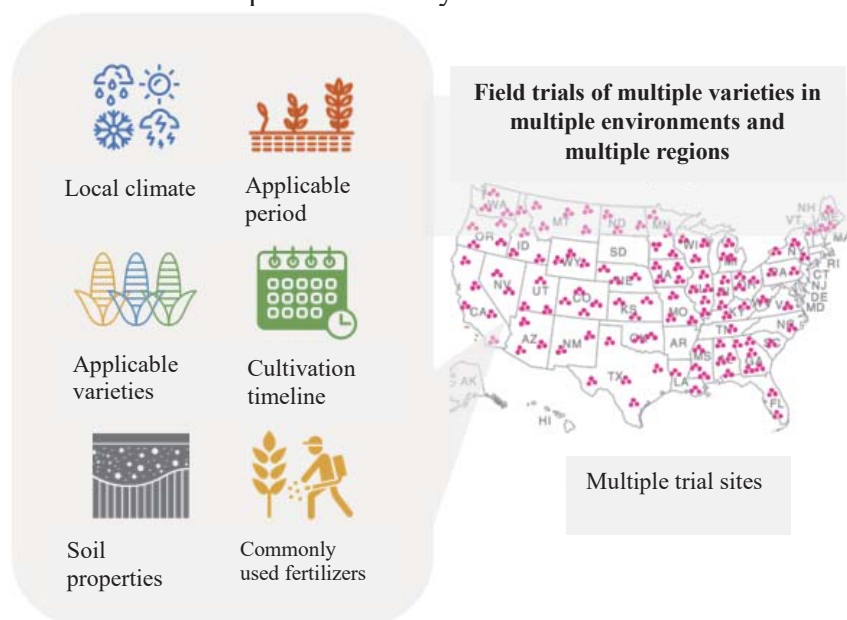
product application guidelines and complete efficacy results to improve product competitiveness as an important basis for product pricing.

Field trials must be conducted in the target market, and the field trials are carried out by the Company after full consideration, individualized designs, and large repeated trials at multiple points.

The full consideration is given to the conventional crop program, climatic conditions, soil characteristics, commonly used fertilizer and pesticide brands, suitable crop varieties, and competitive products at the trial sites, and then their field trial design protocols are devised individually. To obtain fully credible test results, the trials should be repeated multiple times and the distribution areas of the sites should be representative.

The Company has gone deep into the planting system in each market, established a complete field trial platform, and systematically obtained the information below to obtain approvals quickly and facilitate marketing:

- ① Efficacy information: Efficacy, dosage, use period, comparison of efficacy with competing products of global major brands, product competitiveness, and product pricing.
- ② Registration information: Product registrations, food safety regulations, and environmental and ecological safety.
- ③ Market information: Complete security information required for agricultural insurance and distributor product liability insurance.



Take the field trials of the Company's product, Promote, and its upgraded version, Promote MAX, as examples, we completed about 50 field trials of multiple varieties in multiple environments and multiple regions from 2016 to 2019 in 17 states of the U.S., including California and Florida, as well as Manitoba and Saskatchewan in Canada, and witnessed a yield increase of 4.9% on average. The information provided from the field trials has served as the specific efficacy evidence and the basis for technical guidance services during marketing of products.

3. Protection of Product Manufacturing and Development Technologies (Patent Rights and Legal Protection Status)

The protection methods of intellectual property rights of drugs are in five categories of trade secret rights, data protection rights, patent rights, trademark rights, and copyrights. In the commercial consideration for innovative drugs, we give the first priority to the technical protection of ingredients and formulations, so we will enhance the protection of trade secret rights, data protection rights, and patent rights.

Before the sale of new pharmaceutical products, we will obtain the product registrations in the target markets before proceeding with legal manufacturing and sales. Thus, our products are strictly reviewed and protected by laws and regulations. As per the U.S. EPA's Federal Insecticide, Fungicide and Rodenticide Act, the ingredients of formulations and the manufacturing process are non-public and permanently protected

trade secrets, while the active ingredients shall be clearly labeled, and the active ingredients shall be in compliance with multiple safety regulations on the human body, the environment, and ecology. Therefore, the registration of new active ingredients from the EPA requires the submission of a large amount of scientific data as the supporting data. This is a very high cost and threshold for new entities who wish to enter this industry. Therefore, the EPA gives each applicant an exclusive right of use for 10 years for the data of new active ingredients submitted for registration, during which other applicants may not rely on said data for re-registration and submission. The data on all active ingredients is also subject to a 15-year data compensation right, during which other applicants need to compensate the owner of the data before registration or complete the registration of active ingredients at their own cost (source: FIFRA 3(c)(1)(F)).

The Company has obtained a number of technical-grade registration certificates and product registration certificates from the EPA. Among them, the newly registered active ingredients can ensure that all end products developed by the Company exhibit monopolistic characteristics in the market. During the compensation protection period of all data submitted for registration, the market priority of the Company's new pharmaceutical products can also be protected.

In addition to the protection of product registration laws and regulations, the active ingredients and application methods of general new pharmaceutical products need to be disclosed on the product labels and are usually protected by a layout of patent rights. For example, the Company has updated the technology for the MegaGro L product and developed the new product MegaGro 2.0 before relevant patents expired, and has obtained the right of priority of the provisional patent case in the U.S. to extend the technical protection of the active ingredient composition combinations and applications through the method of patent protection.

In general, the Company's new pharmaceutical products are protected by registration regulations, and we also adopt patent protection and trade secrets to protect R&D confidential information and intellectual property rights of products.

4.Improvement of Product Manufacturing and Development Technologies (Innovation Capability)

The essential core technologies of the Company refer to the innovative R&D method in the new agricultural pharmaceutical industry in Taiwan, and different from the traditional trial-and-error progressive correction method, our technologies are able to perform product development more efficiency. To implement the essential core technologies of the Company, it is necessary to establish a complete development system to integrate innovative capability with the develop system with quality talents in various fields, sufficient budgets, and professional R&D venues for continuous development of new agricultural pharmaceuticals and products satisfying the demands related to the agricultural trends of climate change and carbon reduction. Up to the present day, the Company's products have received numerous domestic and foreign awards and recognition from the Ministry of Economic Affairs.

(1)The Company's innovation skills have been recognized with relevant innovation awards domestically and internationally

① Developed products inducing plant's resistance to climate change, and the unique technologies able to adjust and control the gene expression of plants, thereby inducing crops to develop capability resistant to harsh environment.

A.Received the 21st Asian Science Park Association (ASPA) "Annual First Prize" award as a comprehensive and prospective enterprise with the characteristics of innovative technology development, quality management performance, outstanding management strategy, etc.

B.Received the biomedical highest honor of the 14th "National Innovation Award – Enterprise Innovation Award" and selected to be the role model for continuous innovation and improvement with the 18th term "National Innovation Award – Continuous Improvement Award."

C.Innovative technologies and applications consecutively received numerous major awards of "Technology and Agricultural Enterprise Innovation Award," "Outstanding Enterprise Innovative Product Award" from Central Science Park in 2019, "Outstanding Biotech Industry Award – Annual Innovation Award" and "2020 Taipei Biotech Award Innovative Technology Award – Silver Prize."

- ② Developed unique active ingredient product Promote, capable of assisting crop carbon fixation to promote the cultivation of high-quality agricultural products.
A. Received 2020 “Innovative Product Awards” from the Central Taiwan Science Park.
 - ③ Newly developed Radiate NEXT containing the innovative combination of four types of active ingredients to achieve comprehensive root fixation, allowing plants to generate greater energy with effective conversion.
A. Won the "2023 Taiwan Bio Awards - Outstanding Biotechnology Industry Award - Annual Innovation Award."
B. Won the "2023 Global Views ESG Corporate Sustainability Award - Outstanding Solution" for its new sustainable product concept.
C. Received the biomedical highest honor of 19th “National Innovation Award – Enterprise Innovation Award.”
D. Received the “Innovative Product Awards” from the Central Taiwan Science Park for the third time.
 - ④ Developed main product Radiate as the innovative concept product leading the industry, capable of reducing damage of herbicides to economic crops effectively in order to secure the production of global foods, and has obtained the U.S. patent.
A. Received the highest honor of “2018 Taipei Biotech Award International Advancement Award – Gold Prize” with high international market competitiveness.
B. The Company won the 2023 4th Taiwan Circular Economy Award - Innovation Technology Excellence Award for its innovative effects on reducing carbon from farmland.
 - ⑤ The innovation capability of the Company is effectively integrated with the products, and the theme result of “Sustainable Agricultural Biotech New Drugs” has received the recognition of the 15th “Taiwan Enterprise Sustainability Award – Innovation Growth Leadership Award” presented by TCSA.
- (2) The Company is a biotech new pharmaceutical company approved by the Ministry of Economic Affairs (MOEA)
In May 2021, Approved by the Ministry of Economic Affairs as a biotech new pharmaceutical company under the Act for the Development Of Biotech And New Pharmaceuticals Industry. Radiate, Promote (OnWard), Persevere (Endurance), NutriSync D, and NutriSync M developed by the Company are all certified new pharmaceutical products.
- (3) The Company’s R&D organization is supported by the Ministry of Economic Affairs and has become a forward-looking R&D center with great R&D momentum.
The Company was admitted to the A+ Industrial Innovation R&D Program of the MOEA in 2019, which aims to encourage domestic companies to set up R&D centers in Taiwan, and launched the CH Biotech Forward-Looking R&D Center Program. The Research and Development Center focuses on the senior talent cultivation and completeness of the R&D organization. The Company has established large experimental greenhouses and also employs numerous Ph.D. research fellows during the project period in order to actively utilize senior R&D talents in Taiwan. In addition, the two main fields of project research are beneficial to the improvement of agricultural technologies. The research application covers numerous types of crops, including corn, leguminous plants, fruit trees, and tea, which has received high public recognition. The total development budget was NT\$47.518 million, and a budget subsidy of 41.1% has been received from MOEA.
- All aspects of the organization team, R&D management system, core technology development capability, and characteristic business model, etc., have been well recognized by the government.

Key Projects of the Forward-Looking R&D Center Project of CH Biotech R&D



(4) Background of Researchers

Unit: no. of people; %

Year		2021		2022		2023		As of March 31, 2024	
		Number of persons	%	Number of persons	%	Number of persons	%	Number of persons	%
Education	Doctorate	28	50.91	23	46.00	25	36.23	24	33.33
	Master	27	49.09	24	48.00	37	53.62	41	56.94
	Bachelor	0	0	3	6.00	6	8.70	6	8.33
	Below bachelor	0	0	0	0	1	1.45	1	1.40
	Total	55	100.00	50	100.00	69	100.00	72	100.00
Average years of service		3.0		3.7		3.5		3.7	

① Composition of the research team

In 2014, the Company established a high-level laboratory in Changhua Coastal Industrial Park. Due to limited space, it was difficult for personnel to station in. In order to increase our R&D momentum, we established a global R&D center in the Chung Hsing Park in Nantou in 2018 and recruited excellent talents with doctorate or master's degrees from major universities in Taiwan and overseas universities in the fields such as biology, agronomy, and chemistry. After the Company moved to Nantou in June 2018 to expand our R&D site, we began to recruit more R&D talents, and as of March 31, 2024, the number of R&D talents has increased to 72 employees with average years of service of 3.7 years, and the number of R&D personnel accounts for 48.32% of the total number of employees of the parent company.

② Active recruitment of high-level talents

Taiwan's academia has cultivated many excellent high-level talents, which is the niche for the Company to set up a R&D center in Taiwan. Since the Company was established, we have been recruiting outstanding talents from Taiwan. From 2018 to 2020, we participated in the Ministry of Science and Technology's RAISE program to provide post-doctoral on-the-job training opportunities, with the aim of training high-level talents in the industry. During the three-year period, we jointly trained 27 talents with Ph.D. degrees with the Taiwan Textile Research Institute, the Agricultural Technology Research Institute, National Taiwan University, National Cheng Kung University, National Tsing Hua University, National Chung Hsing

University, and the National Animal Industry Foundation, with an average of nine people trained each year (7.5 more people compared to the national average number of trainees), and 21 talents were recruited after the training. The Company's employment rate for talents in the RAISE program is much higher than that of other participating companies. This shows the Company's recognition of the capabilities of talents with Ph.D. degrees in Taiwan's academia and research field. Through the training, we strive to enhance Taiwan's soft power in the development of agri-biotech new pharmaceuticals.

The Company is an important enterprise for training high-level talents in the Ministry of Science and Technology's RAISE program

Year	Total number of trainees	Total number of participating companies	Total number of trainees employed	The average number of trainees at each participating company	Number of trainees at CH Biotech R&D
2018	357	237	265	1.50	8
2019	425	299	328	1.42	10
2020	391	299	336	1.30	9

Source: Compiled by the Company (2020)

③ Industry-academia joint training of industry professionals

The industry focuses on applicability and safety, while the academia emphasizes research innovation and depth. The integration of the two can create a new level of product technology R&D. The industry-academia program to train R&D talents with Ph.D. degrees is expected to train talents with Ph.D. degrees to excel in theory and practice and cultivate them to become specialized talents for the technologies that the industry needs to develop. The Company and the academia have jointly implemented talent training programs in the fields of emerging agricultural biotechnology and smart precision agriculture to train new technology professionals in a planned manner and continue to enhance the momentum of R&D.

The Ph.D. programs launched by the Company and universities and colleges

Year	University	Program
2020-2023	Institute of Plant Biology, National Taiwan University	Plant Biotechnology Industry-Academia R&D Doctoral Program
2020-2022	College of Life Science, National Tsing Hua University	Doctoral Program in Biotechnology
2021-2023	Bachelor of Science and Technology, National Chi Nan University	Smart Precision Agriculture Industry-Academia R&D Doctoral Program
2020-2023	College of Bioscience and Biotechnology, National Cheng Kung University	Agricultural Biotechnology Industry-Academia R&D Doctoral Program

5.R&D Expenses of the most recent 5 years

Since establishment, CH Biotech has engaged in the R&D of modern crop science and technologies greatly to improve the R&D momentum. The R&D expenses in the last five years are as follows:

Unit: NT\$ thousand

Item \ Year	2019	2020	2021	2022	2023
R&D expense	162,308	193,336	221,483	272,414	305,235
Net operating revenue	840,680	702,189	1,018,505	1,434,115	1,514,829
R&D expense as a percentage of net operating revenue	19.31%	27.53%	21.75%	19.00%	20.15%

6.Successfully developed technology or products in the most recent five years

With our three core technologies, we have developed numerous products complying with the modern agricultural cultivation trend, and have also completed a number of R&D

projects, obtained product registration certificates in various countries, and developed a layout of patent rights. List of the achievements of the Company's development in the past five years:

(1) Technologies and products for reducing carbon emissions from crop production

As per the OECD-FAO Agricultural Outlook 2019-2028 published by the OECD and the FAO in 2019, the increasing global population will consume more agricultural products, while the use of global agricultural land will remain flat and agricultural production will become increasingly intensive. Moreover, future agrochemical products should be able to respond to the issues of food safety and environmental protection, and many international agricultural companies have devised carbon reduction strategies accordingly.

With that said, the corresponding products developed by the Company are as follows:

Product category	Year	Technologies and products developed in the most recent five years	Status
PGR	2016	Promote (OnWard, AGX21028/InnoCharge): It improves the fertilizer use efficiency, reduces energy consumption in crop production, and reduces carbon emissions from treatment of crop residues.	Has obtained U.S. registration certificate (EPA 90866-23), has authorized distributors for the sale of OnWard (EPA 90866-23-95775), and has licensed for registration and sale with AGX21028/InnoCharge (EPA 95775-2).
	2017	CHB-HS: It is used together with herbicides to destroy and reduce the resistance of weeds and enhance the efficacy of herbicides; it can also be used to reduce the dosage of herbicides with the same herbicidal effect.	U.S. registration certificate (EPA 90866-28) has been obtained.
	2017	EXCIRA: It is used in fruit trees to increase the sugar content of the fruit and improve the texture and market values of the fruit.	U.S. registration certificate (EPA 90866-32) has been obtained.
	2017	CHB-BB2: It is used to promote the development of buds and flowers of agricultural and ornamental crops and enhance the effect of flower retention.	U.S. registration certificate (EPA 90866-36) has been obtained.
	2018	Nursery Brancher: It is used for ornamental crops to improve their plant structure and increase their ornamental values.	U.S. registration certificate application in process
	2020	MegaGro 2.0 (Radiate NEXT): Its main purpose is to enhance the ground photosynthesis and resistance to harsh environment during the growth period of crops (from flowering period to seed filling period), in order to effectively generate and convert energy, thereby increasing the economic production volume of crops.	U.S. registration certificate (EPA 90866-34) has been obtained, and it is licensed to distributors for the sale of Radiate NEXT (EPA 90866-34-34704); presently, it is available for sale in the market.
	2020	Fruit Quality Enhancer: It is used in fruit trees to improve the appearance quality and flavor quality of the fruit and increase the market values.	U.S. registration certificate application in process
	2020	CHB-MP (Amass/Intergize/REVLIN LATE SEASON): It is used in food crops and cash crops to improve the synchronization of grain and fruit and enhance its market quality and market values.	U.S. registration certificate (EPA 90866-26) has been obtained, and it is licensed to distributors for the sale of Amass/Intergize/REVLIN LATE SEASON (EPA 90866-26-95352); presently, it is available for sale in the market.

	2021	Promote MAX (OnWard MAX): It is an upgraded version of OnWard, and it improves the fertilizer use efficiency, reduces energy consumption in crop production, and reduces carbon emissions from treatment of crop residues. In addition, the dosage and method of use are optimized.	U.S. registration certificate (EPA 90866-31) has been obtained, and it is licensed to distributors for the sale of OnWard MAX (EPA 90866-31-95775); presently, it is available for sale in the market.
Invention patent	2022	Method and composition for regulating plant architecture	Taiwan Invention Patent No. I768955
	2022	Composition for enhancing plant growth	Australian Patent No. AU2022203539B2
	2023	Method and composition for regulating plant architecture	U.S. Patent No. US 11553657B2
	2024	Leguminous plants growth promoting compounds	Taiwan Invention Patent No. I830463

(2) Technologies and products for protecting food production under climate change

The main products developed by the Company include those for maintaining crop yields at low or high temperatures or under drought stress; and those for strengthening the immune system of crops, allowing them to be more resistant to biotic and abiotic adversity, including the defense against changes in external environmental conditions, pest damage, and chemical damage.

Product category	Year	Products and the technology developed in the most recent five years	Status
PGR	2015	Persevere (Endurance): It meets the needs for guaranteeing crop production and food yield during global warming with the foresight to facilitate the development of agriculture today and in the future.	U.S. registration certificate (EPA 90866-25) obtained in 2019, and it is licensed to distributors for registration and sale of Endurance (EPA 34704-1125) in 2019; presently, it is available for sale in the market.
	2015	Strong Finish: It is used in the food and economic crops, and it is able to mitigate the early aging and reduction of growth period due to climate warming and increase of carbon dioxide concentration, allowing crops to continue to maintain an adequate green leaf area during late maturity period, thereby supplying sufficient photosynthetic products.	U.S. registration certificate (EPA 90866-37) has been obtained in 2022.
	2017	Disease Suppression: It is used for food crops and cash crops to activate the self-defense mechanism against diseases as a new measure other than pesticides for the prevention and control of pest damage.	U.S. registration certificate application in process
	2019	Strive(CHB-SR): It is mainly used for food crops to activate the self-defense mechanism of crops against adverse climate events as a security measure for crop production under deteriorating climate conditions.	U.S. registration certificate (EPA 90866-30) has been obtained.
	2022	CHB-ST(GI): It optimizes germination and seedling emergence of plants, especially when planted in low-temperature soil conditions.	U.S. registration certificate (EPA 90866-39) has been obtained.
Invention patent	2018	A composition for increasing plant stress resistance.	Taiwan Invention Patent No. I623266
	2021	A composition for the control and prevention of bacterial wilt.	Taiwan Invention Patent No. I737234
	2021	Herbicide protectants.	Taiwan Invention Patent No. I738345

Product category	Year	Products and the technology developed in the most recent five years	Status
	2024	Herbicide safener	U.S. Patent No. US 11882825B2

(3) Technologies and products for reducing energy consumption for crop cultivation

In crop production, fertilizer is one of the major energy-consuming sources. Under today's mainstream farming patterns, the fertilizer use efficiency of food crops is relatively low, with 50-70% for nitrogen, 15% for phosphorus, and 50-60% for potassium (Finck, 1992), and fertilizers that are not used by crops flow into water bodies, such as rivers. Therefore, innovating fertilizer use technologies and improving fertilizer use efficiency can not only significantly reduce the energy consumption in crop production but help reduce environmental pollution.

The corresponding products developed by the Company are as follows:

Product category	Year	Products and the technology developed in the most recent five years	Status
Fertilizers	2018	NutriSync 3D: In addition to the features of NutriSync D, it also reduces the process and cost of applying agrochemicals and saves energy inputs for crop production.	Assisted clients to obtain fertilizer registration certificates, and currently available in the market.
	2018	CHB 6030: It is used for preventing fertilizer damage, and increasing the utilization rate of fertilizers.	Available in the market
	2021	CHB 6020: It is used for preventing fertilizer damage, and increasing the utilization rate of fertilizers.	Available in the market
	2021	Promin: It is used for food crops and cash crops and is an organic nitrogen fertilizer to balance the declining crop quality and soil degradation caused by excessive dependence on inorganic nitrogen fertilizers in agricultural production.	Obtained the fertilizer registration certificate.
	2021	Promin-Ca: It is particularly suitable for high economic value crops, such as fruit trees and vegetables and is a product that enhances the calcium nutrient of Promin.	Obtained the fertilizer registration certificate.
	2021	Promin-Zn: It is particularly suitable for food crops and is a product that enhances the zinc nutrient of Promin.	Obtained the fertilizer registration certificate.
	2023	PepRich product series (PepRich No. 1-8): It supplements the shortage of fertilizer and imbalanced fertilizer utilization caused by adversity, and also helps to reduce chemical fertilizer.	Obtained Taiwan Fertilizer Registration Certificate.

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

1. Short-term business development plans

(1) Expansion of the application markets of the products released to the market

We will provide sales personnel with more detailed field trial data and more comprehensive and proper product use and technical guidelines, thereby facilitating sales to the end users-farmers. This will increase the area of their crops and expand the scope of applicable crops, stabilizing our existing market and raising the market share of our products.

(2) New product development plan

Product development stage	Product or project name	Planned progress
Registration certificates obtained	● CHB-HS ● Excira ● Promin ● Promin-Ca ● Promin-Zn	Has approached new customers, who are performing field tests, for Excira. The Company is also actively seeking new potential customers for its other nine products.

	●Strong Finish ●CHB-BB2 ●CHB-ST(GI) ●Strive(CHB-SR) ●PepRich product series (PepRich 1-8)	The PepRich products are launched based on the EU's "Green New Deal", which aims to achieve a 20% reduction in fertilizer use and a 50% reduction in pesticide use in 2030. The PepRich product series continues to expand the scale of field trials in rice, tea leaves, coffee beans, and other crops to reduce 20% carbon reduction to test the effectiveness of our products and actively promote them in the market.
Registration application in process	●Fruit Quality Enhancer ●Disease Suppression ●Nursery Brancher	Will obtain registration certificates in one or two years and then proceed to production and release to the market.
Field trial in target markets	●Foliar Nitrogen Assimilation	Enter the registration stage after efficacy confirmation in the target markets and ROI analysis.
Under dosage form and efficacy development	●Amino acid peptide products	Complete a full range of materials required for registration in about one to three years, including data on dosage forms, efficacy, toxicology, environment, and instructions for use.

- (3) We have established the fermentation plant in the “Changhua Coastal Industrial Park” to develop low-carbon and eco-friendly products in alignment with the concept of circular economy.

The fermentation plant was built in the Changhua Coastal Industrial Park, Xianxi Township, Changhua County, with the main purpose of converting agricultural waste into small molecules of peptides and amino acid through efficient and eco-friendly decomposition processes, such as fermentation technology or subcritical hydrolysis technology, while optimizing the functionality and developing a series of functional new pharmaceutical products, thereby achieving circular economy with a focus on both environmental protection and market values.

- (4) Short-term client base expansion strategy – focus on existing clients and adjust the proportions of sales by deploying new products

One of the short-term customer expansion strategies is to sell more products to the existing customers, including Nutrien and non-Nutrien customers. Nutrien has established a proper collaboration model with the Company, and detailed market feedbacks provided by Nutrien are beneficial to the Company to adjust the product R&D contents, and to jointly discover products of market competitive advantages. In addition, to reduce the sales concentration of Nutrien, we have authorized a new customer Company A in 2020 for the sale of the whole new product Promote that was self-developed by the Company under the name of OnWard. In 2021, the sales revenue of OnWard reached multiple times of growth, and the business collaboration between the Company and Company A was expanded. During the end of 2021, OnWard Max designed for Company A was registered successfully and released to the market in 2022. Furthermore, the registration of InnoCharge (AGX21028) by Company A authorized by the Company brought stronger sales volume, further enhancing the adhesion of the new customer Company A. At the same time, we continue to seek new customers. With our essential core technologies as the platform, the Company is equipped with sufficient R&D capability to provide customized new products in order to satisfy the demands of new customers. Aside from the long-term market layout for the North American markets in the past years, new customers in the Central and South American are also the key to the increase in business revenue. The agricultural farming areas in the Central and South America are large such that there is a remarkable market potential, and the cultivation season of such regions are opposite from that of North America. Hence, developing customers in these regions is helpful to balance the high and low periods of business revenue of the Company, thereby driving the annual sales revenue.

- (5) Stable raw material supply

We maintain the purchase of raw materials from two or more suppliers, control the quality of each batch of raw materials, pay attention to the market trends, actively develop other suppliers, and maintain a positive partnership with each

supplier to ensure a stable supply while implementing safe stock management to satisfy the needs for instant business development. To cope with the impacts of the pandemic and the international situations on the supply of raw materials, we procure materials early in a planned manner and adopt local procurement strategies to reduce the risk of delays in international shipping, while purchasing materials from multiple suppliers to diversify the raw material supply risk to stabilize the supply as needed for business development.

2. Long-term business development plans

(1) Development and application of new active ingredients for agricultural industry

We will continue to seek highly safe active ingredients with similar effects on plants in different fields, such as medicine and food. Also, we will enhance the effect of crop growth in ingredients and pay attention to active ingredients with unique regulatory effects, such as improvement to the resistance to pest damage and flavor substances.

(2) Long-term client based expansion strategy – development of new products for new distributors to expand into a wider market

In addition to continuing the short-term strategy, the Company will diversify the development of new products and develop products that can be applied to organic agriculture, such as oligosaccharides, peptides, and bio-fertilizers, with the aim of working with distributors who mainly sell organic materials and enhancing the corporate image to prove that the Company has the diverse and advanced R&D capabilities.

(3) Use of plasma technology for formula improvement

The Company plans to test the feasibility of applying plasma technology to the ingredient modification, in order to improve the physical and chemical properties of plant nutrient ingredients, active substances and auxiliaries, thereby improving the solubility of preparations and the nature of biological activity. Accordingly, it is beneficial to optimize the production process and to the development of new formula with specific effects.

(4) Maximization of crop growth potential with temperature-controlled greenhouses to produce high-quality crops

To identify the right regulation factors of crop growth, the temperature-controlled greenhouses' light-dark cycle, medium, gas composition, and growth active substances can be regulated in multiple aspects, to have the optimal combination of conditions to unleash the maximum growth potential of crops precisely at critical points, thereby maximizing the values of the crops.

(5) Establishment of a phenotype big data database with a digital high-throughput phenotype research platform

We will set up a phenotype testing system and digital platform for automatic imaging, measurement, transmission, recording, and data processing in the greenhouses and even in the fields so that the crops tested can be recorded and calculated and their growth-related phenotypic and physiological data during the growth period can be converted regularly and automatically in a non-destructive manner.

We will connect the crop growth indicators collected by this platform with the active ingredient regulatory gene database and incorporate them into the parameter information of crop regulation accumulated from the comprehensive environmentally controlled greenhouse, such that it is able to become a unique comprehensive system digital platform of the Company. This "gene-phenotype" big data database can shorten the product development cycle and allow us to develop more reliable, highly efficient, precise, and low-carbon agri-biotech new pharmaceutical products.

II. Market and Production and Sales Overview

(I) Market analysis

1. Sales (supply) regions of major products (services)

Unit: NT\$ thousand

Year		2021		2022		2023	
		Sales volume	Percentage	Sales volume	Percentage	Sales volume	Percentage
Domestic sales		12,722	1.25%	10,781	0.75%	8,507	0.56%
Exports	North America	935,937	91.89%	1,335,657	93.13%	1,422,124	93.88%
	South America	48,965	4.81%	54,408	3.80%	54,223	3.58%
	Australia	20,881	2.05%	31,207	2.18%	27,848	1.84%
	Asia	—	—	2,062	0.14%	2,127	0.14%
Total		1,018,505	100.00%	1,434,115	100.00%	1,514,829	100.00%

2. Market share

The Company's current main markets are countries with advanced crop production technology and huge crop cultivation areas, such as the U.S, Australia, Canada and South America. The Company's PGR products are the main source of revenue. Estimated on the output value, the global market share of our PGR products was approximately 1.16% in 2023.

The agri-biotech new pharmaceutical products of the Company sold in the U.S. are mainly used for food crops, such as soybeans, corn, and wheat. According to statistics from the U.S. Department of Agriculture, the main crop cultivation area in 2023 was about 319.6 million acres. The agri-biotech new pharmaceutical products sold by the Company to the U.S. in 2023 could be applied to an area of 37.44 million acres, accounting for approximately 11.71% of crop farming area in the U.S. Such an area is equivalent to 19.4 times the total area of farmland in Taiwan (1.93 million acres) and 3.5 times the total area of farmland in Japan (10.69 million acres) (Source: The Agriculture and Food Agency, Council of Agriculture, Executive Yuan, and the Ministry of Agriculture, Forestry and Fisheries of Japan).

3. Future market supply/demand and growth potentials

As per the OECD-FAO Agricultural Outlook 2019-2028 published by the OECD and the FAO in 2019, the increasing global population will consume more agricultural products; crop production is estimated to increase by 15% over the next 10 years, while the use of global agricultural land will remain flat. Therefore, agricultural production will continue to be increasingly intensive in order to provide more food to human beings, and the increased crop yields in the future will be mainly attributable to the increase in yield per unit area and the improvement to crop quality, both of which are driven by technological innovations in agrochemical products.

Market fluctuations are related to the COVID-19 pandemic and other uncertain factors that may affect the consumption of agrochemical products, including economic growth, economic recovery speed, geopolitics, trade relations, animal and plant health, climate, and government policy.

The future market supply and demand of the Company's main products (PGR and fertilizers) and the growth estimates are as follows:

(1) PGR products:

In terms of production value, the global PGR market was approximately US\$334 million in 2023 and is expected to grow at a compound growth rate of 7.13%, reaching US\$5.41 billion by 2027 (360iResearch, 2024). North America and Europe are the key markets for PGR, and the Asia-Pacific region is the fastest growing PGR market, followed by South America (Wu et al., 2024), where markets are characterized by higher economic development, mature cultivation techniques, and higher demand for sustainable agriculture.

According to the 2021 market survey report by the Taiwan Institute of Economic Research, the PGR markets are mainly influenced by the factors below:

- ① Crop prices and farmers' income: If farmers' profitability is poor, the use of agrochemical products will decrease, or they will turn to cheaper products or reduce

the frequency. If the crop prices are great, farmers can be motivated to conduct preventive spraying, which will increase the market demand for PGR.

- ② Climate: The occurrence of droughts will intensify the adversity of weeds or pest damage, and floods will impact the growth potential of crops, thus stimulating the needs for using PGR products.
- ③ Farming area: Farming area, demand, crop rotation, price, profit margin, etc. are usually influenced by the prior year's harvest. Large-area farming and significant growth of crops will also influence the consumption of PGR products.
- ④ Economic situation: When the economic situation in developing countries is stable, the consumption of PGR products will increase.
- ⑤ Technology: The emergence of a new products or technology, such as a new method of eliminating weeds or pest damage.
- ⑥ Laws and regulations: With the laws and regulations with a focus on environmental protection, the non-eco-friendly products that only seek quick effects have been gradually phased out of the market, and the eco-friendly PGR products have become more popular in the market.
- ⑦ The emergence of agrochemical product resistance: Companies are prompted to develop newer and more expensive alternative products.

With the above characteristics, the development trends of PGR industry are reflected in the aspects below:

As for the markets, major food producers (such as the U.S., Brazil, Argentina, Australia) have high demand for agrochemical products due to their large farming land, making them important PGR markets. Restricted by the increasingly stricter legal requirements for old agrochemical products in various countries, new products have received more attention. Meanwhile, the drug resistance of crops has led to an increase in the demand for new products.

As for sales, the rise of precision agriculture and smart technology has brought the consumption of protectants under control, from which the consumption of PGR may benefit. Technological advancement and the global pandemic have led to the increase of new sales channels and logistics channels, and this will create more opportunities for sales of PGR.

In terms of farming, the factors driving the growth of the global PGR market are the increasing demand in the textile industry, facilitating the increase in cotton demand, and the popularity of organic agriculture and the rising of food safety awareness. The integrated pest management system will continue to influence the concept of crop protection, including varieties, general agrochemical products, biochemical pesticides, microbial pesticides, and precision agriculture systems (expert systems), thereby gradually raising the demand for PGR.

(2) Fertilizer products:

The supply of the fertilizer market is mainly related to the laws and policies of various countries and the flow of global trade. Many countries and regions have adopted new laws and regulations on fertilizers, products, factory certifications, and mining waste management. Therefore, a high-standard certification system is a challenge before fertilizer products enter the market. To upgrade traditional basic fertilizers and launch highly efficient new fertilizer products, it is necessary to take into account the requirements for environmental protection and safety.

Market analysis reports indicate that the global fertilizer market output value in 2022 was US\$207 billion, and the estimated global fertilizer compound growth for 2023–2032 is approximately 3.3% (Precedence Research, 2023).

Different from the common basic fertilizers, special-purpose fertilizers are emerging products in the fertilizer market. As per a market research report by Fortune Business Insights (2023), the global market scale of special-purpose fertilizers reached US\$24.16 billion in 2022. People in North America with advanced agricultural technology have a high degree of understanding of the benefits of using special-purpose fertilizers; this has led to a significant increase in the use of such products. Because of the high income due to the use of such products, farmers in this region can generally afford more expensive crop nutrition products; therefore, this region is an important market of special-purpose fertilizers (accounting for more than 30% of the total), with a market scale of US\$7.56 billion. The global market is estimated to grow from US\$ 24.85 billion in 2020 to US\$39.37 billion in 2027, with a compound annual growth rate

of 6.8% (Fortune Business Insights, 2021), and the demand and growth will be stronger than those of basic fertilizers.

Fertilizer manufacturers adopt EEFs to upgrade existing fertilizer formulations, thus facilitating the market demand for EEFs. In 2018, Nature Sustainability discussed the impact of EEFs on the economy, with the U.S. as a case study. Take the corn industry in the U.S. as an example, corn requires the greatest amount of nitrogen among the main crops, but the use rate of EEFs is only about 12%. To evaluate the future market of EEFs, researchers calculated the improved efficiency of existing EEFs and estimated the future sales potential of EEFs in different use scenarios based on the corporate average fuel economy (CAFE) used in the automobile industry. It was estimated that the use rate of EEFs could reach 20% by 2020 and will increase to 30% by 2030. Based on the CAFE, a net income of US\$5 billion to US\$8 billion per year will be produced by 2030 (Kanter, 2018).

According to the market survey report, although the fertilizer application still mainly adopts the solid form of fertilizers, as the demand for high-efficiency fertilizers increases in the future, the operation convenience and the trend of applicable sustainable agricultural technologies and improvement environmental safety will drive the liquid fertilizer market development. Climate change has a major impact on the crop production system, and a greater number of farmers are using greenhouses, precise irrigation systems, and high-efficiency fertilizers to increase crop production volume and profitability. Furthermore, for new emerging countries of India, Brazil and Indonesia, etc., with increasing food safety awareness, the growth of population also drives the demand for high-efficiency liquid fertilizers. The market survey report predicts that the liquid fertilizer annual compound growth rate is 3.97%, and in comparison to the annual compound growth rate of 3.29% of solid fertilizers, the liquid fertilizer market growth demonstrates a stronger trend. (Precedence Research, 2022; Research Dive, 2022).

4.Competitive advantage

- (1)Combination of critical core technologies with innovation skills to greatly shorten the development cycle of agri-biotech new drugs

Agricultural new drugs with new active ingredients enjoy high profit margins. Although it is challenging to develop them, they are often the key to profitability for the agrochemical industry. However, as per a 2018 report by Phillips McDougall, the development of new active ingredients took an average of 11.3 years in the amount of US\$286 million. The time-consuming development with huge costs has enabled large international companies to dominate the development of new agricultural active ingredients and enjoy their market advantages.

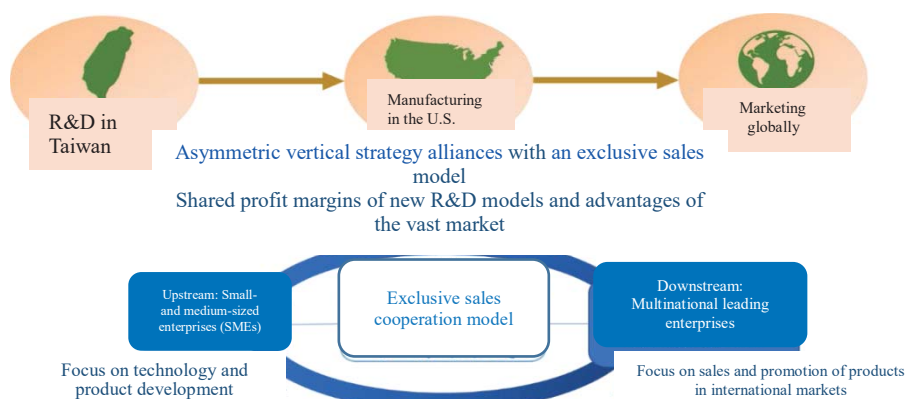
New active ingredients require investments in R&D and registration certification. The difficulty in registration and the time required often depend on how strict the laws and regulations are. Therefore, developers' competitiveness often lies in the speed of front-end R&D, the effective obtaining of research data on active ingredients, and the speed of moving to registration.

The Company's critical core technology is the application of genomic big data to explore the function of a single or compound active ingredients, to precisely analyze the ability of the active ingredient or formulation to regulate various physiological functions of plants and identify the characteristics worth being developed. Thus, this development method at the biological level is more efficient and comprehensive than the development methods at the chemical level in the past. Then, we shorten the R&D cycle for confirming the formulation efficacy through a complete and efficient systematic R&D platform. We also have a complete field trial platform for the international target markets, which is conducive to the registration certificate and marketing of products, thereby shortening the commercialization time. Furthermore, the Company's investment in talents, R&D funds, and R&D sites has increased the momentum of innovation. As a result, we can shorten the R&D cycle of new active ingredients greatly to 4 to 6.5 years, which is about half the time needed for the traditional development process. If it is a new compound product, it is likely that the R&D and the registration processes will be accelerated, so that we can develop agricultural biotechnology and new drug products efficiently and swiftly, rendering us a great competitive advantage.

(2) Business model

Business model of the Company: “Asymmetric vertical strategic alliance” together with the exclusive sales model, under which we work with distributors; Through the strategic layout of R&D in Taiwan, made in U.S., and global marketing, we have gained advantages from stages of R&D to sales. We have also actively established a global drug permit license registration channel and developed diverse markets.

Asymmetric vertical strategic alliance diagram



- ① “Asymmetric vertical strategic alliance” along with an exclusive sales model, can avoid the vicious circle of price war and allow us to enjoy higher profit margins from the new R&D model

There is no great difference in appearance between agri-biotech new pharmaceutical products and traditional agrochemical products. Thus, agri-biotech new pharmaceutical products should rely on distributors to advertise their efficacy and train professional marketing personnel, having strong distributors play a crucial role.

Agri-biotech new pharmaceutical product R&D companies need to entrust their new products to the largest and most reliable distributors in an exclusive sales model. As per the Agricultural Biotechnology Industry Quarterly in 2021, an asymmetric vertical strategy alliance with an exclusive sales model can avoid the vicious circle of price war and distributors will be more willing to invest resources in sales promotion, while agri-biotech new pharmaceutical product R&D companies can focus on technology and product R&D; thus, multiple parties can jointly enjoy the profit margins under the new R&D model and the advantages of the vast market.

According to the analysis of the U.S. Food and Drug Administration in 2005, the average drug price was negatively correlated with the number of competitors. When the generic drug sales price of a company reaches 90% of the patented drug, the sales prices of the two is reduced to half.

The Company has formed a strategic alliance with Nutrien for it to exclusively sell some of our agri-biotech new pharmaceutical products. As Nutrien’s sale and operational strategy gives priority to the adoption of products with new technology, the sales of high value-added exclusively sold products have continued to grow in recent years. Loveland Products Inc., a subsidiary of Nutrien, which is responsible for the development and procurement of global high-tech agrochemical products, is the retailer of the group’s own brand. The Company’s agri-biotech new pharmaceutical products feature high technology and unique efficacy. With Loveland Products Inc. included in Nutrien’s sales network, a complete agricultural biotechnology and new drug supply chain system has been established, and both parties’ synergy and competitiveness have been fostered.

- ② The strategic layout of “R&D in Taiwan, made in U.S., and global marketing” ensures advantages in each link of the process from R&D to sales.

R&D is the Company's biggest source of profitability and is also the biggest growth momentum of agri-biotech new pharmaceutical product companies. The Company’s R&D site is based in Taiwan to demonstrate that we are determined to expand into the world from Taiwan.

Taiwan’s agricultural scientific research is strong. Taiwan’s academic and research institutions have published more than 1,000 research articles in the global top agricultural and botany-related journals over the past 10 years. Among the 152

colleges and universities in Taiwan, there are 142 departments related to agriculture, botany, chemistry, and life sciences (Ministry of Education, 2020), and they have cultivated nearly 2,000 talents with doctoral degrees and nearly 40,000 with master's degrees over the past 10 years. There are sufficient high-level professional talents in Taiwan.

Around 50% of the Company's employees are professional R&D personnel, who are talents in various fields from major universities or top research institutions at home and abroad. Of these, 50% are R&D talents with doctoral and master's degrees in biology, agronomy, chemistry, etc. With professionals from various fields and the integration of interdisciplinary technologies, we are actively catching up with the rapid advancement of technology, keeping abreast of the changes in the laws and regulations of the target markets, and analyzing international trends for future forward-looking plans.

The Company adopts Taiwan's abundant research talents and resources through professional training and project planning and aligns them with our critical core technologies, to precisely develop various new products, thereby realizing the vision of "R&D in Taiwan" to enroot in Taiwan"

In terms of product manufacturing, as the main markets are in the U.S., we set up a subsidiary, CH Biotech, LLC., in California, in 2015, as a production site. Having the production capacity and large supply in the U.S. in a short notice is conducive to the development of the Company's products in the U.S. markets and has rendered us the advantages below:

- A. Allow the Company to supply products immediately to reduce the carbon footprints during shipping over long distances because the production site is close to the sales market.
- B. Allow the Company to accept orders fast and ship out products flexibly to win clients' trust easily.
- C. Alleviate the inventory pressure on clients in the U.S.
- D. Supply farmers with the products with the production date closest to the shipping date.
- E. Manufacture products in the U.S. so that the production cost is lower, the profit margin is greater, and the quality is more stable than those made in Taiwan.
- F. Facilitate product positioning and pricing to increase the willingness of consumers around the world to purchase our products as products "Made in the U.S." implies that the products are made in a major agricultural country.

With the above points, the strategy of "Made in the U.S. to be close to the market" allows us to enjoy the competitive advantage of the production cost of agrochemical products and ensures timely supply to the target markets and satisfaction of the needs in farming seasons.

In terms of marketing, the Company develops diverse markets to reduce the risk of the decreasing demand for agrochemical products caused by climate change or abrupt disasters in specific regions. When the global market layout expands, we can reduce our excessive dependence on a single market. The Company has established a stable registration certificate application system in North America to accelerate our acquisition of new registration certificates. We will continue to obtain drug approvals in major markets in the southern hemisphere, to complete a stable development layout for the future global market, balance the off-peak season revenue, maintain stable sales throughout the year, and accelerate the expansion of the international market through global marketing.

5. Favorable and unfavorable factors and response policy of development vision

(1) Favorable factors

The United Nations Sustainable Development Goals (SDGs) are closely related to agriculture and indirectly drive the technological upgrading of agrochemical products, which is well aligned with the Company's positioning and R&D plan.

- ① The trend of low-carbon agriculture facilitates technology updates and influences distributors' and growers' choice of products.

To achieve carbon reduction targets, large international companies have invested in the development of breakthrough technologies and implemented strategies, such as agricultural carbon capture and net-zero carbon emissions. Only agricultural

technologies that can increase yield and reduce carbon emissions can be favored by the market.

The Company focuses on the development of highly safe agricultural biotechnology and new pharmaceutical products and precise application technology, with the effect of increasing yield and the carbon sink of crops. For example, Promote can improve the ability of plants to absorb carbon dioxide and synthesize sugar, while increasing yield and reducing the carbon dioxide concentration in the atmosphere, facilitating the realization of low-carbon farming.

- ② In response to global resource shortage, the circular economy concept has prompted the development of regenerative fertilizers.

Modern agricultural production still requires a great deal of natural resources, such as minerals and energy. The gradual declining of natural resources is an irreversible trend, and the development in the circular economy model arise accordingly. Circular economy is to minimize waste in the production system and to recycle and produce products at the end of their life cycles, to maximize the values of resources and materials.

After the crops are harvested, the residues are disposed of as waste, which requires additional processing costs and increases carbon emissions. The agricultural waste is composed of organic matter with nutrients but is not easy to use directly. The Company has invested in the development of agricultural residue conversion technology to convert agricultural residue organic matters into small molecules that can be efficiently absorbed by crops and developed into amino acid peptide products; as a result, residues can be used to improve crop yield and quality while being recycled in food production.

- ③ The impacts of climate change on crop cultivation are severe, and the agrochemical market that aims to increase the climate resilience of crops is full of business opportunities.

Climate change has led to more frequent extreme climate events (heat waves, cold snaps, droughts, or floods), which cause declining crop yield and quality and increasing agricultural losses. As per the Special Report on Climate Change and Land by the Intergovernmental Panel on Climate Change (IPCC) in 2019, the global average yields of corn, wheat, and soybeans from 1981 to 2010 dropped by 4.1%, 1.8%, and 4.5%, compared with the pre-industrial level, under the influence of climate change; the global food production capacity was predicted to decrease by 5% to 30% by 2050 due to climate change.

Agricultural losses will further cause social problems, such as food shortages and soaring food prices. Therefore, the world is in urgent need for products that can protect crop growth from adverse climate effects, enhance the climate resilience of crops, and improve the stability of other pesticides. The market for such products will become bigger.

Adverse climate effects can also lead to unpredictable outbreaks of pest damage with agricultural losses difficult to estimate. Increasing attention has been paid to the crop immunity enhancer, which can stimulate the immune system of crops to cope with future unpredictable pest damage crises.

The agri-biotech new pharmaceutical products developed by the Company, including Persevere, all feature climate resilience enhancement to strengthen the resistance of crops under the impact of adverse environment and serve as one of the innovative product indicators, enabling us to seize business opportunities in the future markets.

(2) Unfavorable factors and response policy

- ① Changes in crop types and regions due to climate change

Climate change may cause changes in the main types of crops, farming areas, and farming seasons in the target markets. In the U.S., climate change has caused the farming areas of wheat to move northward, leading to a decrease in the planting area. North Dakota has become less suitable for growing wheat due to global warming; some farmers have switched to corn; changes in temperature and rainfall have also resulted in changes in the distribution of farming in Texas. (Hatfield et al., 2018). Such changes in crop types and distribution caused by climate may change the sales of the Company's certain products.

Response policy: We will continue to develop agri-biotech new pharmaceutical products suitable for multiple varieties of crops, develop climate adaptation products to protect crops to delay the change in planting distribution due to climate, and increase PGR and fertilizer products required for the development of crop cultivation at facilities to enhance the market stability of our products.

② Rising raw material prices due to limited global resources

Limited energy and mineral resources will lead to rising prices of raw materials for agrochemical products, which may squeeze the profit margins of our products

Response policy: We continue to develop new active ingredients to increase the selectivity and substitutability of products; we enhance the functional development of active ingredients for which we have registered with the EPA to upgrade our existing products and reduce manufacturing costs; we actively increase the scope of product efficacy and applications, focus on clients' needs to develop new products, to increase clients' confidence by professional R&D capabilities and win market recognition through our product values, thereby boosting the Company's revenue. In addition to stabilizing the existing markets for field crops, we will enhance product R&D for high economic value cash crops in which farmers are willing to invest, including agricultural biotech new pharmaceuticals for fruit trees, horticulture, tea, and coffee.

③ Impact of sudden outbreaks of infectious diseases on the industrial chain

Due to the close and frequent international commercial and trade activities, the manufacturing, transportation, and sales of various products increasingly rely on the detailed division of labor and close collaboration between countries, leading to a sophisticated industrial chain, containing the upstream, mid-stream, and downstream sections. Therefore, any link in the industrial chain may be affected by unpredictable global or regional infectious diseases (such as the COVID-19 pandemic), which may affect the Company's raw material supply, product manufacturing, transportation, or sales.

Response policy: We continue to develop multiple types of products by selecting different types of raw materials for application and development; we reduce the risk of raw material supply; we increase the varieties, application scope, and regions of our products, to diversify the expected risk of sales undermined by such diseases.

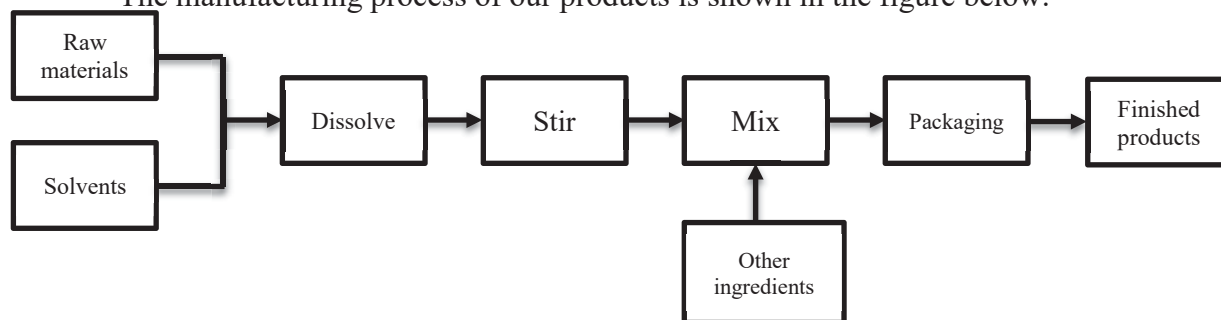
(II) Important uses and production processes of main products:

1. Important uses of main products

The Company's products are mainly liquid formulations, which are applied to crops or farmland through large-scale spraying, watering, and drip irrigation, and can be mixed with other agrochemical products to improve the yield, quality, and health of crops, thereby increasing growers' economic benefits.

2. Production and manufacturing process of main products

The manufacturing process of our products is shown in the figure below:



(III) The supply status of the main raw materials

The Company's main raw materials are mainly technical concentrates, auxiliaries, nutrients required by plants, and product packaging materials. As we have carefully selected our suppliers before cooperation and have cooperated with them for many years, the overall supply situation is good, and the supply and quality are stable.

(IV) List of main suppliers and clients

1. A list of any suppliers accounting for 10 percent or more of the Company's total procurement amount in any of the most recent two years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the below figure

List of principle suppliers in the most recent two years

Unit: NT\$ thousand; %

Year	2022				2023			
Item	Company name	Amount	As a percentage of total procurement in that year (%)	Relation to the Company	Company name	Amount	As a percentage of total procurement in that year (%)	Relation to the Company
1	Supplier A	73,736	23.90	None	Supplier D	29,574	19.87	None
2	Supplier E	55,162	17.88	None	Supplier B	22,465	15.10	None
3	Supplier B	43,851	14.21	None	Supplier E	21,104	14.18	None
4	Supplier D	39,389	12.77	None	Supplier A	12,185	8.19	None
5	Others	96,384	31.24	None	Others	63,487	42.66	None
	Net procurement	308,522	100.00		Net procurement	148,815	100.00	

Description for changes:

Reason for change in the current period: In 2023, in response to production needs, with the adjustment of product formulation and the consideration of the raw material purchase risk diversification as well as the stability of delivery and source of various suppliers, the purchase ratios of raw material suppliers were adjusted.

Note: The name and purchase amount and ratio of suppliers with the total purchase amount reaching 10% or more in the last two years are listed; however, due to the contract terms and restrictions, it is prohibited to disclose the supplier names and transaction counterparties as individuals and non-related party. Accordingly, codes are used for the disclosure of main suppliers.

- 2.A list of any clients accounting for 10 percent or more of the Company's total sales amount in any of the most recent two years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the below figure

List of principal clients in the most recent two years

Unit: NT\$ thousand; %

Year	2022				2023			
Item	Company name	Amount	As a percentage of total sales in that year (%)	Relation to the Company	Company name	Amount	As a percentage of total sales in that year (%)	Relation to the Company
1	LPI	1,101,305	76.79	Related party	LPI	1,077,661	71.14	Related party
2					Customer B	185,074	12.22	Non-Related party
3	Others	332,810	23.21	—	Others	252,094	16.64	—
	Net sales amount	1,434,115	100.00		Net sales amount	1,514,829	100.00	

Description for changes:

- Reason for changes in LPI: During the peak shipping season in the first half of 2023, the impact of flooding and climate change reduced crop acreage in many U.S. Midwestern states, lowering demand for our products and resulting in a slight decrease in yearly revenue compared to the prior year.
- Reason for change in Customer B: 2023 revenue increased due to the increase in customer B's order demand in the first half of 2023 and the launch of new products this year.

Note: The name and sales amount and ratio of customers with the total sales amount reaching 10% or more in the last two years are listed; however, due to the contract terms and restrictions, it is prohibited to disclose the customer names and transaction counterparties as individuals and non-related party. Accordingly, codes are used for the disclosure of main customers. For the related party indicated in the table above, its parent company of the group adopts the equity method on the Company.

(V) Production for the most recent two fiscal years

Unit: metric ton /kgal; NT\$ thousand

Production volume, value and capability Main products	Year	2022			2023		
		Production capability	Production volume	Production value	Production capability	Production volume	Production value
PGR and fertilizer (solid)		140	69	18,211	140	37	9,539
PGR and fertilizer (liquid)		2,479	747	424,007	2,366	592	293,912
Total		2,619	816	442,218	2,506	629	303,451
Description for changes: Reason for changes: During the peak shipping season in the first half of 2023, the impact of flooding and climate change reduced crop acreage in many U.S. Midwestern states, lowering demand for the products. Due to the replacement of one old production line in the second half of 2022, the overall output and production value in 2023 decreased compared to the same period last year.							

Note: The Company's production machines are classified by solid (kg) and liquid (gallons), so part of the production capacity is presented in the output capacity of the machines. The total production capacity is the sum of fertilizers and PGR.

(VI) The sales volume and value for the most recent two fiscal years

Unit: metric ton /kgal; NT\$ thousand

Sales volume and value Main products	Year	2022				2023			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PGR and fertilizer (solid)		—	421	63	115,081	—	355	38	101,297
PGR and fertilizer (liquid)		6	7,316	695	1,306,038	4	4,532	643	1,404,126
Others		—	3,044	—	2,215	—	3,620	—	899
Total		6	10,781	758	1,423,334	4	8,507	681	1,506,322
Description for changes: Reason for changes: In 2023, orders were slightly lower due to factors such as global inflation, declining food crop prices and climate change, but due to exchange rate factors, the overall sales volume decreased and sales value increased slightly in 2023, as compared to those in 2022.									

III.The Number of Employees Employed in the Most Recent Two Years and Their Average Years of Service, Age, and Education Levels up to the Publication Date of the Annual Report

Unit: no. of people; %

Year		2022	2023	As of March 31, 2024
No. of employees	Managerial officer	8	7	7
	Direct labor	9	9	11
	Indirect labor	124	148	159
	Total	141	164	177
Average age		39.23	39.13	39.23
Average years of service		3.63	3.77	3.71
Percentage of educational background	Doctorate degree	21.99%	19.51%	18.08%
	Master degree	29.08%	32.32%	32.20%
	College degree	39.01%	38.41%	38.42%
	High school level	9.93%	9.76%	11.30%
	Below high school	0	0	0

Note: The data for the current year up to the printing date of the annual report shall be provided.

IV.Information on Environmental Protection Expenditures

Any losses suffered by the Company in the most recent year and up to the annual report publication date due to environmental pollution (including compensation and violations of environmental protection laws and regulations found in environmental protection audit results, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

V.Labor relations

(I)Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1.employee benefits:

- (1)Bonuses: annual bonus, Company performance bonus
- (2)Three-festival-grants: Labor Day, Dragon Boat Festival and Moon Festival
- (3)Insurance: Labor insurance, National Health Insurance and group insurance
- (4)Subsidies: Wedding gift money, maternity allowance, and funeral allowance.
- (5)Facilities: Employee restaurant, parking space for cars and scooters, and a healing greenhouse coffee shop.
- (6)Others: Employee uniform, year-end party lucky draw, and employee travel and department gathering dinner on an irregular basis

2.Continuing education and training

Based on the development strategy, the Company draws up training plans, cultivates professional talents, ensures product quality, and improves R&D capabilities in order to maintain and enhance the Company's competitiveness in the international market.

The Company stipulates functional training and evaluation procedures and has appointed dedicated personnel responsible for orientation training, professional training and management trainings to cultivate professional skills of employees. Through systematic job position system, grade promotion and performance evaluation, employees can gradually achieve their career prospects as their experience and skills grow.

3.Retirement systems and implementation

The Company appropriates 6% of the employee salary monthly according to the new labor retirement system prescribed in the Labor Pension Act and based on the "Table for Monthly Contribution Wages Classification of Labor Pension" for depositing into the labor pension personal accounts set up by the Bureau of Labor Insurance. In addition, for foreign

employees applicable to the old pension system, the pension reserve fund is appropriated according to 6% of the employee's monthly salary for depositing into the labor pension reserve account at the Bank of Taiwan.

Employees of subsidiaries of the Company may voluntarily participate in the self-determined appropriation of a certain amount of monthly salary (1%–15% of salary before or after tax) within the upper limit ^(Note¹) for depositing into the pension 401(K) account. The amount appropriated by CH BIOTECH, LLC. is the same as the amount appropriated by the employee, and the upper limit is 4% of the salary (before tax).

4. Status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

The Company's labor-management agreements and employees' rights and interests protection are based on the Labor Standards Act to ensure the rights of employees. The Company meets the needs of employees in a timely manner through communication, incentives, services and education to enhance employees' loyalty. In addition, a number of dedicated cleaning staff are hired to provide a clean and comfortable working environment for employees, motivating employees to make greater contributions and create greater values for the Company, maintaining harmonious labor-management relations.

(II) Describing any losses suffered by the company in the most recent two fiscal years and up to the publication date of the annual report due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: The Company's labor-management agreements are based on the Labor Standards Act and internal human resource regulations to ensure the rights of employees. The Company has not suffered any losses due to labor disputes.

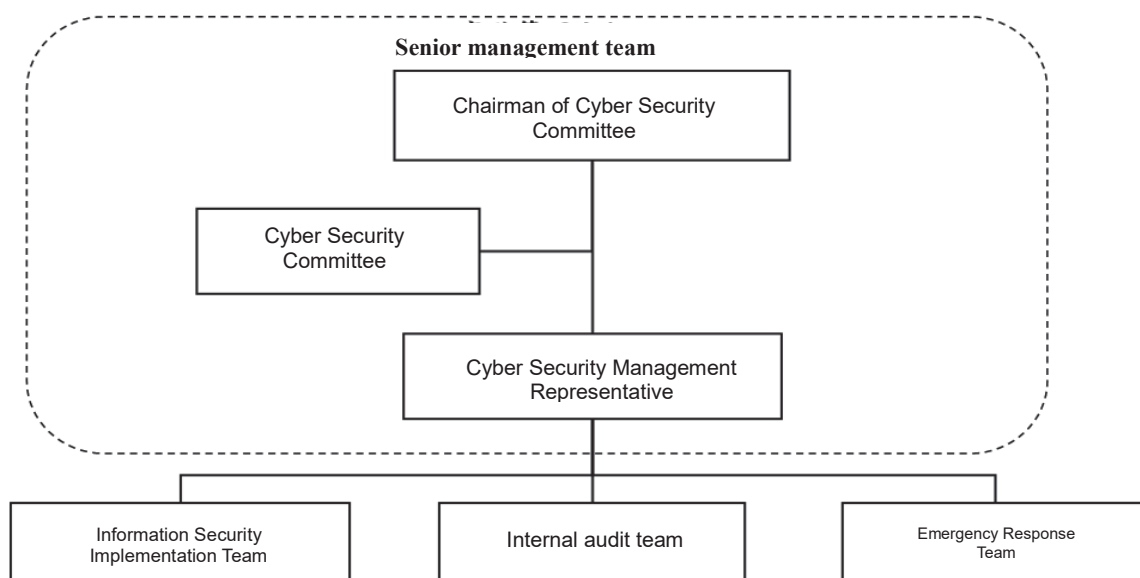
¹(Note) According to the 2022 IRS regulations, the maximum shall not exceed \$20,500/year, and for individuals above the age of 50 years, the upper limit can be increased by \$6,500/year to \$27,000.

VI. Cyber Security Management

(I) Please specify the information security risk management framework, information security policy, specific management plan, and the resources invested in the information security management resources.

1. Information security risk management framework

In 2023, the Company established the "Cyber Security Management Committee" to clearly regulate the authority and responsibility of personnel responsible for cyber security management operations, coordinate affairs and promote cyber security management matters, and ensure the effective and continuous implementation of various cyber security management regulations, in order to achieve the policy and goal of cyber security. The organizational structure of the Company is as follows:



2. Cyber security policy

(1) Cyber security management strategy

The cyber security management policy is hereby promulgated in order to promote the thorough implementation, effective operation, supervision, management, and continuation of the Company's Information Security Management System (ISMS), and to maintain the confidentiality, integrity, and availability of the Company's important cyber security systems.

The purpose of this policy is to provide employees with clear guidelines for their daily work. All employees are obliged to actively participate in the promotion of cyber security management policies to ensure the safe maintenance of all employees' data, cyber security systems, equipment and networks, for which we hope that all employees can understand, implement and maintain, in order to achieve the goal of continuous operation of the cyber security system business process.

① Enforce cyber security and enhance service quality

The ISMS should be implemented by all employees. All cyber security operations related measures should ensure the confidentiality, integrity, and availability of business data, and reduce the risk of leakage, damage, or loss due to external threats or improper internal management. We will continue to monitor, review and audit the "Information Security Management System (ISMS)" to strengthen service quality and improve service standards.

② Enhance information security training to ensure continuous operation

Supervise all employees to implement cyber security management, and continue to conduct appropriate cyber security education and training every year to establish the concept of "increasing information security awareness and mobilizing all employees for protection," urging employees to understand the importance of cyber security, and urging them to comply with cyber security. The Company shall adopt the safety regulations in order to improve the cyber security intelligence and emergency response capability, reduce cyber security risks, and achieve the goal of continuous operation.

③ Emergency response and rapid disaster recovery

Formulate emergency response plans and disaster recovery plans for important information assets and critical services, and regularly implement emergency response procedures to ensure rapid recovery in the events of cyber security system failure or major disaster events to ensure key business continuity and minimize losses.

- ④ Keep the ISMS in an appropriate, sufficient and effective state to support cyber security.

A management review meeting is convened at least once a year to review the effectiveness of the "Information Security Management System (ISMS)".

(2) Cyber security management framework

- ① In the Plan stage, the focus is placed on information security risk management to reduce corporate information security threats at the systematic, technical, and procedural levels, and confidential information protection services in alignment with clients' needs and the highest standards are established.
- ② In the Do stage, multi-layer information security protection is constructed, and innovative technologies for information security defense are adopted continuously, to integrate and internalize the information security control mechanism into the daily operation processes, such as software and hardware operations and supplier information security management, to maintain the confidentiality, integrity, and availability of the Company's important assets.
- ③ In the Check stage, the effectiveness of information security management is monitored, and quantitative analysis of information security is performed based on the audit results.
- ④ In the Act stage, the focus is placed on review and continuous improvement to implement supervision and audits to ensure the continuous effectiveness of information security regulations; moreover, announcements are released and awareness is raised from time to time to ensure that the Company's crucial confidential information will not be leaked.

3. Information security concrete management programs

- (1) Account and permissions management: Account access management are conducted according to job functions; passwords are updated mandatorily every three months.
- (2) Establish the operation maintenance drill plan.
- (3) Participate in the "ISO 27001 Information Security Management System Risk Evaluation" organized by the Information Service Industry Association of R.O.C. and BSI.
- (4) With regard to the protection of the Company's essential core system data, in addition to the regular backup and remote redundancy system, the Company further arranges system data recovery tests in order to ensure the availability and integrity of backup data. In 2023, one time of data recovery verification was completed.
- (5) Subscribe and plan the participation in the Taiwan Computer Emergency Response Team & Coordination Center (TWCERT/CC) in order to obtain the latest information security important information, information threats and technology updates at all time, thus facilitating the establishment of relevant strategies and reducing information security risk.
- (6) Continue to provide information security education and training, raise awareness of information security from time to time, and increase employees' knowledge of information security. A social engineering drill was completed in 2023 to strengthen employees' cyber security awareness.
- (7) Continue to discuss information security measure review and improvement.

4. Invest resources in the information security management.

- (1) The Company continues to invest resources in the management of cyber security. Investment matters include improving the governance and technical information security infrastructure, strengthening information security defense equipment and education and training courses, executing security updates on a regular basis, and strengthening the information security of each employee. The Company also uses the internal bulletin board to promote high level cyber security awareness to each employee.
- (2) Introduce high availability framework for core router and core data, such that network service or business interruption can be effectively reduced.
- (3) Advanced firewall technology is adopted to avoid external attacks; network firewall and control is strengthened to prevent viruses or worms from spreading across the network.
- (4) Endpoint anti-virus measures are established, virus and malware prevention protection is conducted regularly; computer peripheral control is set up and cannot be used without approval.

- (5)An application firewall mechanism is adopted to avoid information security loopholes caused by business-to-business (B2B) applications; the application management and control mechanism is strengthened continuously.
 - (6)An intrusion detection and defense mechanism is adopted to avoid continuous external malicious attacks; the intrusion detection and defense mechanism continue is strengthened continuously.
 - (7)For important mainframes, 24-hour information security monitoring mechanism is implemented in order to protect important information. In case of discovery of any vulnerability, it is corrected immediately, and potential risk condition is monitored.
 - (8)Passed ISO27001:2022 certification at the end of February, 2024 and obtained the certificate.
- (II)For the most recent two years and up to the printing date of the annual report, the loss due to major cyber security events, possible impacts and countermeasures: The Company has established information security protection measures, and no material information security incidents occurred.

VII.Important Contracts

Type of contract	Counterparty	Period	Main content	Restricted clauses
R&D and supply contract/ intellectual property rights contract/ R&D and supply contract supplemental agreement	Loveland Products Canada Inc.	From December 2, 2014 to June 1, 2024 (automatic renewal for one year upon expiration of contract term) (Note 1)	1. LPC entrusts CH Biotech to perform research and development, and enjoys the right of first refusal. 2. After obtaining the Company's products, no intellectual property rights related to any products shall be disclosed.	1. LPC owns the right of first refusal for commercialization and sales of new products of CH Biotech. When a new product is ready for market release, LPC has the right to inspect and test the new product in priority. Upon or before the end of the test stage, LPC shall have the priority right to determine whether to commercialize and sell the new products of CH Biotech. If LPC decides to exercise the priority right on the commercialization and sales of new product of CH Biotech, and LPC selects a third party to manufacture the product, then the third party selection shall be agreed by CH Biotech in advance, and the intellectual property rights contract terms shall be applied to the rights and obligations of both parties. 2. If LPC decides to exercise the priority right on the commercialization and sales of a new product of CH Biotech, and LPC selects CH Biotech to manufacture the product, then the Supply Agreement signed by CH Biotech with LPC on April 23, 2014 shall be applicable to the rights and obligations of both parties (however, CH Biotech signed the Master Purchase and Supply Agreement with Loveland Products, Inc. on April 23, 2014 only). 3. For the new product of CH Biotech that LPC decides to exercise the priority right on the commercialization and sales, CH Biotech agrees to license LPC the exclusive, global, irrevocable authorization with royalty, and the authorization content includes: (a) Sales, distribution and commercialization of the new product; (b) Upon obtaining the prior consent of CH Biotech, the new product can be manufactured; (c) Under obtaining the prior consent of CH Biotech, the technologies associated with the new product can be used, developed and executed, including necessary technologies for manufacturing the new product (hereinafter referred to as "Developed Technology") (collectively referred to as "LPC Grant"). CH Biotech also entrusts and authorizes LPC to register the

Type of contract	Counterparty	Period	Main content	Restricted clauses
				aforementioned license items with Taiwan Intellectual Property Office or relevant competent authority, and to perform relevant procedures with other relevant registration agency and competent authority under the name of CH Biotech. For the LPC Grant of Developed Technology licensed under the prior consent of CH Biotech, it refers to an exclusive license globally. However, if LPC fails to commercialize the Developed Technology or the new product in any one country within three years (starting from the priority date when LPC informs CH Biotech of the decision on the commercialization and sales of the new product of CH Biotech), then CH Biotech may change the exclusive license to non-exclusive license for such country. 4. CH Biotech agrees that in comparison to other R&D projects of the Company, the R&D projects provided by LPC to CH Biotech enjoy the priority. The contract duration is five years. In case of major breach by any one party, or one party informs in writing 90 days in advance, the contract is terminated. 5. According to the intellectual property rights contract, if LPC decides to exercise the priority right on the commercialization and sales of the new product of CH Biotech, for which LPC agrees to not assign, license or transfer the intellectual property of the new product and intellectual property rights derived therefrom to any third party. For the Developed Technology and the new product for exercise of priority right, LPC enjoys the rights to independently and exclusively control all marketing, distribution and commercialization decisions and activities, and LPC may also sell the new product with its brand name. In addition, for the new product that LPC may exercise the priority right, LPC shall be responsible for obtaining all necessary product permit certificates in the U.S. and other countries selected by LPC for the marketing and sales of the new product.
Land lease	Management Bureau of Central	2016/05/18–2035/12/31	Leased land in Chung Hsing Park from the	No subletting, no change of use, or use in violation of laws. In case of potential sublease, the Company shall report to

Type of contract	Counterparty	Period	Main content	Restricted clauses
	Taiwan Science Park		Management Bureau of Central Taiwan Science Park	the Central Taiwan Science Park in advance, and the lessee is limited to businesses approved by the Central Taiwan Science Park.
Financing contract	O-Bank and other banks (Note 2)	1 - 7 years	Financing contract	None
Manufacturing Agreement	Subsidiary CH BIOTECH, LLC.	December 29, 2017 (Note 3)	Entrust subsidiaries to process and manufacture products.	None

Note 1: If neither party terminates the contract by written notice 90 days before the contract expires, the contract will be automatically extended for one year annually.

Note 2: Including O-Bank, Shin Kong Bank, EnTie Bank, Yuanta Bank, CTBC Bank, Far Eastern Int'l Bank, Citibank Taiwan, Cathay United Bank, China Bills Finance, and so on.

Note 3: Since the signing date, if neither parties has proposed to terminate the contract, the contract will be automatically extended.

Six. Financial Overview

I. Overview of the Financial Data for the Most Recent Five Fiscal Years

(I) Condensed balance sheet and statement of comprehensive income: adopts IFRS

1. Condensed Balance Sheet

(1) Consolidated financial report

Unit: NT\$ thousand

Item	Year	Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Current assets		413,257	442,002	654,529	803,685	1,235,428
Investment under equity method		—	—	—	—	29,355
Property, plant, and equipment		2,099,050	2,103,730	2,089,612	2,108,626	2,104,290
Intangible assets		13,024	10,803	7,842	8,272	6,165
Other assets		265,860	322,731	276,757	274,692	273,972
Total assets		2,791,191	2,879,266	3,028,740	3,195,275	3,649,210
Current liability	Before distribution	378,871	449,555	528,843	467,521	882,324
	After distribution	467,311	491,765	655,473	844,203	1,199,976
Non-current liabilities		934,141	949,827	776,690	640,076	246,738
Total liabilities	Before distribution	1,313,012	1,399,382	1,305,533	1,107,597	1,129,062
	After distribution	1,401,452	1,441,592	1,432,163	1,484,279	1,446,714
Attributable to owners of the parent company		—	—	—	—	—
Share capital		804,000	844,200	844,200	970,830	1,028,000
Capital reserve		331,316	331,316	331,316	331,316	717,644
Retained earnings	Before distribution	349,395	320,917	570,206	782,370	771,204
	After distribution	220,755	278,707	316,946	405,688	453,552
Other equity		(6,532)	(16,549)	(22,515)	3,162	3,300
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	1,478,179	1,479,884	1,723,207	2,087,678	2,520,148
	After distribution	1,389,739	1,437,674	1,596,577	1,710,996	2,202,496

Note: The financial information in the aforementioned fiscal years has been audited by CPAs.

(2) Individual financial report

Unit: NT\$ thousand

Unit: NT\$ thousand

Year Item		Financial analysis for the most recent five years				
		2019	2020	2021	2022	2023
Current assets		412,629	434,573	655,226	814,027	1,234,521
Investment under equity method		200,883	212,161	231,338	283,988	315,036
Property, plant, and equipment		1,815,100	1,844,429	1,832,627	1,833,426	1,827,384
Intangible assets		10,573	8,352	5,391	5,821	3,714
Other assets		265,645	322,528	276,559	266,234	268,909
Total assets		2,704,830	2,822,043	3,001,141	3,203,496	3,649,564
Current liability	Before distribution	358,265	432,185	518,821	477,207	884,256
	After distribution	446,705	432,185	645,451	853,889	1,201,908
Non-current liability		868,386	909,974	759,113	638,611	245,160
Total liability	Before distribution	1,226,651	1,342,159	1,277,934	1,115,818	1,129,416
	After distribution	1,315,091	1,342,159	1,404,564	1,492,500	1,447,068
Share capital		804,000	844,200	844,200	970,830	1,028,000
Capital reserve		331,316	331,316	331,316	331,316	717,644
Retained earnings	Before distribution	349,395	320,917	570,206	782,370	771,204
	After distribution	220,755	320,917	316,946	405,688	453,552
Other equity		(6,532)	(16,549)	(22,515)	3,162	3,300
Treasury stock		—	—	—	—	—
Total equity	Before distribution	1,478,179	1,479,884	1,723,207	2,087,678	2,520,148
	After distribution	1,389,739	1,437,674	1,596,577	1,710,996	2,202,496

Note: The financial information in the aforementioned fiscal years has been audited by CPAs.

2. Condensed Statement of Comprehensive Income

(1) Consolidated financial report

Unit: NT\$ thousand

Item \ Year	Financial analysis for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	840,680	702,189	1,018,505	1,434,115	1,514,829
Operation gross profit	697,121	590,007	847,947	1,134,592	1,260,096
Operating gains and losses	257,833	145,074	359,268	511,055	565,860
Non-operating revenues and expenses	(15,576)	(17,680)	382	54,742	13,074
Net profit before tax	242,257	127,394	359,650	565,797	578,934
Net income from continuing operations of the current period	190,465	100,162	291,499	465,423	463,291
Loss on discontinued operations	—	—	—	—	—
Current net profits	190,465	100,162	291,499	465,423	463,291
Other comprehensive income for the current period (net amount after tax)	(4,494)	(10,017)	(5,966)	25,678	(554)
Total comprehensive income for the period	185,971	90,145	285,533	491,101	462,737
Income attributable to owners of the parent company	190,465	100,162	291,499	465,423	463,291
Income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of the parent company	185,971	90,145	285,533	491,101	462,737
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (Note 2)	2.26	1.19	3.00	4.79	4.76

Note 1: The financial information in the aforementioned fiscal years has been audited by CPAs.

Note 2: Earnings per share are calculated as net profit after-tax divided by weighted average of outstanding ordinary shares.

(2) Individual financial report

Unit: NT\$ thousand

Item \ Year	Financial analysis for the most recent five years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	840,680	702,189	1,018,505	1,434,115	1,514,829
Operation gross profit	623,713	523,498	747,766	1,030,237	1,160,616
Operating gains and losses	267,618	155,905	339,011	496,034	568,673
Non-operating revenues and expenses	(25,361)	(28,511)	18,029	66,955	12,339
Net profit before tax	242,257	127,394	357,040	562,989	581,012
Net income from continuing operations of the current period	190,465	100,162	291,499	465,423	463,291
Loss on discontinued operations	—	—	—	—	—
Current net profits	190,465	100,162	291,499	465,423	463,291
Other comprehensive income for the current period (net amount after tax)	(4,494)	(10,017)	(5,966)	25,678	(554)
Total comprehensive income for the period	185,971	90,145	285,533	491,101	462,737
Earnings per share (Note 2)	2.26	1.19	3.00	4.79	4.76

Note 1: The financial information in the aforementioned fiscal years has been audited by CPAs.

Note 2: Earnings per share are calculated as net profit after-tax divided by weighted average of outstanding ordinary shares.

(II) Matters of material significance which affected the comparability of the above-mentioned condensed financial statements, such as accounting changes, corporate mergers or suspension of work in the operating departments, and the impact of these events on the then current financial reports: None.

(III) The names and auditor's opinions of the attesting CPA for the most recent five years. Except for those audited reports with an unqualified opinion, the contents of the opinion shall be fully described:

Year	Accounting Firm	Name of CPA	Opinion
2019	KPMG Taiwan	Tzu-Hsin, Chang and Shyhhuar, Kuo	Unqualified opinion
2020	KPMG Taiwan	Shyhhuar, Kuo and Chun-Yuan Wu	Unqualified opinion
2021	KPMG Taiwan	Shyhhuar, Kuo and Chun-Yuan Wu	Unqualified opinion
2022	KPMG Taiwan	Shyhhuar, Kuo and Chun-Yuan Wu	Unqualified opinion
2023	KPMG Taiwan	Shyhhuar, Kuo and Tzu-Hsin Chang	Unqualified opinion

II. Financial Analysis for the Most Recent Five Fiscal Years

(I) Financial analysis - adopts IFRS (consolidated)

Analysis items \ Year		Financial analysis for the most recent five fiscal years				
		2019	2020	2021	2022	2023
Financial Structure	Debt-asset ratio (%)	47.04	48.60	43.10	34.66	30.94
	Long-term fund to property, plant and equipment (%)	114.92	115.50	119.63	129.36	131.49
Solvency Analysis	Current ratio (%)	109.08	98.32	123.77	171.90	140.02
	Quick ratio (%)	89.21	86.16	98.05	131.21	124.40
	Times interest earned	12.19	6.60	26.88	34.66	35.44
Operating performance	Account receivable turnover (times)	16.93	20.64	10.31	14.75	21.73
	Average collection days	21.55	17.68	35.40	24.74	16.79
	Inventory turnover (times)	2.46	2.59	2.42	2.14	1.72
	Account payable turnover (times)	25.73	24.54	12.41	19.75	27.00
	Average inventory turnover days	148.37	140.92	150.82	170.56	212.20
	Rate of property, plant buildings and equipment turnover (times)	0.41	0.33	0.49	0.68	0.72
	Total asset turnover (times)	0.31	0.25	0.34	0.46	0.44
Profitability	Return on assets (%)	7.67	4.17	10.24	15.39	13.93
	Return on equity (%)	13.46	6.77	18.20	24.43	20.11
	Income before tax as a percentage of paid-in capital (%)	30.13	15.09	42.60	58.28	56.32
	Net profit margin (%)	22.66	14.26	28.62	32.45	30.58
	Earnings per share (NT\$)	2.26	1.19	3.00	4.79	4.76
Cash flows	Cash flow ratio (%)	80.62	51.81	49.99	149.50	74.71
	Cash flow adequacy ratio (%)	57.73	56.93	65.84	116.95	145.36
	Cash re-investment ratio (%)	10.36	6.01	8.66	19.67	6.02
Leverage	Operating leverage	1.76	2.55	1.67	1.58	1.63
	Financial leverage	1.09	1.19	1.04	1.03	1.03
Please describe the reasons for the changes in the financial ratios over the last two years. (No analysis may be conducted in case of increase/decrease change below 20%)						
(1) Operating performance: The change in the current period is mainly due to the smooth collection of accounts receivable, the increase in the turnover rate of accounts receivable, and the shortening of the average collection days. The Company's main market is the northern hemisphere market, and the low and high seasons result in a slightly lower number of inventory turnover. Average inventory turnover days were slightly longer. In addition, in order to control operating costs, the payment due date has been shortened, and a purchase discount has been obtained, which has made the payables turnover increased.						
(2) Cash flow: The change in this period is mainly due to the prepayment of long-term bank borrowings in 2024, which is transferred to current liabilities, and the amount of cash dividends paid in this period has increased from the previous year, and the comprehensive cash flow ratio and cash investment ratio have decreased accordingly. The cash flow adequacy ratio increased.						

Note: formulas for financial ratios:

1. Financial Structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses

3. Operating ability

- (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover rate = Cost of sales / Average inventory
- (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
- (5) Average inventory turnover days = 365 / Inventory turnover
- (6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
- (7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

- (1) Asset return ratio = [Profit or loss after tax + Interest expenses $\times$ (1 - Tax rate)] / Average total assets
- (2) Equity return ratio = Profit or loss after tax / Average total equity
- (3) Profit before tax to capital stock = Net profit before tax / paid-in capital
- (4) Net profit margin = Profit or loss after tax / Net sales
- (5) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued

5. Cash flow

- (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
- (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

(II) Financial analysis - adopts IFRS (individual)

Analysis items \ Year		Financial analysis for the most recent five fiscal years				
		2019	2020	2021	2022	2023
Financial Structure	Debt-asset ratio (%)	45.35	47.56	42.58	34.83	30.95
	Long-term fund to property, plant and equipment (%)	129.28	129.57	135.45	148.70	151.33
Solvency Analysis	Current ratio (%)	115.17	100.55	126.29	170.58	139.61
	Quick ratio (%)	92.45	88.21	97.43	126.63	123.32
	Times interest earned	16.41	7.53	30.79	36.75	36.15
Operating performance	Account receivable turnover (times)	16.97	20.64	10.31	14.75	21.73
	Average collection days	21.51	17.68	35.40	24.74	16.79
	Inventory turnover (times)	3.66	3.97	3.43	2.57	2.19
	Account payable turnover (times)	33.29	33.46	18.38	24.09	29.84
	Average inventory turnover days	99.73	91.94	106.41	142.02	166.66
	Rate of property, plant buildings and equipment turnover (times)	0.47	0.38	0.55	0.78	0.83
	Total asset turnover (times)	0.32	0.25	0.35	0.46	0.44
Profitability	Return on assets (%)	7.77	4.19	10.34	15.41	13.91
	Return on equity (%)	13.46	6.77	18.20	24.43	20.11
	Income before tax as a percentage of paid-in capital (%)	30.13	15.09	42.29	57.99	56.52
	Net profit margin (%)	22.66	14.26	28.62	32.45	30.58
	Earnings per share (NT\$)	2.26	1.19	3.00	4.79	4.76
Cash flows	Cash flow ratio (%)	82.91	54.25	42.74	139.49	73.15
	Cash flow adequacy ratio (%)	62.31	66.57	64.01	112.49	141.19
	Cash re-investment ratio (%)	10.58	6.37	7.27	19.14	5.82
Leverage	Operating leverage	1.59	2.26	1.62	1.52	1.54
	Financial leverage	1.06	1.14	1.04	1.03	1.03
Please describe the reasons for the changes in the financial ratios over the last two years. (No analysis may be conducted in case of increase/decrease change below 20%).						
(1) Operating performance: The change in the current period is mainly due to the smooth collection of accounts receivable, the increase in the turnover rate of accounts receivable, and the shortening of the average collection days. The Company's main market is the northern hemisphere market, and the low and high seasons result in a slightly lower number of inventory turnover. The average sales days were slightly longer. In addition, in order to control operating costs, the payment due date has been shortened, and a purchase discount has been obtained, which has made the payables turnover increased.						
(2) Cash flow: The change in this period is mainly due to the prepayment of long-term bank borrowings in 2024, which is transferred to current liabilities, and the amount of cash dividends paid in this period has increased from the previous year, and the comprehensive cash flow ratio and cash investment ratio have decreased accordingly. The cash flow adequacy ratio increased.						

Note: formulas for financial ratios:

1. Financial Structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant, and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Times interest earned ratio = Earnings before interest and taxes / Interest expenses

3. Operating ability

- (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales / Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover rate = Cost of sales / Average inventory
- (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales / Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)
- (5) Average inventory turnover days = 365 / Inventory turnover
- (6) Turnover rate for property, plant and equipment = Net sales / Average net property, plant, and equipment
- (7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

- (1) Asset return ratio = [Profit or loss after tax + Interest expenses $\times$ (1 - Tax rate)] / Average total assets
- (2) Equity return ratio = Profit or loss after tax / Average total equity
- (3) Profit before tax to capital stock = Net profit before tax / paid-in capital
- (4) Net profit margin = Profit or loss after tax / Net sales
- (5) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued

5. Cash flow

- (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities
- (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)

6. Leverage

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

III. Audit Committee's Review Report on the 2023 Financial Statements

Audit Committee's Review Report

The business report, financial statements, and proposal of distribution of surplus profit for 2023 have been submitted by the Board of Directors, and financial statements for 2023 have been audited by Shyhhuar, Kuo, and Yu-Xin, Zhang, certified public accountants of KPMG, to issue an Independent Auditors' Report. The business report, financial statements, and proposal for the distribution of surplus profit for 2023 have been reviewed by the Audit Committee, and the Committee believes that the content and information are consistent with the Company's actual operating performance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please proceed to review.

To

The 2024 Annual Shareholders' Meeting

CH BIOTECH R&D CO., LTD.

Convenor of the Audit Committee Independent Director Kuo Chien Chung

Member of the Audit Committee Independent Director Por Hsiung Lai

Member of the Audit Committee Independent Director Yong-Xiang Chiu

February 27th, 2024

IV.Consolidated Financial Statements for the Most Recent Fiscal Year, Audited by CPAs with Notes

Representation Letter

The entities that are required to be included in the combined financial statements of CH BIOTECH R&D 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CH BIOTECH R&D CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CH BIOTECH R&D CO., LTD.

Chairman: Cheng-Pang, Wu

Date: February 27, 2024.

Independent Auditors' Report

To the Board of Directors of CH BIOTECH R&D CO., LTD.:

Opinion

We have audited the consolidated financial statements of CH BIOTECH R&D CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) "Revenue" and Note 6(r) "Revenue from contracts with customers" for accounting policies and related disclosures for revenue valuation.

Description of key audit matter:

Revenue recognition is one of the key judgmental areas for our audit. CH BIOTECH R&D CO., LTD., is a listed company at Taiwan Innovation Board. In order to meet the expectations of investors, the Group is responsible for maintaining its operating income and stabilizing its profit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include testing the design and operating effectiveness of sales and receivables control; reading significant contracts to assess whether appropriate revenue recognition policies are applied in accordance with accounting standards; understanding the product sales of top ten customers by comparing them with those of last year's to assess whether or not there are abnormalities; testing the sales transaction every year end, checking the documents to assess the correctness of the revenue recognition period; checking whether there are unusual revenue in the period, and understanding whether there is a major return after the period.

2. Accounts Receivable Valuation

Please refer to Note 4(g), Note 5, and Note 6(b) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivable valuation.

Description of key audit matter:

The Group's accounts receivable are concentrated within certain customers with trade terms of 30 to 90 days after the shipping date, wherein the determination of allowance for accounts receivable contains the management's subjective judgment. Therefore, the valuation of accounts receivable is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include testing the Group's control over its receivables collection processes and considering the receipt on cash after the year-end; analyzing the historical data and aging of accounts receivable from the Group's previous collections experience to assess the adequacy of allowance for bad debts.

Other Matter

CH BIOTECH R&D CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the 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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo, Shyh-Huar and Chang, Tzu-Hsin.

KPMG

Taipei, Taiwan (Republic of China)
February 27, 2024

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (Note 6(a))	\$ 939,930	26	530,024	17	2100		120,000	4
1170 Accounts receivable, net (Note 6(b))	37,515	1	9,769	-	2130		296	-
1180 Accounts receivable from related parties, net (Note 6(b) and 7)	68,555	2	23,533	1	2170		9,615	-
1200 Other receivables (Note 6(c))	-	-	461	-	2200		147,198	4
1210 Other receivables from related parties (Note 6(c) and 7)	3	-	27	-	2220		498	-
130X Inventories (Note 6(d))	119,209	3	177,259	6	2230		76,023	2
1470 Other current assets (Note 6(i))	70,216	2	62,612	2	2280		28,180	1
Total current assets	<u>1,235,428</u>	<u>34</u>	<u>803,685</u>	<u>26</u>	<u>2300</u>		<u>1,842</u>	<u>-</u>
Non-current assets:								
1550 Investments accounted for using equity method (note 6(e))	29,355	1	-	-	2320		385,600	11
1600 Property, plant and equipment (Note 6(f) and 8)	2,104,290	58	2,108,626	66			882,324	24
1755 Right-of-use assets (Note 6(g))	256,392	7	256,611	8	2540		-	-
1780 Intangible assets (Note 6(h))	6,165	-	8,272	-	2570		-	-
1840 Deferred income tax assets (Note 6(n))	3,211	-	2,001	-	2580		241,381	7
1920 Refundable deposits	6,326	-	6,490	-	2640		5,357	-
1990 Other non-current assets	8,043	-	9,590	-			246,738	7
Total non-current assets	<u>2,413,782</u>	<u>66</u>	<u>2,391,590</u>	<u>74</u>			<u>1,129,062</u>	<u>31</u>
Total assets	<u>\$ 3,649,210</u>	<u>100</u>	<u>\$ 3,195,275</u>	<u>100</u>			<u>\$ 3,649,210</u>	<u>100</u>
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (Note 6(j))								
Current contract liabilities (Note 6(r))								
Accounts payable								
Other payables								
Other payables to related parties (Note 7)								
Current tax liabilities								
Current lease liabilities (Note 6(l))								
Other current liabilities								
Long-term borrowings, current portion (Note 6(k) and 8)								
Total current liabilities								
Non-current liabilities:								
Long-term borrowings (Note 6(k) and 8)								
Deferred tax liabilities (Note 6(n))								
Non-current lease liabilities (Note 6(l))								
Net defined benefit liability (Note 6(m))								
Total non-current liabilities								
Total liabilities								
Equity attributable to owners of parent:								
Equity (Note 6(o)):								
Common stock								
Capital surplus								
Retained earnings								
Other equity								
Total equity								
Total liabilities and equity								

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars , except for earnings per share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(r) and 7)	\$ 1,514,829	100	1,434,115	100
5000	Operating costs (Note 6 (d) 、(p) 、(s) and 7)	<u>254,733</u>	<u>17</u>	<u>299,523</u>	<u>21</u>
	Gross profit from operations	<u>1,260,096</u>	<u>83</u>	<u>1,134,592</u>	<u>79</u>
	Operating expenses (Note 6(l) 、(m) 、(p) 、(s) and 7):				
6100	Selling expenses	96,748	7	85,500	6
6200	Administrative expenses	292,253	19	265,623	18
6300	Research and development expenses	<u>305,235</u>	<u>20</u>	<u>272,414</u>	<u>19</u>
		<u>694,236</u>	<u>46</u>	<u>623,537</u>	<u>43</u>
	Net operating income	<u>565,860</u>	<u>37</u>	<u>511,055</u>	<u>36</u>
	Non-operating income and expenses (Note 6(t) and 7)				
7100	Interest income	17,222	1	5,123	-
7010	Other income	4,496	-	3,945	-
7020	Other gains and losses	8,211	1	62,484	4
7050	Finance costs (Note 6(l))	(16,810)	(1)	(16,810)	(1)
7060	Share of profit of associates accounted for using equity method (Note 6(e))	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>13,074</u>	<u>1</u>	<u>54,742</u>	<u>3</u>
7900	Profit before income tax	578,934	38	565,797	39
7950	Less: income tax expenses (Note 6(n))	<u>115,643</u>	<u>7</u>	<u>100,374</u>	<u>7</u>
8200	Profit	<u>463,291</u>	<u>31</u>	<u>465,423</u>	<u>32</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans	(692)	-	1	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(692)</u>	<u>-</u>	<u>1</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	138	-	25,677	2
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (after tax)	<u>(554)</u>	<u>-</u>	<u>25,678</u>	<u>2</u>
8500	Comprehensive income	<u>\$ 462,737</u>	<u>31</u>	<u>491,101</u>	<u>34</u>
	Profit attributable to:				
8610	Owners of parent	<u>\$ 463,291</u>	<u>31</u>	<u>465,423</u>	<u>32</u>
	Comprehensive income attributable to:				
8710	Owners of parent	<u>\$ 462,737</u>	<u>31</u>	<u>491,101</u>	<u>34</u>
	Earnings per share (Note 6(q))				
9750	Basic earnings per share (NT dollars)	<u>\$ 4.76</u>		<u>4.79</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 4.73</u>		<u>4.72</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022
(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							
	Retained earnings					Total	Exchange differences on translation of foreign financial statements	Total equity
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			
Balance at January 1, 2022	\$ 844,200	331,316	143,355	16,550	410,301	570,206	(22,515)	1,723,207
Profit for the period	-	-	-	-	465,423	465,423	-	465,423
Other comprehensive income for the period	-	-	-	-	1	1	25,677	25,678
Total comprehensive income for the period	-	-	-	-	465,424	465,424	25,677	491,101
Appropriation and distribution of retained earnings:								
Legal reserves	-	-	29,150	-	(29,150)	-	-	-
Special reserve	-	-	-	5,965	(5,965)	-	-	-
Cash dividends on common stock	-	-	-	-	(126,630)	(126,630)	-	(126,630)
Stock dividends	126,630	-	-	-	(126,630)	(126,630)	-	-
Balance at December 31, 2022	\$ 970,830	331,316	172,505	22,515	587,350	782,370	3,162	2,087,678
Balance at January 1, 2023	\$ 970,830	331,316	172,505	22,515	587,350	782,370	3,162	2,087,678
Profit for the period	-	-	-	-	463,291	463,291	-	463,291
Other comprehensive income for the period	-	-	-	-	(692)	(692)	138	(554)
Total comprehensive income for the period	-	-	-	-	462,599	462,599	138	462,737
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	104,828	-	(104,828)	-	-	-
Special reserve	-	-	-	(22,515)	22,515	-	-	-
Cash dividends on common stock	-	-	-	-	(473,765)	(473,765)	-	(473,765)
Capital increase by cash	57,170	385,087	-	-	-	-	-	442,257
Share-based payment transactions	-	1,241	-	-	-	-	-	1,241
Balance at December 31, 2023	\$ 1,028,000	717,644	277,333	-	493,871	771,204	3,300	2,520,148

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 578,934	565,797
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	162,663	136,854
Amortization expense	3,149	2,829
Interest expense	16,810	16,810
Interest revenue	(17,222)	(5,123)
Share-based payment transactions	1,241	-
Share of loss of associates accounted for using equity method	45	-
Gain from disposal of property, plant and equipment	(1,074)	(565)
Allowance for inventory valuation and obsolescence loss	5,087	2,211
Others	37	-
Total adjustments to reconcile profit	170,736	153,016
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in accounts receivable (including from related parties)	(72,768)	127,835
Decrease (increase) in other receivables (including from related parties)	485	(479)
Decrease (increase) in inventories	52,963	(76,484)
Decrease in prepayment for purchases	-	22,024
Increase in other operating assets	(7,923)	(4,572)
Total changes in operating assets	(27,243)	68,324
Changes in operating liabilities:		
Decrease in accounts payable (including from related parties)	(358)	(11,094)
Increase in other payables (including from related parties)	14,007	19,897
Increase (decrease) in contract liability	170	(51)
Increase in net defined benefit liability	408	4,258
(Decrease) increase in other operating liabilities	(1,126)	65
Total changes in operating liabilities	13,101	13,075
Total changes in operating assets and liabilities	(14,142)	81,399
Total adjustments	156,594	234,415
Cash inflow generated from operations	735,528	800,212
Interest received	17,222	5,123
Interest paid	(17,412)	(16,188)
Income taxes paid	(76,184)	(90,181)
Net cash flows from operating activities	659,154	698,966
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(29,400)	-
Acquisition of property, plant and equipment	(105,585)	(104,320)
Proceeds from disposal of property, plant and equipment	2,610	1,230
Decrease (increase) in refundable deposits	164	(841)
Acquisition of intangible assets	(1,042)	(3,259)
Acquisition of right-of-use assets	(1,543)	(464)
Increase in prepayments for equipment	(8,097)	(9,570)
Net cash flows used in investing activities	(142,893)	(117,224)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	390,000	420,000
Decrease in short-term borrowings	(320,000)	(488,000)
Increase in short-term notes and bills payable	90,000	30,000
Decrease in short-term notes and bills payable	(90,000)	(30,000)
Proceeds from long-term borrowings	475,600	595,600
Repayments of long-term borrowings	(595,600)	(756,940)
Payment of lease liabilities	(25,092)	(19,403)
Cash dividends paid	(473,765)	(126,630)
Capital increase by cash	442,257	-
Net cash flows used in financing activities	(106,600)	(375,373)
Effect of exchange rate changes	245	2,642
Net increase in cash and cash equivalents	409,906	209,011
Cash and cash equivalents at beginning of period	530,024	321,013
Cash and cash equivalents at end of period	\$ 939,930	530,024

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

CH BIOTECH R&D CO., LTD. (the “Company”) was incorporated in November 29, 2013 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The registered address is No. 89, Wenxian Rd., Nantou City, Nantou County 540, Taiwan (R.O.C.). The major business activities of the Company and subsidiaries (together referred to as the “Group”) are the manufacture and sales of fertilizer, as well as providing biotechnology services.

The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) in December 21, 2023.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

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

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- (b) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
The Company	CH BIOTECH, LLC.	Process of plant growth regulator	100 %	100 %

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) **Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, guarantee deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than a year past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers its time deposits to have low credit risk when its transaction parties and compliance parties are financial institutions with equivalent or higher investment grade.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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Notes to Consolidated Financial Statements

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than a year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Based on its experience, there have been no corporate customer recoveries after a year.

3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | |
|----------------------------|------------|
| 1) Buildings and structure | 3~50 years |
| 2) Machinery equipment | 5 years |
| 3) Testing equipment | 2~10 years |
| 4) Other facilities | 2~25 years |

The buildings and structure constitute mainly of building, electromechanical power equipment, and laboratory construction. Each such part is depreciated based on its useful life of 50 years and 25 years, respectively.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory that have a lease term of 12 months or less and leases of low-value assets, including other sporadic leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For the operating lease, the Group recognizes the received lease payments associated with these leases as a rent revenue on a straight-line basis over the lease term.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Franchise 10~18years
- Computer software cost 3~7years
- Trademarks 6~10years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) **Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells fertilizers and plant growth regulator to its customers. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(q) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation. If retained earnings and capital surplus are transferred to common stock, the Company's basic and diluted earnings per share will be calculated retrospectively.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the loss allowance of accounts receivable. The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(b).

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(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	\$ 574	311
Demand deposits	750,520	183,611
Time deposits	188,836	346,102
Cash and cash equivalents in the consolidated statement of cash flows	\$ 939,930	530,024

Please refer to note 6(u) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Accounts receivable (Including from related parties)

	December 31, 2023	December 31, 2022
Accounts receivable—measured as amortized cost	\$ 37,515	9,769
Accounts receivable—related parties—measured as amortized cost	68,555	23,533
Less: Loss allowance	-	-
	\$ 106,070	33,302

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable (including from related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 105,723	- %	-
Overdue less than 90 days	347	- %	-
Total	\$ 106,070		-

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	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 31,700	- %	-
Overdue less than 90 days	1,602	- %	-
Total	<u><u>\$ 33,302</u></u>		<u><u>-</u></u>

As of December 31, 2023 and 2022, the Group did not provide any accounts receivable (including from related parties) as collaterals for its loans.

For further credit risk information, please refers to note 6(u).

(c) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ -	461
Other receivables from related parties	3	27
Less: Loss allowance	-	-
	<u><u>\$ 3</u></u>	<u><u>488</u></u>

For further credit risk information, please refers to note 6(u).

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 105,829	130,920
Semi-finished goods	266	258
Finished goods	13,114	46,081
	<u><u>\$ 119,209</u></u>	<u><u>177,259</u></u>

For the year ended December 31, 2023 and 2022, raw material, semi-finished goods, and changes in finished goods recognized as cost of goods sold amounted to \$254,733 thousand and \$299,523 thousand, respectively.

The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to \$4,497 thousand and \$1,869 thousand for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Group did not provide any inventories as collaterals for its loans.

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(e) Investments accounted for using equity method

A summary of the Group's financial information for investments, accounted for using equity method at the reporting date, is as follows:

	December 31, 2023
Associates	\$ <u>29,355</u>

(i) Associates

The Group participated in the cash capital increase of QIN HAN R&D Co., LTD. (QHR) in November 2023, at an investment amount of \$29,400 thousand, and acquired 49% shareholding of QHR, with the remaining shares concentrated in specific shareholder, resulting in the Group to obtain less than half of the seats on QHR board, which led the Group to have no control over QHR.

The Group's financial information for investments accounted for using the equity method, that are individually insignificant, was as follows:

	<u>2023</u>
Attributable to the Group:	
Loss	\$ <u>(45)</u>

(ii) Guarantee

As of December 31, 2023, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Testing equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 143,257	1,864,303	40,600	116,715	319,017	73,280	2,557,172
Additions	-	3,721	10,311	29,952	27,966	52,426	124,376
Disposals	-	-	(152)	-	(7,821)	-	(7,973)
Reclassification	-	37,306	4,930	11,529	23,345	(65,207)	11,903
Effect of movements in exchange rates	(14)	(42)	(236)	-	(11)	-	(303)
Balance at December 31, 2023	<u>\$ 143,243</u>	<u>1,905,288</u>	<u>55,453</u>	<u>158,196</u>	<u>362,496</u>	<u>60,499</u>	<u>2,685,175</u>
Balance at January 1, 2022	\$ 109,811	1,448,274	38,527	108,537	211,590	508,856	2,425,595
Additions	24,737	33,092	3,654	5,011	13,917	29,439	109,850
Disposals	-	-	(5,970)	(655)	(5,826)	-	(12,451)
Reclassification	-	361,390	-	3,822	98,694	(465,015)	(1,109)
Effect of movements in exchange rates	8,709	21,547	4,389	-	642	-	35,287
Balance at December 31, 2022	<u>\$ 143,257</u>	<u>1,864,303</u>	<u>40,600</u>	<u>116,715</u>	<u>319,017</u>	<u>73,280</u>	<u>2,557,172</u>
Depreciation:							
Balance at January 1, 2023	\$ -	227,510	28,587	75,476	116,973	-	448,546
Depreciation for the year	-	79,875	4,832	11,819	39,110	-	135,636
Disposals	-	-	(118)	-	(6,319)	-	(6,437)
Reclassification	-	-	-	-	3,369	-	3,369
Effect of movements in exchange rates	-	(133)	(76)	-	(20)	-	(229)
Balance at December 31, 2023	<u>\$ -</u>	<u>307,252</u>	<u>33,225</u>	<u>87,295</u>	<u>153,113</u>	<u>-</u>	<u>580,885</u>
Balance at January 1, 2022	\$ -	156,076	27,287	66,434	86,186	-	335,983
Depreciation for the year	-	65,839	4,277	9,697	35,541	-	115,354
Disposals	-	-	(5,970)	(655)	(5,161)	-	(11,786)
Effect of movements in exchange rates	-	5,595	2,993	-	407	-	8,995
Balance at December 31, 2022	<u>\$ -</u>	<u>227,510</u>	<u>28,587</u>	<u>75,476</u>	<u>116,973</u>	<u>-</u>	<u>448,546</u>
Carrying amounts:							
Balance at December 31, 2023	<u>\$ 143,243</u>	<u>1,598,036</u>	<u>22,228</u>	<u>70,901</u>	<u>209,383</u>	<u>60,499</u>	<u>2,104,290</u>
Balance at January 1, 2022	<u>\$ 109,811</u>	<u>1,292,198</u>	<u>11,240</u>	<u>42,103</u>	<u>125,404</u>	<u>508,856</u>	<u>2,089,612</u>
Balance at December 31, 2022	<u>\$ 143,257</u>	<u>1,636,793</u>	<u>12,013</u>	<u>41,239</u>	<u>202,044</u>	<u>73,280</u>	<u>2,108,626</u>

(i) Guarantee

As of December 31, 2023 and 2022 the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(ii) Property, plant and equipment under construction

For the year ended December 31, 2022, the capitalized borrowing cost related to the construction of the new plant amounted to \$2,028 thousand, with a capitalization rate of 1.287% to 1.561%.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) **Right-of-use assets**

The Group leased land, buildings, vehicles and other equipment in 2023 and 2022. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 305,818	-	21,515	491	327,824
Additions	-	1,016	27,273	-	28,289
Reclassification	-	-	(4,835)	-	(4,835)
Effects of movements in exchange rates	-	-	(60)	-	(60)
Balance at December 31, 2023	<u>\$ 305,818</u>	<u>1,016</u>	<u>43,893</u>	<u>491</u>	<u>351,218</u>
Balance at January 1, 2022	\$ 302,883	-	6,084	-	308,967
Additions	2,935	-	15,305	491	18,731
Effects of movements in exchange rates	-	-	126	-	126
Balance at December 31, 2022	<u>\$ 305,818</u>	<u>-</u>	<u>21,515</u>	<u>491</u>	<u>327,824</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 65,796	-	5,294	123	71,213
Depreciation	17,687	339	8,837	164	27,027
Reclassifications	-	-	(3,369)	-	(3,369)
Effects of movements in exchange rates	-	-	(45)	-	(45)
Balance at December 31, 2023	<u>\$ 83,483</u>	<u>339</u>	<u>10,717</u>	<u>287</u>	<u>94,826</u>
Balance at January 1, 2022	\$ 48,107	-	1,575	-	49,682
Depreciation	17,689	-	3,688	123	21,500
Effects of movements in exchange rates	-	-	31	-	31
Balance at December 31, 2022	<u>\$ 65,796</u>	<u>-</u>	<u>5,294</u>	<u>123</u>	<u>71,213</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 222,335</u>	<u>677</u>	<u>33,176</u>	<u>204</u>	<u>256,392</u>
Balance at January 1, 2022	<u>\$ 254,776</u>	<u>-</u>	<u>4,509</u>	<u>-</u>	<u>259,285</u>
Balance at December 31, 2022	<u>\$ 240,022</u>	<u>-</u>	<u>16,221</u>	<u>368</u>	<u>256,611</u>

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(h) **Intangible assets**

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<u>Goodwill</u>	<u>Franchise</u>	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:					
Balance at January 1, 2023	\$ 2,451	16,091	12,401	412	31,355
Additions	-	303	614	125	1,042
Balance at December 31, 2023	<u>\$ 2,451</u>	<u>16,394</u>	<u>13,015</u>	<u>537</u>	<u>32,397</u>
Balance at January 1, 2022	\$ 2,451	15,824	9,466	355	28,096
Additions	-	267	2,935	57	3,259
Balance at December 31, 2022	<u>\$ 2,451</u>	<u>16,091</u>	<u>12,401</u>	<u>412</u>	<u>31,355</u>
Accumulated amortization:					
Balance at January 1, 2023	\$ -	13,860	9,108	115	23,083
Amortization for the year	-	1,608	1,475	66	3,149
Balance at December 31, 2023	<u>\$ -</u>	<u>15,468</u>	<u>10,583</u>	<u>181</u>	<u>26,232</u>
Balance at January 1, 2022	\$ -	12,264	7,933	57	20,254
Amortization for the year	-	1,596	1,175	58	2,829
Balance at December 31, 2022	<u>\$ -</u>	<u>13,860</u>	<u>9,108</u>	<u>115</u>	<u>23,083</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 2,451</u>	<u>926</u>	<u>2,432</u>	<u>356</u>	<u>6,165</u>
Balance at January 1, 2022	<u>\$ 2,451</u>	<u>3,560</u>	<u>1,533</u>	<u>298</u>	<u>7,842</u>
Balance at December 31, 2022	<u>\$ 2,451</u>	<u>2,231</u>	<u>3,293</u>	<u>297</u>	<u>8,272</u>

(i) **Amortization**

Amortization of intangible assets of the Group for the years ended December 31, 2023 and 2022 amounted to \$3,149 thousand and \$2,829 thousand, recognized as operating expenses in the statement of comprehensive income.

(ii) **Guarantee**

As of December 31, 2023 and 2022, the Group did not provide any intangible assets as collaterals for its loans.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) **Other current assets**

The other current assets of the Group were as follow:

	December 31, 2023	December 31, 2022
Prepaid sales tax and overpaid sales tax	\$ 44,796	42,478
Prepaid expense	18,594	12,994
Other current financial assets	3,071	3,071
Others	<u>3,755</u>	<u>4,069</u>
	<u>\$ 70,216</u>	<u>62,612</u>

(j) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	December 31, 2023	December 31, 2022
Unsecured bank loans	<u>\$ 190,000</u>	<u>120,000</u>
Unused short-term credit lines	<u>\$ 570,000</u>	<u>605,000</u>
Range of interest rates	<u>0.5%~1.79%</u>	<u>1.63%~1.65%</u>

(k) **Long-term borrowings**

The details of long-term borrowing were as follows:

December 31, 2023			
	Currency	Rate	Maturity year
Secured bank loans	NTD	1.968%	2030.06.09
Less: current portion			\$ 385,600
Total			<u>(385,600)</u>
Unused long-term credit lines			<u>\$ 328,400</u>
December 31, 2022			
	Currency	Rate	Maturity year
Secured bank loans	NTD	2.0595%	2030.06.09
Less: current portion			\$ 505,600
Total			<u>(120,000)</u>
Unused long-term credit lines			<u>\$ 385,600</u>
			<u>\$ 208,400</u>

In February 2024, the Group has repaid the long-term borrowing maturing in June 2030 in advance.

For collaterals on long-term borrowings, please refer to note 8.

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(l) Lease liabilities

The lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>28,180</u>	<u>21,624</u>
Non-current	\$ <u>241,381</u>	<u>247,663</u>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest on lease liabilities	\$ <u>5,780</u>	<u>5,821</u>
Loss on lease modification	\$ <u>37</u>	<u>-</u>
Expenses relating to short-term leases	\$ <u>2,022</u>	<u>1,048</u>
Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets	\$ <u>495</u>	<u>391</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Total cash outflow for leases	\$ <u>33,389</u>	<u>26,663</u>

(i) Real estate leases

The Group leases the land and buildings, with lease period that typically run for 2 to 23 years.

(ii) Other leases

The Group leases the vehicles and other equipments, with lease terms of 2 to 5 years. At the end of the contract terms, the Group could receive unconditional the ownership of the leases asset contract term.

The Group leases staff dormitory and trivial leases with lease terms of one years or less. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(m) **Employee benefits**

1. Defined benefit plans

Reconciliation of the defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 6,292	4,527
Fair value of plan assets	(935)	(270)
Net defined benefit liabilities	<u>\$ 5,357</u>	<u>4,257</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon their retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(i) Composition of plan assets

The Group allocates its pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$935 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group in 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations at January 1	\$ 4,527	-
Current service costs and interest cost	1,072	4,527
Remeasurements of the net defined benefit liability		
—Actuarial loss arising from changes in experience adjustments	693	-
Defined benefit obligations at December 31	<u>\$ 6,292</u>	<u>4,527</u>

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets of the Group in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 270	-
interest income	7	-
Remeasurements loss (gain)		
—Return on plan assets (excluding interest income)	1	1
Amount allocated to the plan	<u>657</u>	<u>269</u>
Fair value of plan assets at December 31	<u><u>\$ 935</u></u>	<u><u>270</u></u>

(iv) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current service costs	\$ 1,018	4,527
Net interest of net liabilities for defined benefit obligations	<u>47</u>	<u>-</u>
	<u><u>\$ 1,065</u></u>	<u><u>4,527</u></u>

	<u>2023</u>	<u>2022</u>
Selling expenses	\$ 1,060	4,524
Research and development expenses	<u>5</u>	<u>3</u>
	<u><u>\$ 1,065</u></u>	<u><u>4,527</u></u>

(v) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.2 %	1.2 %
Future salary increase rate	2.5 %	2.5 %

The expected allocation payment in 2023 to be made by the Group to the defined benefit plans for the one-year period after the reporting date was \$647 thousand.

The weighted average lifetime of the defined benefits plans for the year ended December 31, 2023 was 4.9 years.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(vi) Sensitivity analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on the defined benefit obligations	
	Increased 0.1%	Decreased 0.1%
December 31, 2023 :		
Discount rate (0.1%)	\$ (31)	31
Future salary increasing rate (0.1%)	25	(25)
December 31, 2022 :		
Discount rate (0.1%)	(27)	27
Future salary increasing rate (0.1%)	22	(22)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis was consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

2. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. For its foreign subsidiary, the contributions to the pension institution shall be made in compliance with its local regulation. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$7,067 thousand and \$5,814 thousand for the years ended December 31, 2023 and 2022, respectively. Moreover, the pension cost on foreign subsidiary amounted to \$2,118 thousand for the year ended December 31, 2023.

(n) **Income taxes**

(i) The components of income tax in the years for 2023 and 2022 were as follows:

	2023	2022
Current tax expense:		
Current period	\$ 120,985	109,020
Adjustment of prior periods	(1,576)	(11,433)
	<u>119,409</u>	<u>97,587</u>
Deferred tax expense:		
Origination and reversal of temporary differences	(3,766)	2,787
	<u>\$ 115,643</u>	<u>100,374</u>

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

As of December 31, 2023 and 2022, the Group did not incur income tax which were recognized in other comprehensive income.

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ 578,934	565,797
Income tax using the Company's domestic tax rate	115,787	113,159
Effect of tax rates in foreign jurisdiction	476	1,597
Changes in unrecognized temporary differences	(311)	(2,954)
Prior years income tax adjustment	(1,576)	(11,433)
Additional tax on undistributed earnings	428	-
Others	839	5
Income tax expense	<u>\$ 115,643</u>	<u>100,374</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, the temporary differences associated with investments in subsidiary were not recognized as deferred income tax assets because it is not probable that future taxable profit will be available against which the subsidiary can utilize the benefits therefrom. The related amounts were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 134,026	135,580
Unrecognized deferred tax assets	<u>\$ 26,805</u>	<u>27,116</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	<u>Defined benefits plans</u>	<u>Loss on valuation of inventory</u>	<u>Unrealized foreign exchange loss</u>	<u>Total</u>
Deferred Tax Assets:				
Balance at January 1, 2023	\$ 851	1,150	-	2,001
Recognized in profit or loss	82	899	229	1,210
Balance at December 31, 2023	<u>\$ 933</u>	<u>2,049</u>	<u>229</u>	<u>3,211</u>
Balance at January 1, 2022	\$ -	776	1,456	2,232
Recognized in profit or loss	851	374	(1,456)	(231)
Balance at December 31, 2022	<u>\$ 851</u>	<u>1,150</u>	<u>-</u>	<u>2,001</u>

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

	Unrealized foreign exchange gain
Deferred Tax Liabilities:	
Balance at January 1, 2023	\$ 2,556
Recognized profit or loss	(2,556)
Balance at December 31, 2023	\$ -
Balance at January 1, 2022	\$ -
Recognized profit or loss	2,556
Balance at December 31, 2022	\$ 2,556

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the National Tax Administration.

(o) **Capital and other equity**

As of December 31, 2023 and 2022, the numbers of authorized ordinary shares was 150,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$1,500,000 thousand. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

(in thousands of shares)	Ordinary shares	
	2023	2022
Balance on January 1	97,083	84,420
Stock dividend	-	12,663
Issued for cash	5,717	-
Balance on December 31	102,800	97,083

(i) Ordinary shares

In order to qualify for IPO on Taiwan Innovation Board, the Company conducted a cash capital increase by issuing 5,717 thousand new shares, at a par value, a weighted average price, and an underwriting price of NT\$10, NT\$79.97, and NT\$60, per share, respectively, with the base date set on December 19, 2023, based on a resolution approved during the board meeting held on October 26, 2023. All issued new shares were paid upon issuance and the relevant statutory registration procedures have since been completed. In addition, a portion of the total above issued shares have been reserved as employee stock option in accordance with regulations. Please refer to note 6(p) for more details.

A resolution was approved during the general meeting of the shareholders held on June 8, 2022 for the issuance of 12,663 thousand new shares, with par value of \$10 per share, amounting to \$126,630 thousand, with August 1, 2022 as the date of capital increase. The relevant statutory registration procedures have since been completed.

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(ii) Capital Surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Share capital	\$ 716,895	331,110
Employee share options	749	206
	<u>\$ 717,644</u>	<u>331,316</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that the Company's earnings distribution or loss appropriation may be made after the end of each semiannual.

The Company's net earnings in the first half year should first be used to offset the prior years' deficits, before estimating the amount for the income tax and allotting as remunerations to employees and directors. Then, 10% of the balance, if any, shall be appropriated as legal reserve, which will be discontinued when the balance equals the total authorized capital. Thereafter, any remaining profit may be, as required by the government, appropriated as special reserve or special reversal.

The Company's annual earnings should first be used to offset the prior years' deficits, before paying any income tax. Then, 10% of the balance, if any, shall be appropriated as legal reserve, which will be discontinued when the balance equals the total authorized capital. Thereafter, any remaining profit may be, as required by the government, appropriated as special reserve or special reversal.

According to the aforesaid earnings distribution, any remaining profit, together with any undistributed retained earnings, may be distributed via cash or shares according to the distribution plan proposed by the Board of Directors. When it is distributed in shares, an approval by the shareholders is required; while in cash, it should be reported during to the shareholders' meeting after a resolution has been made by the board of directors, with more than two thirds of the directors' attendance and agreed by the majority of attendees. In addition, the Article 241 of the Company Act stipulates that legal reserve and capital surplus, whether all, or a portion, may be distributed via shares or cash in proportion with the shareholders' original shares, to be approved by the aforesaid method.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Before the distribution of dividends, the Company shall first take into consideration its operating environment and industry developments, as well as its programs to maintain operating efficiency, and meet its capital expenditure budget, business expansion, and financial goals, in determining the stock or cash dividends to be distributed. Dividend distributions should not be less than 10% of the distributable earnings. The Company shall distribute the dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends. However, the impact of stock dividends on the Company's business performance will be considered in order to maintain the Company's earnings per share level. If the earnings per share of the year, in which the dividends are distributed, is 20% lower than the prior year's recession, the board of directors can propose a surplus distribution to appropriately adjust the dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the board meeting on February 21, 2023 and February 16, 2022, respectively. Furthermore, the amounts of stock dividends on the appropriations of earnings for 2021 had been approved in the shareholders' meeting on June 8, 2022. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.88	376,682	1.5	126,630
Shares	-	-	1.5	126,630
Total	<u>\$ 3.88</u>	<u>376,682</u>	<u>3</u>	<u>253,260</u>

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The cash and stock dividends on earnings distribution for first and second half of 2023 had been approved during the board meeting and reported at the shareholders' meeting held on February 27, 2024 and August 8, 2023, respectively, as follows:

	The second half of 2023		The first half of 2023	
	<u>Amount</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>per share</u>	<u>amount</u>	<u>amount</u>	<u>amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ <u>3.09</u>	<u>317,652</u>	<u>1</u>	<u>97,083</u>

(iii) Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2023	\$	3,162
Exchange differences on subsidiaries accounted for using equity method		138
Balance at December 31, 2023	\$	<u>3,300</u>
Balance at January 1, 2022	\$	(22,515)
Exchange differences on subsidiaries accounted for using equity method		25,677
Balance at December 31, 2022	\$	<u>3,162</u>

(p) Share-based benefits

The Company conducted a cash capital increase by issuing new shares, wherein 10% of the total shares, consisting of 572 thousand shares, had been reserved for qualified employees to subscribe. For the remaining unsubscribed shares, the chairman shall be granted the authority to allocate them to specific parties to subscribed, based on a resolution decided during the board meeting held on October 26, 2023.

As of December 31, 2023, the Group had the following share-based payment arrangement:

	<u>Equity-settled</u>
	<u>Cash capital increase reserved for employee subscription</u>
Fair value at grant date	2023.10.26
Number of shares granted	572 thousand shares
Contract term	2023.10.26 ~ 2023.12.15
Recipients	The Company's employees and employees of controlling company or affiliated company who meet certain conditions
Vesting conditions	Immediately vested

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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- (i) Determining the fair value of equity instruments granted

The Group used the Black-Scholes option pricing model in measuring the fair value of its share-based payment at the grant date as follows:

	2023
	Cash capital increase reserved for employee subscription
Fair value at grant date	2.17
Share price at grant date	60.82
Exercise price	60.00
Expected volatility (%)	18.52%
Expected life (years)	0.1397
Expected dividends	0%
Risk-free interest rate (%)	1.196%

- (ii) Expenses resulting from share-based payments

The Group incurred expenses from shares-based payments in 2023 as follows:

	2023
Cash capital increase reserved for employee subscription	\$ <u><u>1,241</u></u>

- (q) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2023 and 2022 were as follows:

	2023	2022
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u><u>463,291</u></u>	<u><u>465,423</u></u>
Weighted average number of ordinary shares	<u><u>97,271</u></u>	<u><u>97,083</u></u>
	\$ <u><u>4.76</u></u>	<u><u>4.79</u></u>
Diluted earnings per share		
	2023	2022
Profit attributable to ordinary shareholders of the Company (basic)	\$ <u><u>463,291</u></u>	<u><u>465,423</u></u>
Weighted average number of ordinary shares(basic)	97,271	97,083
Effect of potentially dilutive ordinary shares		
Effect of employee share bonus	<u>595</u>	<u>1,546</u>
Weighted average number of ordinary shares (diluted)	<u><u>97,866</u></u>	<u><u>98,629</u></u>
	\$ <u><u>4.73</u></u>	<u><u>4.72</u></u>

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(r) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
United State	\$ 1,392,709	1,324,686
Other	<u>122,120</u>	<u>109,429</u>
	<u>\$ 1,514,829</u>	<u>1,434,115</u>
<u>Major products / services lines</u>		
Plant growth regulators	\$ 1,248,604	1,111,439
Fertilizers	261,706	317,417
Other	<u>4,519</u>	<u>5,259</u>
	<u>\$ 1,514,829</u>	<u>1,434,115</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities			
— Advance sales receipts	<u>\$ 466</u>	<u>296</u>	<u>347</u>

For details on accounts receivables and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$86 thousand and \$120 thousand, respectively.

(s) **Employee compensation and directors' remuneration**

In accordance with the articles of incorporation the Company should contribute 3% to 10% of the profit as employee compensation and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The form of distribution of employee remuneration, whether in cash or in share, shall be reported during to the shareholders' meeting after a resolution made by the board of directors, with more than two-thirds of the directors' attendance and agreed by the majority of attendees. The recipients of shares and cash may include employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$31,577 thousand and \$30,597 thousand and directors' remuneration amounting to \$18,946 thousand and \$18,359 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(t) **Non-operating income and expenses**

(i) Interest income

The details of interest income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 17,222	5,122
Other interest income	-	1
	<u>\$ 17,222</u>	<u>5,123</u>

(ii) Other income

The details of other income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Rent income	\$ 1,140	1,026
Other	3,356	2,919
	<u>\$ 4,496</u>	<u>3,945</u>

(iii) Other gains and losses

The details of other gains and losses for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Foreign exchange gains	\$ 7,176	62,277
Gains on disposal of property, plant and equipment	1,074	565
Others	(39)	(358)
	<u>\$ 8,211</u>	<u>62,484</u>

(iv) Finance costs

The details of finance costs for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense	\$ 16,810	16,810

(u) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

During 2023 and 2022, approximately 71% and 77% of the Group's revenue was attributable to sales transactions with a single customer, respectively.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3) Receivables and debt securities

For credit risk exposure of notes and accounts receivables (including related parties), please refer to notes 6(b).

Other financial assets at amortized cost include other receivables and refundable deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). Other financial assets at amortized cost did not have impairment provision for the years ended December 31, 2023 and 2022.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities:							
Bank loans	\$ 575,600	575,950	540,854	35,096	-	-	-
Accounts payable	9,257	9,257	9,257	-	-	-	-
Other payables (including related parties)	147,696	147,696	147,696	-	-	-	-
Lease liabilities	<u>269,561</u>	<u>302,641</u>	<u>16,906</u>	<u>16,596</u>	<u>31,515</u>	<u>75,693</u>	<u>161,931</u>
	<u>\$ 1,002,114</u>	<u>1,035,544</u>	<u>714,713</u>	<u>51,692</u>	<u>31,515</u>	<u>75,693</u>	<u>161,931</u>
December 31, 2022							
Non-derivative financial liabilities:							
Bank loans	\$ 625,600	645,220	184,617	63,948	126,086	270,569	-
Accounts payable	9,615	9,615	9,615	-	-	-	-
Other payables (including related parties)	116,995	116,995	116,995	-	-	-	-
Lease liabilities	<u>269,287</u>	<u>306,924</u>	<u>13,549</u>	<u>13,549</u>	<u>26,747</u>	<u>69,805</u>	<u>183,274</u>
	<u>\$ 1,021,497</u>	<u>1,078,754</u>	<u>324,776</u>	<u>77,497</u>	<u>152,833</u>	<u>340,374</u>	<u>183,274</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rates	TWD	Foreign Currency	Exchange Rates	TWD
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 16,484	30.705	506,147	15,158	30.71	465,493
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	1,363	30.705	41,843	1,785	30.71	54,809

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), and accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$1,857 thousand and \$1,643 thousand. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$7,176 thousand and \$62,277 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 1% basis points, the Group's net income would have increased / decreased by \$5,756 thousand and \$6,256 thousand for the year ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

		December 31, 2023			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 939,930	-	-	-	-
Accounts receivable (including related parties)	106,073	-	-	-	-
Other current financial assets	3,071	-	-	-	-
Refundable deposits	6,326	-	-	-	-
Total	<u>\$ 1,055,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 575,600	-	-	-	-
Accounts payable (including related parties)	156,953	-	-	-	-
Lease liabilities	269,561	-	-	-	-
Total	<u>\$ 1,002,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 530,024	-	-	-	-
Accounts receivable (including related parties)	33,790	-	-	-	-
Other current financial assets	3,071	-	-	-	-
Refundable deposits	6,490	-	-	-	-
Total	<u>\$ 573,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans	\$ 625,600	-	-	-	-
Accounts payable (including related parties)	126,610	-	-	-	-
Lease liabilities	269,287	-	-	-	-
Total	<u>\$ 1,021,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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2) Valuation techniques of financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted price in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfers between Level 1 and Level 2

There have been no transfers between each level for the year ended December 31, 2023 and 2022.

(v) **Financial risk management**

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following, likewise, discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Finance Department of the Group shall serve for all business purposes, as well as plan and coordinate the operations in domestic and international financial markets. The department shall also monitor and manage the Group's financial risks related to business operation based on the internal risk report which analyzes the level and breadth of risks. The Group shall use derivative financial instruments for hedging and reducing impact thereof. However, the use of derivative financial instruments shall be regulated by the policies adopted by the Group's Board of Directors in regulating foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, as well as investments with excess liquidity. The Group has not carried out any transactions on financial instruments (including derivatives) for speculative purposes.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises principally from the Group's receivables and stock investment from customers.

1) Accounts receivable

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk.

Under its customer credibility evaluation policies. The Group will assess the ratings based on other publicly available financial information and records of transactions with its new customers. The Group continuously monitors its exposure to credit risk and counterparty credit ratings by evaluating its customer's financial status and collectability of its accounts receivable, and establishing sales limits based on the credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023 and 2022, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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Loans borrowings from the bank and short-term notes payable form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line amounted to \$948,400 thousand and \$863,400 thousand, respectively.

(v) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

1) **Currency risk**

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD) and US Dollars (USD). The currencies used in these transactions are the NTD and USD.

2) **Interest rate risk**

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is based on the variable-rate.

3) **Other market price risk**

The Group is not exposed to equity price risk due to its investments in equity securities.

(w) **Capital management**

The Group's policy is to manage its capital to safeguard the capacity to continue as a going concern, to continue to provide returns for shareholders, maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt dividends by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, retained earnings, and other equity, plus, net debt.

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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As of December 31, 2023, the Group's capital management strategy is consistent with the prior year as of December 31, 2022. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 1,129,062	1,107,597
Less: cash and cash equivalents	939,930	530,024
Net debt	189,132	577,573
Total equity	2,520,148	2,087,678
Total capital	\$ 2,709,280	2,665,251
Debt-to-equity ratio at December 31	6.98%	21.67%

The net liabilities and the debt-to-equity ratio was decreased on December 31, 2023 due to capital increase by cash.

(x) **Investing and financing activities not affecting current cash flow**

During 2023 and 2022, the Group's investing and financing activities which did not affect the current cash flow were to acquire of right-of-use assets through lease, please refer to note 6(l).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Foreign exchange movement	Addition	Changes in lease payments	
Short-term borrowings	\$ 120,000	70,000	-	-	-	190,000
Long-term borrowings (including current portion)	505,600	(120,000)	-	-	-	385,600
Lease liabilities	269,287	(25,092)	(17)	26,746	(1,363)	269,561
Total liabilities from financing activities	\$ 894,887	(75,092)	(17)	26,746	(1,363)	845,161

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Foreign exchange movement	Addition	Changes in lease payments	
Short-term borrowings	\$ 188,000	(68,000)	-	-	-	120,000
Long-term borrowings (including current portion)	663,937	(161,340)	3,003	-	-	505,600
Lease liabilities	270,338	(19,403)	85	18,267	-	269,287
Total liabilities from financing activities	\$ 1,122,275	(248,743)	3,088	18,267	-	894,887

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Loveland Products, Inc.	The entity with significant influence over the Group
Loveland Products Canada, Inc.	The entity with significant influence over the Group
Nutrien Solucoes Agricolas Ltda.	The entity with significant influence over the Group
Nutrien Ag Solutions Uruguay S.A.	The entity with significant influence over the Group
Nutrien Ag Solutions Argentina S.A.	The entity with significant influence over the Group
Nutrien Ag Solutions Chile S.A.	The entity with significant influence over the Group
Nutrien Ag Solutions Limited	The entity with significant influence over the Group
Agrichem Do Brasil S/A	The entity with significant influence over the Group
Advanced Microbial Solutions, L.L.C.	The entity with significant influence over the Group
COFFEELAND CO., LTD.	Other related party
International Coffee Research Institute	Other related party
Zhen-Wen, Huang	Substantive related party

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follow :

	<u>2023</u>	<u>2022</u>
Entities with significant influence over the Group		
Loveland Products, Inc.	\$ 1,077,661	1,101,305
Other	113,957	97,275
Other related party	<u>29</u>	<u>-</u>
	<u><u>\$ 1,191,647</u></u>	<u><u>1,198,580</u></u>

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CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
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The pricing for related parties were not comparable to normal sales transactions due to product differentiation. The average collection period for notes and accounts payable pertaining to such sale transactions ranged from one to three months and were no significant differences between other normal vendors. Receivables from related parties were not pledged as collaterals, therefore, no provisions for bad debt expenses were required.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivables	Entities with significant influence over the Group:		
	— Loveland Products, Inc.	\$ 66,855	15,624
	— Nutrien Ag Solutions Limited	-	7,909
	— Other	1,700	-
Other receivables	Other related party		
	— COFFEELAND CO., LTD.	-	24
	— International Coffee Research Institute	3	3
		<u>\$ 68,558</u>	<u>23,560</u>

(iii) Payables to Related Parties

The payable to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables	Entities with significant influence over the Group	\$ -	6,914
	Other related party		
	— COFFEELAND CO., LTD.	348	407
	Substantive related party		
	— Zhen-Wen, Huang	150	-
		<u>\$ 498</u>	<u>7,321</u>

(iv) Leases

The Group leased a portion of its warehouse to one of its entities with significant influence over the Group, Loveland Products, Inc. As of December 31, 2022, the rent income amounted to \$2 thousand and the payment had been fully received.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group rented an office building for its related party, International Coffee Research Institute. As of December 31, 2023 and 2022, the rent income amounted to \$727 thousand and \$558 thousand, respectively; the payments had been fully received.

The Group rented an office building for its related party, COFFEELAND CO., LTD. As of December 31, 2022, the rent income and the outstanding balance, which was recognized as other receivable from related parties, amounted to \$23 thousand and \$24 thousand, respectively. This is not happening in 2023.

(v) Others

In 2023 and 2022, the miscellaneous expenses incurred by the Group from its other related parties amounted to \$5,063 thousand and \$2,726 thousand, respectively. The outstanding balance as of December 31, 2023 and 2022 amounted to \$348 thousand and \$407 thousand, respectively, recorded in other payables to related parties.

The research service provided by the Group to the related parties for the years 2023 and 2022 amounting to \$55 thousand and \$49 thousand, respectively. The outstanding balance as of December 31, 2023 and 2022 amounted to \$3 thousand, and was recorded in other receivable from related parties.

In 2022, the advertisement expense of the Group from the entity with significant influence over the Group amounting to \$6,914 thousand. The outstanding balance as of December 31, 2022 amounted to \$6,914 thousand, and was recorded in other payable to related parties has yet to be paid as of December 31, 2022.

In 2023, the professional service charged to substantive related party amounting to \$300 thousand had the outstanding balance of \$150 thousand, recorded as other payable to related parties, as of December 31, 2023.

(c) **Key management personnel compensation**

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 39,750	39,384
Post-employment benefits	290	239
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	\$ 40,040	39,623

For the year ended December 31, 2023 and 2022, the Group provided 3 and 2 company cars for key management personnel use, with the carrying amounts of \$6,222 thousand and \$4,183 thousand, respectively.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant and equipment	Long-term loans	\$ <u>891,425</u>	<u>915,390</u>

(9) Commitments and contingencies:

As of December 31, 2023 and 2022, the Group's signed commitments to purchase property, plant and equipment (including other sporadic projects) amounted to \$8,258 thousand and \$551 thousand, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2023			2022		
	Cost of Sales	Operating Expense	Total	Cost of Sales	Operating Expense	Total
By item						
Employee benefits						
Salary	20,010	238,312	258,322	16,814	212,517	229,331
Labor and health insurance	2,353	14,433	16,786	1,573	12,335	13,908
Pension	692	9,558	10,250	411	9,930	10,341
Remuneration of directors	-	23,646	23,646	-	23,819	23,819
Others	352	6,272	6,624	230	4,744	4,974
Depreciation	13,748	148,915	162,663	12,006	124,848	136,854
Amortization	41	3,108	3,149	9	2,820	2,829

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group in 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Loveland Products Inc.	The entity with significant influence over the Group	Sale	1,077,661	71 %	Net 30 days	-		66,855	63.03%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	CH BIOTECH, LLC	1	Labor charges	112,241	Normal terms	7.41%
0	The Company	CH BIOTECH, LLC	1	Accounts payable	7,627	Normal terms	-%
0	The Company	CH BIOTECH, LLC	1	Other payables	4,586	Normal terms	-%

Note 1 : The numbers filled in as follows:

- 1) 0 represents the Company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note 2 : Transactions labeled as follows:

- 1) represents transactions between the parent company and its subsidiaries.
- 2) represents transactions between the subsidiaries and the parent company.
- 3) represents transactions between subsidiaries.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2023(excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	ee of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			High balance during of the year	Net income (losses) of investee	Share of profits/losses of investee	Remark
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value	Percentage of ownership			
The Company	CH BIOTECH, LLC	USA	Plant growth regulators processing	416,407	416,407	-	100 %	285,681	100 %	(12,194)	1,555	Note1 and Note 2
The Company	QIN HAN R&D Co., LTD.	TW	Fertilizer manufacturing	29,400	-	2,940	49 %	29,355	49 %	(154)	(45)	

Note1: The transactions had been eliminated in the consolidated financial statements.

Note2: Difference between the net income (losses) of investee and the share of profits/losses of investee was due to the upstream transactions.

(c) Information on investment in mainland China: None

(d) Major shareholders:

Unit: shares			
Shareholders' Name	Shareholding	Shares	Percentage
Loveland Products Canada Inc.		23,115,040	22.49 %
Zhao Song Investment Co., Ltd.		18,230,810	17.73 %
WEALTHMILESTONE INVESTMENT CORP.		6,091,329	5.93 %

(14) Segment information:

(a) General information

The Group has only one reportable segment, the Agricultural Biotechnology, which is mainly in charge of manufacturing and distributing fertilizers and plant growth regulators.

(b) Information about reportable segments and their measurement and reconciliations

The Group's reportable segments include depreciation and amortization, taxation, extraordinary activity, foreign exchange gain or losses, and other significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The Group's information about reportable segment is similar to the consolidated financial report. Please refer to the consolidated balance sheets and consolidated statements of comprehensive income.

The operating segment accounting policies are similar to those described in Note 4 "Significant accounting policies".

(c) Product information

The Segment of Agricultural Biotechnology is mainly in charge of the manufacturing, operating income, operating profit, and identifiable assets, of the Group. Therefore, it accounts for over 90% of the Group's total operating income, operating profit and identifiable assets. Hence, the Group is classified as a "Single Product" company.

(Continued)

CH BIOTECH R&D CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
United States	\$ 1,392,709	1,324,686
Other countries	<u>122,120</u>	<u>109,429</u>
	<u>\$ 1,514,829</u>	<u>1,434,115</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current assets:		
Taiwan	\$ 2,091,215	2,097,210
United States	<u>283,675</u>	<u>285,889</u>
	<u>\$ 2,374,890</u>	<u>2,383,099</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments, deferred tax assets (non-current).

(e) Major customers

<u>Customer Name</u>	<u>2023</u>	<u>2022</u>
Loveland Products, Inc.	<u>\$ 1,077,661</u>	<u>1,101,305</u>

V. Individual Financial Statements for the Most Recent Fiscal Year Audited by CPAs with Notes

Independent Auditors' Report

To the Board of Directors of CH BIOTECH R&D CO., LTD.:

Opinion

We have audited the financial statements of CH BIOTECH R&D CO., LTD. (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) “Revenue” and Note 6(r) “Revenue from contracts with customers” for accounting policies and related disclosures for revenue valuation.

Description of key audit matter:

Revenue recognition is one of the key judgmental areas for our audit. CH BIOTECH R&D CO., LTD., is a listed company at Taiwan Innovation Board. In order to meet the expectations of investors, the Company is responsible for maintaining its operating income and stabilizing its profit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include testing the design and operating effectiveness of sales and receivables control; reading significant contracts to assess whether appropriate revenue recognition policies are applied in accordance with accounting standards; understanding the product sales of top ten customers by comparing them with those of last year’s to assess whether or not there are abnormalities; testing the sales transaction every year end, checking the documents to assess the correctness of the revenue recognition period; checking whether there are unusual revenue in the period, and understanding whether there is a major return after the period.

2. Accounts Receivable Valuation

Please refer to Note 4(f), Note 5, and Note 6(b) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivable valuation.

Description of key audit matter:

The Company’s accounts receivable are concentrated within certain customers with trade terms of 30 to 90 days after the shipping date, wherein the determination of allowance for accounts receivable contains the management’s subjective judgment. Therefore, the valuation of accounts receivable is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include testing the Company’s control over its receivables collection processes, and considering the receipt on cash after the year-end; analyzing the historical data and aging of accounts receivable from the Company’s previous collections experience to assess the adequacy of allowance for bad debts.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo, Shyh-Huar and Chang, Tzu-Hsin.

KPMG

Taipei, Taiwan (Republic of China)

February 27, 2024

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(a))	\$	932,731	26	521,667	16	2100	190,000	5	120,000
1170 Accounts receivable, net (Note 6(b))		37,515	1	9,769	-	2130	466	-	296
1180 Accounts receivables from related parties, net (Note 6(b) and 7)		68,555	2	23,533	1	2170	4,041	-	1,385
1210 Other receivables from related parties (Note 6(c) and 7)		3	-	27	-		7,627	-	10,687
130X Inventories (Note 6(d))		125,634	3	197,769	6	2200	144,649	4	108,718
1470 Other current assets (Note 6(i))		70,083	2	61,262	2	2220	5,084	-	20,360
Total current assets		1,234,521	34	814,027	25	2230	119,283	3	73,830
Non-current assets:					2280	25,664	1	20,022	1
1550 Investments accounted for using equity method (Note 6(e))		315,036	9	283,988	9	2300	1,842	-	1,909
1600 Property, plant and equipment (Note 6(f) and 8)		1,827,384	50	1,833,426	58	2320	385,600	11	120,000
1756 Right-of-use assets (Note 6(g))		252,074	7	253,229	8		884,256	24	477,207
1780 Intangible assets (Note 6(h))		3,714	-	5,821	-				
1840 Deferred tax income assets (Note 6(n))		3,211	-	2,001	-		-	-	385,600
1915 Prepayments for business facilities		8,043	-	4,734	-		-	-	2,556
1920 Refundable deposits		5,581	-	6,270	-		239,803	7	246,198
Total non-current assets		2,415,043	66	2,389,469	75		5,357	-	4,257
							245,160	7	638,611
							1,129,416	31	1,115,818
Total assets		3,649,564	100	3,203,496	100				
					Equity (Note 6(o)):				
					Common stock	3100	1,028,000	28	970,830
					Capital surplus	3200	717,644	20	331,316
					Retained earnings	3300	771,204	21	782,370
					Other equity	3400	3,300	-	3,162
					Total equity		2,520,148	69	2,087,678
					Total liabilities and equity		3,649,564	100	3,203,496

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars, except for earnings per share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(r) and 7)	\$ 1,514,829	100	1,434,115	100
5000	Operating costs (Note 6(d) 、(p) 、(s) and 7)	<u>354,213</u>	<u>23</u>	<u>403,878</u>	<u>28</u>
	Gross profit from operations	<u>1,160,616</u>	<u>77</u>	<u>1,030,237</u>	<u>72</u>
	Operating expenses (Note 6(l) 、(m) 、(p) 、(s) and 7):				
6100	Selling expenses	96,748	6	85,500	6
6200	Administrative expenses	189,960	13	176,289	12
6300	Research and development expenses	<u>305,235</u>	<u>20</u>	<u>272,414</u>	<u>19</u>
		<u>591,943</u>	<u>39</u>	<u>534,203</u>	<u>37</u>
	Net operating income	<u>568,673</u>	<u>38</u>	<u>496,034</u>	<u>35</u>
	Non-operating income and expenses (Note 6(t) and 7):				
7100	Interest income	16,671	1	5,123	-
7010	Other income	4,293	-	3,683	-
7020	Other gains and losses	6,394	-	59,125	4
7050	Finance costs (Note 6(l))	(16,529)	(1)	(15,746)	(1)
7070	Share of profit (losses) of subsidiaries for using equity method (Note 6(e))	<u>1,510</u>	<u>-</u>	<u>14,770</u>	<u>1</u>
		<u>12,339</u>	<u>-</u>	<u>66,955</u>	<u>4</u>
7900	Profit before income tax	581,012	38	562,989	39
7950	Less: income tax expenses (Note 6(n))	<u>117,721</u>	<u>7</u>	<u>97,566</u>	<u>7</u>
8200	Profit	<u>463,291</u>	<u>31</u>	<u>465,423</u>	<u>32</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(692)	-	1	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(692)</u>	<u>-</u>	<u>1</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	138	-	25,677	2
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (after tax)	<u>(554)</u>	<u>-</u>	<u>25,678</u>	<u>2</u>
8500	Comprehensive income	<u>\$ 462,737</u>	<u>31</u>	<u>491,101</u>	<u>34</u>
	Earnings per share (Note 6(q))				
9750	Basic earnings per share (NT dollars)	\$ <u>4.76</u>		<u>4.79</u>	
9850	Diluted earnings per share (NT dollars)	\$ <u>4.73</u>		<u>4.72</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollars)

	Retained earnings					Exchange differences on translation of foreign financial statements	Total equity
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	
Balance at January 1, 2022	\$ 844,200	331,316	143,355	16,550	410,301	570,206	1,723,207
Profit for the period	-	-	-	-	465,423	465,423	465,423
Other comprehensive income for the period	-	-	-	-	1	1	25,678
Total comprehensive income for the period	-	-	-	-	465,424	465,424	491,101
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	29,150	-	(29,150)	-	-
Special reserve	-	-	-	5,965	(5,965)	-	-
Cash dividends on common stock	-	-	-	-	(126,630)	(126,630)	(126,630)
Stock dividends	126,630	-	-	-	(126,630)	(126,630)	-
Balance at December 31, 2022	\$ 970,830	331,316	172,505	22,515	587,350	782,370	2,087,678
Balance at January 1, 2023	\$ 970,830	331,316	172,505	22,515	587,350	782,370	2,087,678
Profit for the period	-	-	-	-	463,291	463,291	463,291
Other comprehensive income for the period	-	-	-	-	(692)	(692)	(554)
Total comprehensive income for the period	-	-	-	-	462,599	462,599	462,737
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	104,828	-	(104,828)	-	-
Special reserve	-	-	-	(22,515)	22,515	-	-
Cash dividends on common stock	-	-	-	-	(473,765)	(473,765)	(473,765)
Capital increase by cash	57,170	385,087	-	-	-	-	442,257
Share-based payment transactions	-	1,241	-	-	-	-	1,241
Balance at December 31, 2023	\$ 1,028,000	717,644	277,333	-	493,871	771,204	2,520,148

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD.

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(expressed in thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 581,012	562,989
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	145,218	122,343
Amortization expense	3,149	2,829
Interest expense	16,529	15,746
Interest revenue	(16,671)	(5,123)
Share-based payment transactions	1,241	-
Share of profit of subsidiaries and associates accounted for using equity method	(1,510)	(14,770)
Gains on disposal of property, plant and equipment	(1,108)	(117)
Allowance for inventory valuation and obsolescence loss	5,087	2,211
Losses from lease modification	37	-
Total adjustments to reconcile profit	<u>151,972</u>	<u>123,119</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in accounts receivable (including from related parties)	(72,768)	127,835
Decrease (increase) in other receivable (including from related parties)	24	(24)
Decrease (increase) in inventories	67,048	(82,983)
Decrease in prepayments for purchases	-	22,024
Increase in other operating assets	(9,140)	(3,829)
Total changes in operating assets	<u>(14,836)</u>	<u>63,023</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	170	(51)
Decrease in accounts payable (including from related parties)	(404)	(9,386)
Increase in other payable (including from related parties)	5,467	19,095
Increase in net defined benefit liability	408	4,258
(Decrease) increase in other operating liabilities	(67)	877
Total changes in operating liabilities	<u>5,574</u>	<u>14,793</u>
Total changes in operating assets and liabilities	<u>(9,262)</u>	<u>77,816</u>
Total adjustments	<u>142,710</u>	<u>200,935</u>
Cash inflow generated from operations	723,722	763,924
Interest received	16,671	5,123
Interest paid	(17,483)	(16,680)
Income taxes paid	(76,034)	(86,721)
Net cash flows from operating activities	<u>646,876</u>	<u>665,646</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(29,400)	(12,203)
Acquisition of property, plant and equipment	(95,357)	(98,985)
Proceeds from disposal of property, plant and equipment	2,610	782
Decrease (increase) in refundable deposits	689	(819)
Acquisition of intangible assets	(1,042)	(3,259)
Acquisition of right-of-use assets	(1,363)	-
Increase in prepayments for equipment	(8,023)	(4,714)
Net cash flows used in investing activities	<u>(131,886)</u>	<u>(119,198)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	390,000	420,000
Decrease in short-term borrowings	(320,000)	(488,000)
Increase in short-term notes and bills payable	90,000	30,000
Decrease in short-term notes and bills payable	(90,000)	(30,000)
Proceeds from long-term borrowings	475,600	595,600
Repayments of long-term borrowings	(595,600)	(715,600)
Payment of lease liabilities	(22,418)	(18,463)
Cash dividends paid	(473,765)	(126,630)
Capital increase by cash	442,257	-
Net cash flows used in financing activities	<u>(103,926)</u>	<u>(333,093)</u>
Net increase in cash and cash equivalents	411,064	213,355
Cash and cash equivalents at beginning of period	521,667	308,312
Cash and cash equivalents at end of period	<u>\$ 932,731</u>	<u>521,667</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)
CH BIOTECH R&D CO., LTD.

Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2023 and 2022
(expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

CH BIOTECH R&D CO., LTD. (the “Company”) was incorporated in November 29, 2013 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The registered address is No. 89, Wenxian Rd., Nantou City, Nantou County 540, Taiwan (R.O.C.). The major business activities of the Company are the manufacture and sales of fertilizer, as well as providing biotechnology services.

The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) in December 21, 2023.

(2) Approval date and procedures of the parent company only financial statements

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on, February 27, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

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

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

(4) Summary of material accounting policies

The material accounting policies presented in the parent company only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) 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.

(b) Basis of preparation

(i) Basis of measurement

Except for the defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

comprehensive income;

- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) **Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, guarantee deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than a year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers its time deposits to have low credit risk when its transaction parties and compliance parties are financial institutions with equivalent or higher investment grade.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

CH BIOTECH R&D CO., LTD.

Notes to the Parent Company Only Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than a year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Based on its experience, there have been no corporate customer recoveries after a year.

3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

CH BIOTECH R&D CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The independent financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under the equity method, the net income, other comprehensive income, and equity in the parent company only financial statements are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | | |
|----|-------------------------|------------|
| 1) | Buildings and structure | 3~50 years |
| 2) | Testing equipment | 2~10 years |
| 3) | Other facilities | 2~25 years |

The buildings and structures constitute mainly of building, electromechanical power equipment, and laboratory construction. Each such part is depreciated based on its useful life of 50 years and 25 years, respectively.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory that have a lease term of 12 months or less and leases of low-value assets, including other sporadic leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For the operating lease, the Company recognizes the received lease payments associated with these leases as a rent revenue on a straight-line basis over the lease term.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

· Franchise	10~18 years
· Computer software cost	3~7 years
· Trademarks	6~10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells fertilizers and plant growth regulator to its customers. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

CH BIOTECH R&D CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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CH BIOTECH R&D CO., LTD.
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(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (r) **Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation. If retained earning and capital surplus are transferred to common stock, the company's basic and diluted earnings per share will be calculated retrospectively.

(s) **Operating segments**

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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CH BIOTECH R&D CO., LTD.
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the loss allowance of accounts receivable. The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(b).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Petty cash	\$ 528	265
Demand deposits	743,367	175,300
Time deposits	188,836	346,102
Cash and cash equivalents in statement of cash flows	<u>\$ 932,731</u>	<u>521,667</u>

Please refer to note 6(u) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Accounts receivable (including from related parties)

	December 31, 2023	December 31, 2022
Accounts receivable - measured as amortized cost	\$ 37,515	9,769
Accounts receivable - related parties - measured as amortized cost	68,555	23,533
Less: Loss allowance	-	-
	<u>\$ 106,070</u>	<u>33,302</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable (including from related parties) have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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The loss allowance provision was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 105,723	- %	-
Overdue less than 90 days	347	- %	-
Total	\$ 106,070		-

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 31,700	- %	-
Overdue less than 90 days	1,602	- %	-
Total	\$ 33,302		-

As of December 31, 2023 and 2022, the Company did not provide any accounts receivable (including from related parties) as collaterals for its loans.

For further credit risk and information please refers to note 6(u).

(c) **Other receivables**

	December 31, 2023	December 31, 2022
Other receivables from related parties	\$ 3	27
Less: Loss allowance	-	-
	\$ 3	27

For further credit risk information, please refers to note 6(u).

(d) **Inventories**

	December 31, 2023	December 31, 2022
Raw materials	\$ 105,829	130,920
Semi-finished goods	266	258
Finished goods	19,539	66,591
	\$ 125,634	197,769

For the year ended December 31, 2023 and 2022, raw material, semi-finished goods, and changes in finished goods recognized as cost of sales amounted to \$354,213 thousand and \$403,878 thousand, respectively.

The net of provisions for inventories written down to net realizable value, which were also included in cost of sales, amounted to \$4,497 thousand and \$1,869 thousand for the years ended December 31, 2023 and 2022, respectively.

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CH BIOTECH R&D CO., LTD.
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As of December 31, 2023 and 2022, the Company did not provide any inventories as collaterals for its loans.

(e) Investments accounted for using equity method

A summary of the Company's financial information for investments, accounted for using equity method at the reporting date, is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 285,681	283,988
Associates	29,355	-
	<u>\$ 315,036</u>	<u>283,988</u>

(i) Subsidiary

Please refer to the consolidated financial statements for the year 2023.

(ii) Associates

The Company participated in the cash capital increase of QIN HAN R&D Co., LTD. (QHR) in November 2023, at an investment amount of \$29,400 thousand, and acquired 49% shareholding of QHR, with the remaining shares concentrated in specific shareholder, resulting in the Company to obtain less than half of the seats on QHR board, which led the Company to have no control over QHR.

The Company's financial information for investments accounted for using the equity method, that are individually insignificant, was as follows:

	<u>2023</u>
Attributable to the Company:	
Loss	\$ <u>(45)</u>

(iii) Guarantee

As of December 31, 2023 and 2022, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

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Notes to the Parent Company Only Financial Statements

(f) **Property, plant and equipment**

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Testing equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2023	\$ 51,040	1,633,093	116,715	310,534	73,280	2,184,662
Additions	-	3,338	29,952	27,278	52,426	112,994
Disposal	-	-	-	(7,751)	-	(7,751)
Reclassification	-	37,306	11,529	23,345	(65,207)	6,973
Balance at December 31, 2023	<u>\$ 51,040</u>	<u>1,673,737</u>	<u>158,196</u>	<u>353,406</u>	<u>60,499</u>	<u>2,296,878</u>
Balance at January 1, 2022	\$ 26,302	1,239,896	108,537	204,145	508,857	2,087,737
Additions	24,738	31,807	5,011	13,521	29,438	104,515
Disposals	-	-	(655)	(5,826)	-	(6,481)
Reclassification	-	361,390	3,822	98,694	(465,015)	(1,109)
Balance at December 31, 2022	<u>\$ 51,040</u>	<u>1,633,093</u>	<u>116,715</u>	<u>310,534</u>	<u>73,280</u>	<u>2,184,662</u>
Depreciation:						
Balance at January 1, 2023	\$ -	163,776	75,476	111,984	-	351,236
Depreciation for the year	-	71,438	11,819	37,881	-	121,138
Disposal	-	-	-	(6,249)	-	(6,249)
Reclassification	-	-	-	3,369	-	3,369
Balance at December 31, 2023	<u>\$ -</u>	<u>235,214</u>	<u>87,295</u>	<u>146,985</u>	<u>-</u>	<u>469,494</u>
Balance at January 1, 2022	\$ -	105,909	66,434	82,767	-	255,110
Depreciation for the year	-	57,867	9,697	34,378	-	101,942
Disposals	-	-	(655)	(5,161)	-	(5,816)
Balance on December 31, 2022	<u>\$ -</u>	<u>163,776</u>	<u>75,476</u>	<u>111,984</u>	<u>-</u>	<u>351,236</u>
Carrying amounts:						
Balance at December 31, 2023	<u>\$ 51,040</u>	<u>1,438,523</u>	<u>70,901</u>	<u>206,421</u>	<u>60,499</u>	<u>1,827,384</u>
Balance at January 1, 2022	<u>\$ 26,302</u>	<u>1,133,987</u>	<u>42,103</u>	<u>121,378</u>	<u>508,857</u>	<u>1,832,627</u>
Balance at December 31, 2022	<u>\$ 51,040</u>	<u>1,469,317</u>	<u>41,239</u>	<u>198,550</u>	<u>73,280</u>	<u>1,833,426</u>

(i) **Guarantee**

As of December 31, 2023 and 2022, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings; please refer to Note 8.

(ii) **Property, plant and equipment under construction**

For the year ended December 31, 2022, the capitalized borrowing cost related to the construction of the new plant amounted to \$2,028 thousand, with a capitalization rate of 1.287% to 1.561%.

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(g) **Right-of-use assets**

The Company leased land, buildings, vehicles and other equipment in 2023 and 2022. Information about leases for which the Company is a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 305,818	-	17,003	491	323,312
Additions	-	1,016	23,375	-	24,391
Reclassification	-	-	(4,835)	-	(4,835)
Balance at December 31, 2023	<u>\$ 305,818</u>	<u>1,016</u>	<u>35,543</u>	<u>491</u>	<u>342,868</u>
Balance at January 1, 2022	\$ 302,883	-	6,084	-	308,967
Additions	2,935	-	10,919	491	14,345
Balance at December 31, 2022	<u>\$ 305,818</u>	<u>-</u>	<u>17,003</u>	<u>491</u>	<u>323,312</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 65,795	-	4,165	123	70,083
Depreciation for the year	17,688	339	5,889	164	24,080
Reclassification	-	-	(3,369)	-	(3,369)
Balance at December 31, 2023	<u>\$ 83,483</u>	<u>339</u>	<u>6,685</u>	<u>287</u>	<u>90,794</u>
Balance at January 1, 2022	\$ 48,107	-	1,575	-	49,682
Depreciation for the year	17,688	-	2,590	123	20,401
Balance at December 31, 2022	<u>\$ 65,795</u>	<u>-</u>	<u>4,165</u>	<u>123</u>	<u>70,083</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 222,335</u>	<u>677</u>	<u>28,858</u>	<u>204</u>	<u>252,074</u>
Balance at January 1, 2022	<u>\$ 254,776</u>	<u>-</u>	<u>4,509</u>	<u>-</u>	<u>259,285</u>
Balance at December 31, 2022	<u>\$ 240,023</u>	<u>-</u>	<u>12,838</u>	<u>368</u>	<u>253,229</u>

(h) **Intangible assets**

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2023 and 2022 were as follows:

	<u>Franchise</u>	<u>Computer Software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:				
Balance at January 1, 2023	\$ 16,091	12,401	412	28,904
Additions	303	614	125	1,042
Balance at December 31, 2023	<u>\$ 16,394</u>	<u>13,015</u>	<u>537</u>	<u>29,946</u>
Balance at January 1, 2022	\$ 15,824	9,466	355	25,645
Additions	267	2,935	57	3,259
Balance at December 31, 2022	<u>\$ 16,091</u>	<u>12,401</u>	<u>412</u>	<u>28,904</u>

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	<u>Franchise</u>	<u>Computer Software</u>	<u>Trademarks</u>	<u>Total</u>
Accumulated amortization:				
Balance at January 1, 2023	\$ 13,860	9,108	115	23,083
Amortization for the year	<u>1,608</u>	<u>1,475</u>	<u>66</u>	<u>3,149</u>
Balance at December 31, 2023	<u>\$ 15,468</u>	<u>10,583</u>	<u>181</u>	<u>26,232</u>
Balance at January 1, 2022	\$ 12,264	7,933	57	20,254
Amortization for the year	<u>1,596</u>	<u>1,175</u>	<u>58</u>	<u>2,829</u>
Balance at December 31, 2022	<u>\$ 13,860</u>	<u>9,108</u>	<u>115</u>	<u>23,083</u>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 926</u>	<u>2,432</u>	<u>356</u>	<u>3,714</u>
Balance at January 1, 2022	<u>\$ 3,560</u>	<u>1,533</u>	<u>298</u>	<u>5,391</u>
Balance at December 31, 2022	<u>\$ 2,231</u>	<u>3,293</u>	<u>297</u>	<u>5,821</u>

(i) Amortization

Amortization of intangible assets of the Company for the years ended December 31, 2023 and 2022 amounted to \$3,149 thousand and \$2,829 thousand, recognized as operating expenses in the statement of comprehensive income.

(ii) Guarantee

As of December 31, 2023 and 2022, the company did not provide any intangible assets as collaterals for its loans.

(i) **Other current assets**

The other current assets of the Company were as follows:

	December 31, 2023	December 31, 2022
Prepaid sales tax and overpaid sales tax	\$ 44,796	42,478
Prepaid expense	18,466	11,993
Other current financial assets	3,071	3,071
Others	<u>3,750</u>	<u>3,720</u>
	<u>\$ 70,083</u>	<u>61,262</u>

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(j) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ <u>190,000</u>	<u>120,000</u>
Unused short-term credit lines	\$ <u>570,000</u>	<u>605,000</u>
Range of interest rates	<u>0.5%~1.79%</u>	<u>1.63%~1.65%</u>

(k) **Long-term borrowings**

The details of long-term borrowing were as follows:

December 31, 2023				
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	1.968%	2030.06.09	\$ 385,600
Less: current portion				(385,600)
Total				\$ -
Unused long-term credit lines				\$ <u>328,400</u>

December 31, 2022				
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	2.0595%	2030.06.09	\$ 505,600
Less: current portion				(120,000)
Total				\$ <u>385,600</u>
Unused long-term credit lines				\$ <u>208,400</u>

In February 2024, the Group has repaid the long-term borrowing maturing in June 2030 in advance.

For collaterals on long-term borrowings, please refer to note 8.

(l) **Lease liabilities**

The lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>25,664</u>	<u>20,022</u>
Non-current financial assets	\$ <u>239,803</u>	<u>246,198</u>

For the maturity analysis, please refer to note 6(u).

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The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest on lease liabilities	\$ 5,499	5,740
Loss on lease modification	\$ 37	-
Expenses relating to short-term leases	\$ 2,022	1,048

The amounts recognized in the statement of cash flows for the Company was as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Total cash outflow for leases	\$ 29,939	25,251

(i) Real estate leases

The Company leases the land and buildings, with lease period that typically run for 2 to 23 years.

(ii) Other leases

The Company leases vehicles and other equipment, with lease period that typically run for 2 to 5 years. After the end of the lease, the Company could receive unconditional ownership of the leases asset when the contract has been made.

The Company leases staff dormitory and trivial leases with lease terms of one years or less, these leases are short-term. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) **Employee benefits**

1. Defined benefit plans

Reconciliation of the defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 6,292	4,527
Fair value of plan assets	(935)	(270)
Net defined benefit liabilities	\$ 5,357	4,257

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon their retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

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(i) Composition of plan assets

The Company allocates its pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$935 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company in 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations at January 1	\$ 4,527	-
Current service costs and interest cost	1,072	4,527
Remeasurements of the net defined benefit liability		
— Actuarial loss arising from changes in experience adjustments	693	-
Defined benefit obligations at December 31	<u>\$ 6,292</u>	<u>4,527</u>

(iii) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets of the Company in 2023 and 2022 were as follows:

	2023	2022
Fair value of plan assets at January 1	\$ 270	-
Interest income	7	-
Remeasurements loss (gain):		
—Return on plan assets (excluding interest income)	1	1
Amount allocated to the plan	657	269
Fair value of plan assets at December 31	<u>\$ 935</u>	<u>270</u>

(iv) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss in 2023 and 2022 were as follows:

	2023	2022
Current service costs	\$ 1,018	4,527
Net interest of net liabilities for defined benefit obligations	47	-
	<u>\$ 1,065</u>	<u>4,527</u>

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

	2023	2022
Selling expenses	\$ 1,060	4,524
Research and development expenses	5	3
	\$ 1,065	4,527

(v) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.2 %	1.2 %
Future salary increase rate	2.5 %	2.5 %

The expected allocation payment in 2023 to be made by the Company to the defined benefit plans for the one-year period after the reporting date was \$647 thousand.

The weighted average lifetime of the defined benefits plans for the year ended December 31, 2023 was 4.9 years.

(vi) Sensitivity analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Impact on the defined benefit obligations	
		Increased 0.1%	Decreased 0.1%
December 31, 2023 :			
Discount rate(0.1%)	\$	(31)	31
Future salary increasing rate(0.1%)		25	(25)
December 31, 2022 :			
Discount rate(0.1%)	\$	(27)	27
Future salary increasing rate(0.1%)		22	(22)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis was consistent with the calculation of the pension liabilities in the balance sheets.

2. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$7,067 thousand and \$5,814 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

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(n) **Income taxes**

(i) The components of income tax in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense:		
Current period:	\$ 120,925	106,888
Adjustment of prior periods	<u>562</u>	<u>(12,109)</u>
	<u>121,487</u>	<u>94,779</u>
Deferred tax expense:		
Origination and reversal of temporary differences	<u>(3,766)</u>	<u>2,787</u>
	<u>\$ 117,721</u>	<u>97,566</u>

As of December 31, 2023 and 2022, the Company did not incur income tax which were not recognized in other comprehensive income.

Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ <u>581,012</u>	<u>562,989</u>
Income tax using the Company's domestic tax rate	116,203	112,598
Changes in unrecognized temporary differences	(311)	(2,954)
Prior years income tax adjustment	562	(12,109)
Additional tax on undistributed earnings	428	-
Others	<u>839</u>	<u>31</u>
Income tax expense	<u>\$ 117,721</u>	<u>97,566</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, the temporary differences associated with investments in subsidiary were not recognized as deferred income tax assets because it is not probable that future taxable profit will be available against which the subsidiary can utilize the benefits therefrom. The related amounts were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>134,026</u>	<u>135,580</u>
Unrecognized deferred tax assets	<u>\$ 26,805</u>	<u>27,116</u>

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	Defined Benefit Plan	Loss on valuation of inventory	Unrealized foreign exchange loss	Total
Deferred Tax Assets:				
Balance at January 1, 2023	\$ 851	1,150	-	2,001
Recognized in profit or loss	82	899	229	1,210
Balance at December 31, 2023	\$ 933	2,049	229	3,211
Balance at January 1, 2022	\$ -	776	1,456	2,232
Recognized in profit or loss	851	374	(1,456)	(231)
Balance at December 31, 2022	\$ 851	1,150	-	2,001

	Unrealized foreign exchange gain
Deferred Tax Liabilities:	
Balance at January 1, 2023	\$ (2,556)
Recognized profit or loss	2,556
Balance at December 31, 2023	\$ -
Balance at January 1, 2022	\$ -
Recognized profit or loss	(2,556)
Balance at December 31, 2022	\$ (2,556)

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the National Tax Administration.

(o) **Capital and other equity**

As of December 31, 2023 and 2022, the numbers of authorized common stock was 150,000 thousand shares, with par value of \$10 per share. The total value of authorized common stocks was amounted to \$1,500,000 thousand. All issued shares were paid upon issuance.

Reconciliation of shares outstanding for 2023 and 2022 was as follows:

	Common stock	
(in thousands of shares)	2023	2022
Balance on January 1	97,083	84,420
Stock dividend	-	12,663
Issued for cash	5,717	-
Balance on December 31	102,800	97,083

(Continued)

CH BIOTECH R&D CO., LTD.
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(i) Common stock

In order to qualify for IPO on Taiwan Innovation Board, the Company conducted a cash capital increase by issuing 5,717 thousand new shares, at a par value, a weighted average price, and an underwriting price of NT\$10, NT\$79.97, and NT\$60, per share, respectively, with the base date set on December 19, 2023, based on a resolution approved during the board meeting held on October 26, 2023. All issued new shares were paid upon issuance and the relevant statutory registration procedures have since been completed. In addition, a portion of the total above issued shares have been reserved as employee stock option in accordance with regulations. Please refer to note 6(p) for more details.

A resolution was approved during the general meeting of the shareholders held on June 8, 2022 for the issuance of 12,663 thousand new shares, with par value of \$10 per share, amounting to \$126,630 thousand, with August 1, 2022 as the date of capital increase. The relevant statutory registration procedures have since been completed.

(ii) Capital Surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	December 31, 2023	December 31, 2022
Share capital	\$ 716,895	331,110
Employee share options	749	206
	<u>\$ 717,644</u>	<u>331,316</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that the Company's earnings distribution or loss appropriation may be made after the end of each semiannual.

The Company's net earnings in the first half year should first be used to offset the prior years' deficits, before estimating the amount for the income tax and allotting as remunerations to employees and directors. Then, 10% of the balance, if any, shall be appropriated as legal reserve, which will be discontinued when the balance equals the total authorized capital. Thereafter, any remaining profit may be, as required by the government, appropriated as special reserve or special reversal.

The Company's annual earnings should first be used to offset the prior years' deficits, before paying any income tax. Then, 10% of the balance, if any, shall be appropriated as legal reserve, which will be discontinued when the balance equals the total authorized capital. Thereafter, any remaining profit may be, as required by the government, appropriated as special reserve or special reversal.

(Continued)

CH BIOTECH R&D CO., LTD.

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According to the aforesaid earnings distribution, any remaining profit, together with any undistributed retained earnings, may be distributed via cash or shares according to the distribution plan proposed by the Board of Directors. When it is distributed in shares, an approval by the shareholders is required; while in cash, it should be reported during to the shareholders' meeting after a resolution has been made by the board of directors, with more than two thirds of the directors' attendance and agreed by the majority of attendees. In addition, the Article 241 of the Company Act stipulates that legal reserve and capital surplus, whether all, or a portion, may be distributed via shares or cash in proportion with the shareholders' original shares, to be approved by the aforesaid method.

Before the distribution of dividends, the Company shall first take into consideration its operating environment and industry developments, as well as its programs to maintain operating efficiency, and meet its capital expenditure budget, business expansion, and financial goals, in determining the stock or cash dividends to be distributed. Dividend distributions should not be less than 10% of the distributable earnings. The Company shall distribute the dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends. However, the impact of stock dividends on the Company's business performance will be considered in order to maintain the Company's earnings per share level. If the earnings per share of the year, in which the dividends are distributed, is 20% lower than the prior year's recession, the board of directors can propose a surplus distribution to appropriately adjust the dividends.

Before the distribution of dividends, the Company shall first take into consideration its operating environment and industry developments, as well as its programs to maintain operating efficiency, and meet its capital expenditure budget, business expansion, and financial goals, in determining the stock or cash dividends to be distributed. Dividend distributions should not be less than 10% of the distributable earnings. The Company shall distribute the dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends. However, the impact of stock dividends on the Company's business performance will be considered in order to maintain the Company's earnings per share level. If the earnings per share of the year, in which the dividends are distributed, is 20% lower than the prior year's recession, the board of directors can propose a surplus distribution to appropriately adjust the dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

CH BIOTECH R&D CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the board meeting on February 21, 2023 and February 16, 2022, respectively. Furthermore, the amounts of stock dividends on the appropriations of earnings for 2021 had been approved in the shareholders' meeting on June 8, 2022. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 3.88	376,682	1.5	126,630
Shares	-	-	1.5	126,630
	<u>\$ 3.88</u>	<u>376,682</u>	<u>3</u>	<u>253,260</u>

The cash and stock dividends on earnings distribution for first and second half of 2023 had been approved during the board meeting and reported at the shareholders' meeting held on February 27, 2024 and August 8, 2023, respectively, as follows:

	The second half of 2023		The first half of 2023	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders:				
Cash	\$ <u>3.09</u>	<u>317,652</u>	<u>1</u>	<u>97,083</u>

(Continued)

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Notes to the Parent Company Only Financial Statements

(iv) Other comprehensive income accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2023	\$ 3,162
Exchange differences on subsidiaries accounted for using equity method	138
Balance at December 31, 2023	\$ 3,300
Balance at January 1, 2022	\$ (22,515)
Exchange differences on subsidiaries accounted for using equity method	25,677
Balance at December 31, 2022	\$ 3,162

(p) **Share-based benefits**

The Company conducted a cash capital increase by issuing new shares, wherein 10% of the total shares, consisting of 572 thousand shares, had been reserved for qualified employees to subscribe. For the remaining unsubscribed shares, the chairman shall be granted the authority to allocate them to specific parties to subscribed, based on a resolution decided during the board meeting held on October 26, 2023.

As of December 31, 2023, the Company had the following share-based payment arrangement:

	Equity-settled
	Cash capital increase reserved for employee subscription
Fair value at grant date	2023.10.26
Number of shares granted	572 thousand shares
Contract term	2023.10.26 ~ 2023.12.15
Recipients	The Company's employees and employees of controlling company or affiliated company who meet certain conditions
Vesting conditions	Immediately vested

(i) **Determining the fair value of equity instruments granted**

The Company used the Black-Scholes option pricing model in measuring the fair value of its share-based payment at the grant date as follows:

	2023
	Cash capital increase reserved for employee subscription
Fair value at grant date	2.17
Share price at grant date	60.82
Exercise price	60.00
Expected volatility (%)	18.52%
Expected life (years)	0.1397
Expected dividends	0%
Risk-free interest rate (%)	1.196%

(Continued)

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Notes to the Parent Company Only Financial Statements

(ii) Expenses resulting from share-based payments

The Company incurred expenses from shares-based payments in 2023 as follows:

	2023
Cash capital increase reserved for employee subscription	\$ <u><u>1,241</u></u>

(q) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u><u>463,291</u></u>	<u><u>465,423</u></u>
Weighted average number of ordinary shares	<u><u>97,271</u></u>	<u><u>97,083</u></u>
	\$ <u><u>4.76</u></u>	<u><u>4.79</u></u>
	<u>2023</u>	<u>2022</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders the Company (basic)	\$ <u><u>463,291</u></u>	<u><u>465,423</u></u>
Weighted average number of ordinary shares (basic)	97,271	97,083
Effect of potentially dilutive ordinary shares		
Effect of employee share bonus	<u>595</u>	<u>1,546</u>
Weighted average number of ordinary shares (diluted)	<u><u>97,866</u></u>	<u><u>98,629</u></u>
	\$ <u><u>4.73</u></u>	<u><u>4.72</u></u>

(r) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
United States	\$ 1,392,709	1,324,686
Other	<u>122,120</u>	<u>109,429</u>
	\$ <u><u>1,514,829</u></u>	<u><u>1,434,115</u></u>
<u>Major products / services lines</u>		
Plant growth regulators	\$ 1,248,604	1,111,439
Fertilizers	261,706	317,417
Other	<u>4,519</u>	<u>5,259</u>
	\$ <u><u>1,514,829</u></u>	<u><u>1,434,115</u></u>

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Contract balances

	<u>2023.12.31</u>	<u>2022.12.31</u>	<u>2022.1.1</u>
Contract liabilities -Advance sales receipts	\$ <u>466</u>	<u>296</u>	<u>347</u>

For details on trade receivables and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$86 thousand and \$120 thousand, respectively.

(s) **Employee compensation and directors' remuneration**

In accordance with the articles of incorporation the Company should contribute 3% to 10% of the profit as employee compensation and less than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The form of distribution of employee remuneration, whether in cash or in share, shall be reported during to the shareholders' meeting after a resolution made by the board of directors, with more than two-thirds of the directors' attendance and agreed by the majority of attendees. The recipients of shares and cash may include employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$31,577 thousand and \$30,597 thousand and directors' remuneration amounting to \$18,946 thousand and \$18,359 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration of employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(t) **Non-operating income and expenses**

(i) Interest income

The details of interest income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 16,671	5,122
Other interest income	<u>-</u>	<u>1</u>
	<u>\$ 16,671</u>	<u>5,123</u>

(Continued)

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(ii) Other income

The details of other income for the years 2023 and 2022 were as follows:

	2023	2022
Rent income	\$ 1,140	1,023
Other	3,153	2,660
	\$ 4,293	3,683

(iii) Other gains and losses

The details of other gains and losses for the years 2023 and 2022 were as follows:

	2023	2022
Foreign exchange gain	\$ 5,324	59,020
Gains on disposals of property, plant and equipment	1,108	117
Others	(38)	(12)
	\$ 6,394	59,125

(iv) Finance costs

The details of finance costs for the years 2023 and 2022 were as follows:

	2023	2022
Interest expense	\$ 16,529	15,746

(u) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

During 2023 and 2022, approximately 71% and 77% of the Company's revenue was attributable to sales transactions with a single customer, respectively.

3) Receivables and debt securities

For credit risk exposure of accounts receivables (including related parties), please refer to notes 6(b).

Other financial assets at amortized cost includes other receivables and refundable deposits.

(Continued)

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All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). Other financial assets at amortized cost did not have impairment provision for the years ended December 31, 2023 and 2022.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Bank loans	\$ 575,600	575,950	540,854	35,096	-	-	-
Accounts payable							
(Including related parties)	11,668	11,668	11,668	-	-	-	-
Other payables							
(including related parties)	149,733	149,733	149,733	-	-	-	-
Lease liabilities	<u>265,467</u>	<u>298,312</u>	<u>15,384</u>	<u>15,429</u>	<u>30,044</u>	<u>75,524</u>	<u>161,931</u>
	<u>\$1,002,468</u>	<u>1,035,663</u>	<u>717,639</u>	<u>50,525</u>	<u>30,044</u>	<u>75,524</u>	<u>161,931</u>
December 31, 2022							
Non-derivative financial liabilities							
Bank loans	\$ 625,600	645,220	184,617	63,948	126,086	270,569	-
Accounts payable							
(Including related parties)	12,072	12,072	12,072	-	-	-	-
Other payables							
(including related parties)	129,078	129,078	129,078	-	-	-	-
Lease liabilities	<u>266,220</u>	<u>303,724</u>	<u>12,697</u>	<u>12,697</u>	<u>25,395</u>	<u>69,660</u>	<u>183,275</u>
	<u>\$1,032,970</u>	<u>1,090,094</u>	<u>338,464</u>	<u>76,645</u>	<u>151,481</u>	<u>340,229</u>	<u>183,275</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 16,484	30.705	506,147	15,158	30.71	465,493
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	1,363	30.705	41,843	1,785	30.71	54,809

(Continued)

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2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables (including related parties), and accounts and other payables (including related parties) that are denominated in foreign currency.

A strengthening (weakening) of 0.5% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax by \$1,857 thousand and \$1,643 thousand, respectively. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed based on the total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$5,324 thousand and \$59,020 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Company's financial liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 %, the Company's net income would have decreased by \$5,756 thousand and \$6,256 thousand for the year ended December 31, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(v) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

(Continued)

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		December 31, 2023				
		Carry amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	932,731	-	-	-	-
Accounts receivables (including related parties)		106,073	-	-	-	-
Other current financial assets		3,071	-	-	-	-
Refundable deposits		5,581	-	-	-	-
Total	\$	<u>1,047,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost						
Bank loans	\$	575,600	-	-	-	-
Accounts payable (including related parties)		161,401	-	-	-	-
Lease liabilities		265,467	-	-	-	-
Total	\$	<u>1,002,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022				
		Carry amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	521,667	-	-	-	-
Accounts receivables (including related parties)		33,329	-	-	-	-
Other current financial assets		3,071	-	-	-	-
Refundable deposits		6,270	-	-	-	-
Total	\$	<u>564,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Bank loans	\$	625,600	-	-	-	-
Accounts payable (including related parties)		141,150	-	-	-	-
Lease liabilities		266,220	-	-	-	-
Total	\$	<u>1,032,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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2) Valuation techniques of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted price in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfer between Level 1 and Level 2

There have been no transfers between each level for the year ended December 31, 2023 and 2022.

(v) **Financial risk management**

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following, likewise, discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent company only financial statements.

(ii) Structure of risk management

The Finance Department of the Company shall serve for all business purposes, as well as plan and coordinate the operations in domestic and international financial markets. The department shall also monitor and manage the Company's financial risks related to business operation based on the internal risk report which analyzes the level and breadth of risks. The Company shall use derivative financial instruments for hedging and reducing impact thereof. However, the use of derivative financial instruments shall be regulated by the policies adopted by the Company's Board of Directors and in regulating foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, as well as investments with excess liquidity. The Company has not carried out any transactions on financial instruments (including derivatives) for speculative purposes.

(Continued)

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The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables and stock investment from customers.

1) Accounts receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk.

Under its customer credibility evaluation policies. The Company will assess the ratings based on other publicly available financial information and records of transactions with its new customers. The Company continuously monitors its exposure to credit risk and counterparty credit ratings by evaluating its customer's financial status and collectability of its accounts receivable, and establishing sales limits based on the credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide guarantees only to wholly owned subsidiaries. At December 31, 2023 and 2022, no other guarantees were outstanding.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

Loans borrowings from the bank and short-term notes payable form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line amounted to \$948,400 thousand and \$863,400 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (NTD). The currencies used in these transactions are the NTD and USD.

2) Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is based on the variable-rate.

3) Other market price risk

The Company is not exposed to equity price risk due to its investments in equity securities.

(w) Capital management

The Company's policy is to manage its capital to safeguard the capacity to continue as a going concern, to continue to provide returns for its shareholders, maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of its capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, retained earnings, and other equity, plus, net debt.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

As of December 31, 2023, the Company's capital management strategy is consistent with the prior year as of December 31, 2022. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 1,129,416	1,115,818
Less: cash and cash equivalents	932,731	521,667
Net debt	196,685	594,151
Total equity	2,520,148	2,087,678
Total capital	\$ 2,716,833	2,681,829
Debt-to-equity ratio at December 31	7.24%	22.15%

The debt-to-equity ratio was decreased on December 31, 2023 and 2022 due to capital increase by cash.

(x) **Investing and financing activities not affecting current cash flow**

During 2023 and 2022, the Company's investing and financing activities which did not affect the current cash flow were to acquire of right-of-use assets through lease, please refer to note 6(l).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Addition	Changes in lease payments	
Short-term borrowings	\$ 120,000	70,000	-	-	190,000
Long-term borrowings (including current portion)	505,600	(120,000)	-	-	385,600
Lease liabilities	266,220	(22,418)	23,028	(1,363)	265,467
Total liabilities from financing activities	\$ 891,820	(72,418)	23,028	(1,363)	841,067
	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Addition	Changes in lease payments	
Short-term borrowings	\$ 188,000	(68,000)	-	-	120,000
Long-term borrowings (including current portion)	625,600	(120,000)	-	-	505,600
Lease liabilities	270,338	(18,463)	14,345	-	266,220
Total liabilities from financing activities	\$ 1,083,938	(206,463)	14,345	-	891,820

(Continued)

CH BIOTECH R&D CO., LTD.
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(7) Related-party transactions

(a) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
CH Biotech, LLC.	Subsidiary of the Company
Loveland Products, Inc.	The entity with significant influence over the Company
Loveland Products Canada, Inc.	The entity with significant influence over the Company
Nutrien Solucoes Agricolas Ltda.	The entity with significant influence over the Company
Nutrien Ag Solutions Uruguay S.A.	The entity with significant influence over the Company
Nutrien Ag Solutions Argentina S.A.	The entity with significant influence over the Company
Nutrien Ag Solutions Chile S.A.	The entity with significant influence over the Company
Nutrien Ag Solution Limited	The entity with significant influence over the Company
Agrichem Do Brasil S/A	The entity with significant influence over the Company
Advanced Microbial Solutions, L.L.C.	The entity with significant influence over the Company
COFFEELAND CO., LTD.	Other related party
International Coffee Research Institute	Other related party
Zhen-Wen, Huang	Substantive related party

(b) Significant related party transactions

(i) Sales

The amounts of significant sales by the Company to related parties were as follow :

	<u>2023</u>	<u>2022</u>
Entities with significant influence over the Company		
Loveland Products, Inc.	\$ 1,077,661	1,101,305
Other	113,957	97,275
Others:		
Other related party	<u>29</u>	<u>-</u>
	<u><u>\$ 1,191,647</u></u>	<u><u>1,198,580</u></u>

(Continued)

CH BIOTECH R&D CO., LTD.
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The pricing for related parties were not comparable to normal sales transactions due to product differentiation. The average collection period for notes and accounts payable pertaining to such sale transactions ranged from one to three months and were no significant differences between other normal vendors. Receivables from related parties were not pledged as collaterals, therefore, no provisions for bad debt expenses were required.

(ii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivable	Entities with significant influence over the Company		
	— Loveland Products, Inc.	\$ 66,855	15,624
	— Nutrien Ag Solutions Limited	-	7,909
	— Others	1,700	-
Other receivables	Other related party		
	— COFFEELAND CO., LTD	-	24
	— International Coffee Research Institute	3	3
		\$ 68,558	23,560

(iii) Payables to Related Parties

The payable to related parties were as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Accounts payables	Subsidiary-CH Biotech, LLC.	\$ 7,627	10,687
Other payables	Subsidiary-CH Biotech, LLC.	4,586	13,039
	Entities with significant influence over the Company-Loverland Peoducts, Inc.	-	6,914
	Other related party		
	— COFFEELAND CO., LTD	348	407
	Substantive related party		
	— Zhen-Wen, Huang	150	-
		\$ 12,711	31,047

The payables of the subsidiary above incurred because the purchases made by the subsidiary were on the behalf of the Company.

(iv) Leases

The Company rented an office building for its related party, International Coffee Research Institute. As of December 31, 2023 and 2022, the rent income amounted to \$727 thousand and \$558 thousand, respectively; and the payments had been fully received.

(Continued)

CH BIOTECH R&D CO., LTD.
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The Company rented an office building for its related party, COFFEELAND CO., LTD. As of December 31, 2022, the rent income and the outstanding balance, which was recognized as other receivable from related parties, amounted to \$23 thousand and \$24 thousand, respectively. This is not happen in 2023.

(v) Other

The Company commissioned the subsidiary to process goods. The outsourced processing expense for the year 2023 and 2022 amounted to \$112,241 thousand and \$135,458 thousand, respectively. The outstanding balance as of December 31, 2023 and 2022 amounted to \$3,031 thousand and \$11,687 thousand, respectively, and was recorded in other payables to related parties.

In 2023 and 2022, the miscellaneous expenses incurred by the Company from its other related parties amounted to \$5,063 thousand and \$2,726 thousand, respectively. The outstanding balance as of December 31, 2023 and 2022 amounted to \$348 thousand and \$407 thousand, respectively, and was recorded in other payables to related parties.

The research service provided by the Company to the related parties for the years 2023 and 2022 amounting to \$55 thousand and \$49 thousand, respectively. The outstanding balance as of December 31, 2023 and 2022 amounted to \$3 thousand, and was recorded in other receivables from related parties.

In 2022, the advertisement expense of the Company from the entity with significant influence over the Company amounted to \$6,914 thousand. The outstanding balance as of December 31, 2022 amounted to \$6,914 thousand, and was recorded in other payable to related parties has yet to be paid as of December 31, 2022.

In 2023, the professional service charged to substantive related party amounting to \$300 thousand had the outstanding balance of \$150 thousand, recorded as other payable to related parties, as of December 31, 2023.

(c) **Key management personnel compensation**

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 39,750	39,384
Post-employment benefits	290	239
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	\$ 40,040	39,623

As of December 31, 2023 and 2022, the Company provided 2 company cars for key management personnel use with the carrying amount of \$4,183 thousand.

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant and equipment	Long-term loans	<u><u>\$ 891,425</u></u>	<u><u>915,390</u></u>

(9) Commitments and contingencies:

As of December 31, 2023 and 2022, the Company's signed commitments to purchase property, plant and equipment (including other sporadic projects) amounted to \$8,257 thousand and \$551 thousand, respectively.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	2023			2022		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item						
Employee benefits						
Salary	5,819	183,414	189,233	3,494	159,772	163,266
Labor and health insurance	620	10,346	10,966	385	8,783	9,168
Pension	309	7,823	8,132	411	9,930	10,341
Remuneration of directors	-	23,646	23,646	-	23,819	23,819
Others	352	6,272	6,624	230	4,744	4,974
Depreciation	4,512	140,706	145,218	3,512	118,831	122,343
Amortization	41	3,108	3,149	9	2,820	2,829

Additional information on the numbers of employees and the employee benefits of the Company in 2023 and 2022:

	2023	2022
The numbers of employees	<u>135</u>	<u>118</u>
The number of directors excluding the employees	<u>8</u>	<u>7</u>
The average of employees benefits	<u>\$ 1,693</u>	<u>1,691</u>
The average of salary	<u>\$ 1,490</u>	<u>1,471</u>
The average of salary adjustment	<u>1.29 %</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

(Continued)

CH BIOTECH R&D CO., LTD.
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The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

The remuneration to directors of the Company includes rewards, base compensation, as well as business execution expenses, and is determined in accordance with the Company's Articles of Incorporation. Also, the board is authorized to determine its remuneration based on the degree of each director's participation and contribution to the Company's operations as well as industry standards, with its approval and the Remuneration Committee's; thereafter, to be reported during the shareholders' annual meeting in accordance with the Company's Articles of Incorporation.

The remuneration to presidents and vice presidents, which is determined based on their professional capabilities, the Company's operating objectives, financial status, their contribution to the Company and industry standards, includes salary, employee reward, etc., with the approval the Remuneration Committee and the board; thereafter, to be reported during the general shareholders' meeting in accordance with the Company's Articles of Incorporation.

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company in 2023:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Company	Loveland Products Inc.	The entity with significant influence over the Company	Sale	1,077,661	71 %	Net 30 days	-		66,855	63.03%	

(Continued)

CH BIOTECH R&D CO., LTD.
Notes to the Parent Company Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Remark
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	CH BIOTECH, LLC	USA	Plant growth regulators processing	416,407	416,407	-	100 %	285,681	(12,194)	1,555	Note
The Company	QIN HAN R&D Co., LTD.	TW	Fertilizer manufacturing	29,400	-	2,940	49 %	29,355	(154)	(45)	

Note: Difference between the net income (losses) of investee and the share of profits/losses of investee was due to the upstream transactions.

(c) Information on investment in mainland China: None

(d) Major shareholders:

Unit : Share

Shareholder's Name	Shareholding shares	Percentage
Loveland Products Canada Inc.	23,115,040	22.49 %
Zhao Song Investment Co., Ltd.	18,230,810	17.73 %
WEALTHMILESTONE INVESTMENT CORP.	6,091,329	5.93 %

(14) Segment information:

Please refer to the 2023 consolidated financial statements for segment information.

(Continued)

VI. Summary of Any Financial Difficulty of the Company or Its Affiliates in the Most Recent Year and up to the Printing Date of the Annual Report. In Case of Any Financial Difficulty, the Impact of Such Difficulty on the Company Shall Be Explained: None.

Seven. Review and Analysis of Financial Position, Financial Performance, and Risks

I. Financial position (consolidated financial statements)

The annual report shall list the main reasons for any material change in the company's assets, liabilities, or equity during the past two fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response.

Unit: NT\$ thousand

Item \ Year	2022	2023	Increase (decrease) amount	Percentage of change (%)
Current assets	803,685	1,235,428	431,743	53.72
Investment under equity method	—	29,355	29,355	100.00
Property, plant and equipment	2,108,626	2,104,290	(4,336)	(0.21)
Intangible assets	8,272	6,165	(2,107)	(25.47)
Other assets	274,692	273,972	(720)	(0.26)
Total assets	3,195,275	3,649,210	453,935	14.21
Current liability	467,521	882,324	414,803	88.7
Non-current liability	640,076	246,738	(393,338)	(61.45)
Total liability	1,107,597	1,129,062	21,465	1.9
Share capital	970,830	1,028,000	57,170	5.89
Capital collected in advance	—	—	—	—
Capital reserve	331,316	717,644	386,328	116.60
Retained earnings	782,370	771,204	(11,166)	(1.43)
Other equity	3,16	3,300	138	4.3
Total equity	2,087,678	2,520,148	432,470	20.72

The main reasons for material changes (For changes exceeding 20% or amounts to over NT\$10 million, explanation shall be provided):

- (1) Increase in current assets: The change was mainly due to the increase in cash and cash equivalents as a result of the growth in revenue and the cash capital increase from the IPO in the fourth quarter, which resulted in an increase in current assets.
- (2) Increase/decrease in current liabilities and non-current liabilities: The change in current liabilities is mainly due to the 2024 prepayment of long-term borrowings, resulting in an increase in current liabilities and a decrease in non-current liabilities.
- (3) Increase in capital reserve and total equity: The change in this period is mainly due to the injection of earnings and cash capital increase in 2023, resulting in an increase in capital reserve and total equity.

II. Financial Performance (Consolidated Financial Statements)

- (I) The annual report shall list the main reasons for any material change in the company's operating revenues, operating income, or income before tax during the past two fiscal years, and describe the effect thereof:

Unit: NT\$ thousand

Item \ Year	2022	2023	Increase (decrease) amount	Percentage of change (%)
Net operating revenue	1,434,115	1,514,829	80,714	5.63
Operating cost	299,523	254,733	(44,790)	(14.95)
Operation gross profit	1,134,592	1,260,096	125,504	11.06
Operating expenses	623,537	694,236	70,699	11.34
Operating income	511,055	565,860	54,805	10.72
Non-operating revenues and expenses	54,742	13,074	(41,668)	(76.12)
Earnings before tax	565,797	578,934	13,137	2.32
Income tax expense	100,374	115,643	15,269	15.21
Current net profits	465,423	463,291	(2,132)	(0.46)
Other comprehensive income for the period	25,678	(554)	(26,232)	(102.16)
Total comprehensive income for the period	491,101	462,737	(28,364)	(5.78)
Income attributable to owners of the parent company of the current period	465,423	463,291	(2,132)	(0.46)
Comprehensive income attributable to owners of the parent company	491,101	462,737	(28,364)	(5.78)

The main reasons for material changes are as follows (For changes exceeding 20% or amounts to over NT\$ 10 million, explanation shall be provided):

- (1) Increase/Decrease in Operating Revenue, Operating Cost, Gross Profit and Operating Income: The changes in the current period are mainly due to the Company's smooth order-taking in 2023, which led to the growth of revenue. The overall increase in gross profit and operating income due to the proper control of costs.
- (2) Decrease in non-operating income and expenses: Changes in the current period were mainly due to the impact of the exchange gain or loss.
- (3) Increase in income tax expense: The change in the current period was mainly due to the increase in 2023 earnings before tax.
- (4) Reduction in total comprehensive income for the period, Income attributable to owners of the parent company of the current period, and Comprehensive income attributable to the parent company owners: The change in this period was mainly due to the impact of foreign exchange profit and loss.

- (II) Sales volume forecast and the basis therefor, and describe the effect upon the Company's financial operations as well as measures to be taken in response:

Since the Company has not prepared and announced financial forecast, the expected sales quantity and basis are not applicable. In addition, the financial status of the Company is sound, and the long-term capital source is utilized to cover relevant expenses, such that the capital is sufficient, and presently, there is no material abnormality to the overall performance of the Company. The export business of the Company mainly refers to the North American market, and the Company also actively expands the South American and Australian markets. In addition to continuous investment in R&D innovation and improvement of production technologies, the Company also improves product quality and develop new customers continuously. All of the above is beneficial to the revenue growth; therefore, establishment of response plan is not considered as a necessary measure for the Company.

III. Cash Flow

(I) Analysis of cash flow changes during the most recent fiscal year:

Unit: NT\$ thousand

Item	2022	2023	Increase (decrease)	
			Amount	%
Operating activities	698,966	659,154	(39,812)	(5.70)
Investing activities	(117,224)	(142,893)	(25,669)	21.90
Financing activities	(375,373)	(106,600)	268,773	(71.60)
Net cash inflow (outflow)	209,011	409,906	200,895	96.12
Analysis of variance in cash flows:				
(1) Operating activities: Changes in the current period were mainly due to the increase of both revenue and profit from last year. With the increase in accounts receivable, the net cash inflow from operating activities in the current period decreased from last year.				
(2) Investing activities: Changes in the current period were mainly due to the reinvestment of Qin Han BIOTECH CO., LTD. and the continuous investment in capital expenditures, such that the net cash outflow from investing activities in the current period increased from last year.				
(3) Financing activities: The changes in the current period were mainly due to the cash capital increase of the listing in the fourth quarter, resulted in the decrease of domestic cash outflow from financing activities in the current period compared to the previous year.				

(II) Corrective measures to be taken in response to illiquidity: no such matter for this period.

(III) Liquidity analysis for the coming year:

Unit: NT\$ thousand

Opening cash balance (1)	Expected net cash flow from operating activities for the year (2)	Expected net cash inflow (outflow) from other activities for the year (3)	Residual cash flow (deficit) (1)+(2)+(3)	Remedial measures for expected cash flow deficit	
				Investment plans	Financing plans
939,930	512,707	(1,025,845)	426,792	—	—
1. Cash flow analysis for the coming year:					
(1) Operating activities: It is mainly expected the Company's revenue will grow in the next year, resulting in the net cash inflow from operating activities.					
(2) Investing activities: It is mainly expected the Company will purchase and replace property and equipment.					
(3) Financing Activities: It is mainly due to distribution of earnings and repayment of long/short-term borrowings.					
2. Remediation measures against expected cash flow deficit: No such matter: The growth of the Company's operating activities continues to generate profits. Thus, no such matter.					

IV. Effect upon Financial Operations of Any Major Capital Expenditures in the Most Recent Year

In order to enhance market competitiveness and R&D capability, the Company invested in the construction of the Nantou Chung Hsing Park Corporate Headquarters and R&D Center as well as the Zhangbin Plant. Although part of the capital expenditures were funded by bank borrowings, due to the stable operation in recent years, bank borrowings have been gradually repaid, resulting in the decrease in mid-to-long-term bank borrowings. With the continuous improving R&D capability of the Corporate Headquarters and R&D Center, the Company is expecting a steady growth of operations. Therefore, no significant impact on the Company's financial business is expected.

V.Reinvestment Policy in the Most Recent Year, the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Re-Investment Profitability, and Investment Plans for the Coming Year

(I)Reinvestment policy in the most recent year: For the reinvestment policy, the Company focuses on the core business while seeking reinvestments in relevant business. The management of invested businesses is performed according to the “Investment Cycle” of the internal control system regulations and the “Regulations Governing the Acquisition and Disposal of Assets” of the Company. The aforementioned regulations or procedures have been discussed and approved by the board of directors and shareholders’ meeting.

(II)Investments in other companies for the most recent fiscal year, the main reasons for profit/losses resulting therefrom, plans for improvement thereto:

December 31, 2023/Unit: NT\$ thousand

Item	Explanation	Investment gains and losses recognized in 2023	Percentage of Shareholding (%)	Main reasons for profit or losses	Improvement plans	Other investment plans
CH BIOTECH, LLC.		1,555	100%	The operation strategy of CH Biotech is to perform R&D activities in Taiwan, manufacture in the U.S. and sell products worldwide. CH Biotech, LLC is the main production site of CH Biotech and is responsible for the manufacturing of products of CH Biotech. In 2023, its operations continued to be stable, and the impact of exchange rate changes this year caused investment gains to be recognized in this year.	—	None
QIN HAN BIOTECH CO., LTD.		(45)	49%	To manufacture excellent products and control costs, it is necessary to strictly control the quality of raw materials and stable and sufficient sources of supply. Therefore, investment in processing and manufacturing related raw materials is required to have the priority in purchasing the feather meal for the Company's production of peptides raw materials. An investment loss was recognized in 2023 because the plant was still under construction.	As the Company's plant is still under construction, loss will reduce upon completion of the construction and commencement of production.	None

(III)Future investment plans: None.

(IV)Other important matters: None.

VI.Risk Evaluation

(I)The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1.Interest rate fluctuations

(1)The effect upon the Company's profits (losses):

The Company's interest expenses are mainly from the interest on the loans taken out by the Company and our subsidiaries from financial institutions. In 2022 and 2023, the interest expenses incurred from bank borrowings were both NT\$16,810 thousand, accounting for 1.17% and 1.11% of the operating revenue, respectively, and 2.97% and 2.90% of the earnings before tax, respectively, such that the impact on the Company's earnings is limited.

(2)Future response measures

To reduce the impact of interest rate changes on the Company and our subsidiaries, we pay close attention to the global economic development and interest rate changes and maintain positive relations with financial institutions to obtain better interest rates. We also take flexible measures to respond at any time. Considering future development and funding needs, we will evaluate the costs of various funding sources and select appropriate financing methods to meet our needs for growth. In conclusion, changes in interest rates will not have a significant impact on the earnings of the Company and our subsidiaries. In addition, the Company regularly evaluates bank financing rates and maintains close relationships with banks to obtain favorable financing conditions to reduce interest expenses. At the same time, the Company observes the trend of the interest rate of foreign currency deposits on the market in Taiwan and makes good use of financial scheduling to reduce the impact of interest rate changes on the Company's profit and loss by operating the spread between the foreign currency deposits on the platform.

2.Exchange rate fluctuations

(1)Impact on the Company's earnings:

The Company's products are mainly exported. Our sales and purchases receivables are mainly denominated in US dollars. However, exchange rate fluctuations will still have a certain impact on the overall profit of the Company even if the difference in currency translation is offset through purchases and sales. The Company's net foreign exchange gain (loss) for the year 2022 and 2023 were NT\$62,277 thousand and NT\$7,176 thousand, respectively, accounting for approximately 4.34% and 0.47% of the Company's net operating income.

Unit: NT\$ thousand; %

Item \ Year	2022	2023
Net foreign exchange gain (loss)	62,277	7,176
Net operating revenue	1,434,115	1,514,829
Net foreign exchange gain (loss) / Net operating revenue	4.34	0.47

(2)Future response measures

In order to effectively reduce the impact of exchange rate changes on overall profits, the Company monitors exchange rate trend closely and enhances the management exchange rate fluctuation risk. The Company's foreign exchange position uses natural hedging as the main strategy for exchange rate risk control. The dedicated staff of the Department of Finance will estimate the situation in terms of daily foreign currency

balances and weekly capital, and maintain the relationship with the financial institutions according to the development of international political and economic situations to collect real-time foreign exchange information and fully grasp the trend of foreign exchange changes. Except for foreign currency positions, retained for foreign currency requirements, the rest will be sold at an appropriate time to reduce exchange risk. The Company promptly adjusts product quotations to reduce the adverse impact of changes in the exchange rate on the Company's losses.

3. Inflation

(1) Impact on the Company's earnings:

Inflation has the effect of offsetting the collection and payment from the Company's sales and purchases as the selling price can be adjusted moderately; also, the cost of raw materials accounts for a small proportion of the overall cost; thus, inflation has a limited impact on the Company's profitability. However, we will also implement a budget system and internal controls to effectively control operating costs and expenses within a reasonable range. Thus, the Company's past operating performance has not yet been significantly impacted by inflation.

(2) Future response measures

In order to prevent the future increase in international raw materials, resulting in higher product costs, the Company keeps abreast of global political and economic changes and market price fluctuations, and establishes a long-term relationship with suppliers, to actively enter into a cost control plan and adjust procurement policies in a timely manner, in its aim to reduce the impact of inflation on the Company's operations.

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

1. The Company and its subsidiaries are committed to the operation of the industry and are based on the principle of conservatism and stability. In the most recent year and up to the printing date of the annual report, the Company has not engaged in high-risk, high-leverage investments.

2. In the most recent fiscal year and as of the printing date of this annual report, the Company did not engage in loans to others, endorsements/guarantees, and the trading of derivative instruments. Based on operating risk considerations, if the Company intends to engage in loans to others and endorsement/guarantees in the future, such matters will be handled in accordance with the provisions of the Company's "Management of Loans to Others" and "Operational Procedures for Endorsements/Guarantees for Others." In addition, if the Company engages in derivatives trading in the future, such matters will be handled in accordance with the "Procedures for Acquisition or Disposal of Assets" established by the company and all transactions will be based on the principle of natural hedging.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

1. Future R&D plans

In the future, we will continue to analyze the socioeconomic development and agricultural production development trends, combine the new technologies of modern agriculture and biology, continue to develop competitive agricultural biotechnology and new drugs, and expand their application functions and markets, focus on the R&D in the following aspects:

(1) Product R&D to increase nitrogen fertilizer utilization efficiency: We will accelerate the efficacy verification, registration, and field trials of the new product Foliar Nitrogen Assimilation.

(2) R&D of immunity-inducing products: This type of product induces crops' immunity to form all-round defense against pests. In response to the stricter environmental protection requirements for the application of traditional pesticides and fungicides, we are moving

our new products, Disease Suppression and Strive, through the registration process and field trials rapidly.

- (3) Development of circular agriculture products: In addition to providing food, agriculture generates a large amount of agricultural residues, such as crop straws and animal residues. The current main treatment methods for residues are incineration and landfill, which increases carbon emissions, consumes energy, and creates local environmental pollution problems. The Company will convert agricultural residues into oligosaccharides and peptides that are beneficial to improving crop yield and quality through innovative physical, chemical, and biological technologies, thereby recycling them back into food production.

2. Estimated R&D expenses

The Company will continue to invest in the R&D of various agri-biotech new pharmaceutical products in the future. By utilizing the decoded genomic data of the target crops, combined with the crop science and technology of metabolites and phenotyping, the Company's products are able to enhance fertilizer use efficiency, while still ensuring crop yield and quality in extreme climates, to effectively induce the growth and development of crops to achieve maximum yield and quality of crops. The Company expects to invest R&D expenses in the future based on the development of new products and technologies. The R&D expenses will account for about 10–27% of operating income. In the future, the proportion of operations will be maintained at a certain level depending on the operating conditions to ensure the Company's competitiveness.

- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company's management and operation are in compliance with relevant domestic and foreign laws and regulations, are always aware of important domestic and foreign policy development trends and changes in laws and regulations and fully grasp the relevant information to ensure the smooth operation of the Company in response to possible impact. In the most recent year and as of the printing date of this annual report, there has been no effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad.

- (V) Impacts of changes in technology (including information security risk) and industry on the financial business of the Company and countermeasures:

The Company monitors relevant technology development change of the industry it being classified to, collects information on industry dynamics, continuously improves the R&D capability and actively expands future market application fields, in order to ensure market competitive advantages. For the most recent year and up to the printing date of the annual report, there has been no material impact on the Company's financial operations due to technology and industry changes.

- (VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Since the establishment of the Company, we have adhered to professional and honest business principle, and we also comply with relevant domestic and foreign laws and regulation to implement corporate governance while maintaining harmonic labor-management and external relationships. In addition, we also plan to enter the capital market in order to attract more excellent talents to join the Company and foster the capability of the Company's management team, in order to strengthen the competency of the management team. Furthermore, the Company also fulfills corporate social responsibilities. For the most recent year and up to the printing date of the annual report, there has been no operational crisis of the Company due to corporate image change.

- (VII) Expected benefits, possible risks, and countermeasures for mergers and acquisitions:

The Company has not undertaken a merger or acquisition plan in the most recent year and as of the printing date of this annual report. However, if there is any merger or acquisition

plans, the Company will follow the Company's "Procedures for Acquisition or Disposal of Assets" and adopt a prudent assessment to fully examine the comprehensive effect of the merger or acquisition plan to ensure the Company interests and shareholders' rights.

(VIII) Expected benefit, possible risk and countermeasure for expansion of facilities:

1. Expected benefits

With the opening of the global R&D Center and Nantou Headquarters in Chung Hsing Park, the Company's operating scale will continue to expand. However, in order to enhance corporate competitiveness and long-term development in the future, the operating model will be diversified. In March, 2018, the Company built a fermentation plant, the Zhangbin Plant, in the Changhua Coastal Industrial Park located at Xianxi Township, Changhua County. The total floor area is 7,047.56 square meters, and the plant has obtained the factory registration certificate in November 2021.

According to the 2020 Biotechnology Industry White Paper by the Ministry of Economic Affairs, the global agricultural materials are developing toward highly efficient and eco-friendly products with low toxicity, so the growth of biological pesticides and biological fertilizers is higher than that of overall pesticides and fertilizers. In 2019, the global scale of biological pesticides and fertilizers amounted to US\$6.67 billion with an expected compound annual growth rate of 11.3 to 16.1%. Of the factors of the growth, the demand for organic products, the demand for eco-friendly agrochemical formulations, and the need to reduce soil and water pollution have continued to rise.

In the future, the Zhangbin Plant plans to produce strain-derived amino acid and peptide products in alignment with the requirements of the global agricultural market for agricultural products that are friendly to crops and the environment and highly efficient. The fermentation plant is currently under the trial stage, and after the official mass production in the future, it will be beneficial to the expansion of market share and increase of competitiveness of the Company, thereby enhancing the Company's overall operational profit.

2. Possible risks and countermeasures

The Company focuses on R&D and experimentation. In order to obtain accurate data, the Company invested a large amount of time in the laboratory and field testing phases, which makes the development period of new products longer, resulting in its being less likely to make significant contributions to the Company's overall revenue and profit in the short term. However, for the Company's long-term development and enhancing the competitiveness of R&D, the necessity of diversified business strategies are considered for the development. Since the establishment of the Company, the revenue and profit have been steady enough to cover the related R&D expenses and capital expenditures. Coupled with our strong R&D team and partners, the Company closely monitors market demand, the progress of various product developments, and related risks, to ensure both the Company's and our shareholders' interests.

(IX) Risks faced for purchase or sales concentration and responsive measures:

1. Purchase concentration:

The Company's maintained its purchase of raw materials from two or more suppliers. The Company always pays attention to the market dynamics, actively develops other suppliers and maintains a good cooperative relationship with each supplier to ensure stable supply. The annual net purchase amount of any single supplier has not exceeded 30%; therefore, the Company is not subject to the condition of purchase concentration.

2. Sales concentration

The Company's sales in 2022 and 2023 were NT\$1,434,115 thousand and NT\$1,514,829 thousand, respectively. The sales in both years were concentrated in Nutrien Group, accounting for 83.58% and 78.66%, respectively. Consequently, sales concentration at Nutrien Group occurred. The main reason for sales concentration was mainly due to the industrial characteristics and the Company's operational strategy. A product registration

certificate must be obtained when each agrochemical product is launched to a new area or features a new function. The market entry threshold is high, and it costs a great deal of time and money. It is a daunting challenge for the agricultural biotechnology and new drug developers with a large amount of investment in resources to promote and sell products. In addition, due to the accelerated integration of the global agrochemical industry in recent years, the concentration of large agrochemical plants has increased. Therefore, SMEs with R&D capabilities have begun to work with large agrochemical channel distributors to form a supply chain system with complementary divisions of labor. Under the existing monopolistic competition framework in the market, strategic alliance is the most optimal strategy, and the maximization of the profit margins for both parties can be ensured.

Furthermore, the agrochemical industry channel distributors are specialized in their own fields. For example, some channel distributors are specialized in field crops of soybean and corn while some other channel distributors are specialized in crops of high economic value, such as vegetables and fruits. The Company decides to cooperate with Nutrien Group specialized in the field crops according to its field of expertise. The marketing personnel trained by Nutrien Group are familiar with the field crop cultivation model, and the Company applies essential core technologies and recruits R&D talents to accelerate product development, and also continues to exchange with Nutrien Group in order to obtain the timely demands of end crop farmers, thus establishing a virtuous cycle.

To cope with the risk of sale concentration, the Company not only cooperates with Nutrien Group but also selects appropriate cooperating sales partners according to the product characteristics, such that not all products are delivered to the same channel distributor. Since the Company owns numerous plant growth regulator technical-grade registration certificates, the Company is able to engage in own research and development or accept customers' request to develop compounds of new agricultural biotechnology drugs without the need to obtain additional licenses and to pay royalty to owners of the technical-grade registration certificates. In addition, the Company also values the collaboration with the new customer, Customer A. In addition to the continuous tracking and licensing the sales of Customer A for OnWard and AGX21028/InnoCharge, the Company will continue to promote newly developed products of the Company to Customer A, thereby further enhancing the collaboration between the two parties and increasing the adhesion. Moreover, new products are also sold to existing customers (such as licensing CHB-MP to the existing customer, Customer B, and sales under the product name of Amass, Rvline late season, and Intergize) in order to increase the sales revenue.

In addition, for the six new products developed completely by the Company, registration certificates have presently been obtained. Among the new products, new customers have been engaged for the product of EXCIRA, and customers are performing field trial on their own. The sales of EXCIRA is expected to have opportunities to expand to the vast sugarcane industry in the future. As for the other five new products, the Company is actively seeking new potential customers specialized in relevant fields according to their applicable target crops. The Company utilizes the essential core technologies as the platform and is equipped with sufficient R&D innovation energy, and will continue to head toward cross-field and diverse development of new agricultural biotechnology drugs in the future as well as the development of customized new products according to the customer demands, in order to increase the sales revenue source and to further reduce the sales concentration with Nutrien Group.

(X)Impacts, risks and countermeasures of directors, supervisors or major shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the Company:

In the most recent year and up to the printing date of the annual report, there has been no large equity transfer or change from the Company's directors, supervisors or major shareholders with shareholding exceeding 10%. Therefore, there is no material impact on the operation of the Company due to large equity transfer or change.

(XI) Impacts, risks and countermeasures of change in management rights:

In the most recent year and up to the printing date of the annual report, there is no changes in governance personnel or top management.

(XII) Litigious and non-litigious matters:

1. List major litigious, non-litigious or administrative disputes that involve the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation during the most recent 2 years and up to the publication date of the annual report. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute

Date on which the proceeding commences	Parties involved	Price	Content	Status of the proceeding as of the printing date of this annual report
2020/6/12	Chiayi Branch, Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd. / CH Biotech R&D Co., Ltd.	NT\$ 7,455,730	(1) On November 30, 2017, the Company and Chiayi Branch, Southern Taiwan Business Group, Chunghwa Telecom Co., Ltd., signed a contract regarding a light current engineering project for CH Biotech's new factory. The subject matters of the contract were the security surveillance system, the access control system, and the parking management system, in the total amount in NT\$7,574,350. Subsequently, on December 15 of the same year, the Company signed another contract with Party B entitled "CH Biotech Personnel Control System Construction Project." The subject matters of the contract were the GR715 speed gate, the security room driveway control system, and the geofencing system, in the total amount in NT\$2,850,000. (2) During the construction process and after completing the project, the subject matters of the project established by the Chunghwa Telecom Co., Ltd. continued to have defects. During the period, the Company successively notified it to make improvements. The relevant systems have not been	(1) The judgement date of this case was December 13, 2022, and the court ruled that the Company should pay NT\$ 252,800 and statutory interest to Chunghwa Telecom but rejected the rest of the claims of Chunghwa Telecom, and appeal could be filed by either party. (2) Chunghwa Telecom rejected the judgment of the first instance and filed an appeal on January 6, 2023. (3) Since the organization ruled by the local court was illegal, the Taichung Branch Court of the Taiwan

Date on which the proceeding commences	Parties involved	Price	Content	Status of the proceeding as of the printing date of this annual report
			able to operate normally so far so that the Company is unable to carry out the inspection and acceptance process. (3)However, without improving the company's various defects so far, Chunghwa Telecom Co., Ltd. filed a civil complaint on June 4, 2020 directly. The Company received a notice from the Civil Division of the Taiwan Nantou District Court on June 15, 2020, in which Chunghwa Telecom Co., Ltd. requested the Company to made the following payments: ① The Company shall pay NT\$7,455,730 to Chunghwa Telecom Co., Ltd., with interest accruing at 5% per annum from the date of service of the complaint to the settlement date. ② The Company shall bear the litigation cost. (4)After the Company received the notice from the Civil Division of the Taiwan Nantou District Court on June 15, 2020, it has commissioned Lee and Li, Attorneys-at-Law, to represent the Company in this lawsuit, and it attended the civil court on July 9, 2020 and handled subsequent litigation-related matters.	High Court ruled on February 23, 2023 to remand the case back to the original court for a more verdict. (4)The District Court held the oral examination on August 28, 2023, and look forward to the notice from the subsequent court. (5)This case has no material impact on the financial business of the Company.
2020/9/29	Jin Jhan Greenhouse Project Co., Ltd. / CH Biotech R&D Co., Ltd.	NT\$ 6,092,379	(1)The Company and Jin Jhan Greenhouse Project Co., Ltd. (hereinafter referred to as "Jin Jhan") signed the CH Biotech R&D Center Experimental Greenhouse New Construction Project Contract on December 11, 2017, with the total contract amount of NT\$ 22,800,000 and the agreed	(1)We completed the preliminary proceedings in the Taiwan Nantou District Court on August 27, 2021. (2)This case was first tried by

Date on which the proceeding commences	Parties involved	Price	Content	Status of the proceeding as of the printing date of this annual report
			completion date of August 25, 2018. (2) Jin Jhan should have complied with laws and completed the project on time based on the contract, but it failed to fulfill its responsibility as a contractor, and the request for acceptance was submitted on July 4, 2019. (3) The greenhouse project disputes are mainly about the addition of basic construction works and fines for the overdue progress. ① Addition of basic construction works: A. Jin Jhan failed to undergo the procedures for additional basic construction works as per the provisions of Article 5(3), paragraph 1 of the contract. B. After appraised by the Nantou County Architects Association, it is determined that Jin Jhan's construction quality is seriously flawed. C. As per the structural technicians' appraisal, the basic works are obviously overly designed. ② Fines for overdue progress: A. The Company imposed a fine of NT\$6,102,840 based on the number of days overdue base on the contractor's completion date as agreed in the contract. (4) Jin Jhan ignored its project management responsibility and filed a lawsuit. Its requirements	Judge Chun-Shih Yeh, and a verdict was set on May 4, 2023 after the conclusion of the discussion. No re-argument was later announced. On November 28, 2023, the newly elected Yu-Lin Cheng advised the two parties to reconcile, and Lee and Li, Attorneys-at-Law informed at the time that the conditions for the reconciliation were the same. On April 1, 2024, Judge Cheng held another oral examination session to advise the two parties to reconcile. (3) This case has no material impact on the financial business of the Company.

Date on which the proceeding commences	Parties involved	Price	Content	Status of the proceeding as of the printing date of this annual report
			in the civil complaint are as follows: ① The final payment for the project is NT\$569,994. ② The payment for additional construction works of NT\$ 2,613,133 should be paid. ③ The withholding amount of NT\$ 2,909,252 in the second payment should be paid. ④ The project performance bond check shall be returned. (5)After the Company received the notice from the Civil Division of the Taiwan Nantou District Court on September 2, 2020, it has commissioned Lee and Li, Attorneys-at-Law, to represent the Company in this lawsuit, and it attended the civil court on September 29, 2020 and handled subsequent litigation-related matters.	

2.For the Company's directors, supervisors, presidents, substantial responsible person and major shareholders with shareholding percentage above 10% and affiliated enterprises, Any affirmative ruling or any currently pending litigation, non-contentious case or administrative dispute event, and the result thereof may have material impacts on the shareholders' rights or stock price of the Company in the most recent two years and up to the printing date of the annual report: None.

3.The Company's directors, supervisors, managerial officers and major shareholders with shareholding percentage above 10% and affiliated enterprises being subject to the conditions described in Article 157 of the Securities and Exchange Act in the most recent two years and up to the printing date of the annual report and the current handling status of the Company: None.

(XIII)Information security risk assessment and responsive measures:

The Company has established a computer network security protection system to maintain company confidentiality and other important operational related information functions in an efficient and secure control mode to support the Company's information security control requirements. For maintenance and technical support of current computer hardware and software equipment, the management unit shall sign a maintenance confidentiality contract with the service provider. The service provider provides services for troubleshooting at required time and regular maintenance to ensure smooth operation of information systems and equipment. Although the Company and its service provider regularly and periodically carry out information security testing and evaluation operations to discover potential problems of information security, through relevant control measures

at the technical and management levels, it is still impossible to ensure that the Company's information system will be free from any malicious cyberattacks.

Information security protection measures and emergency backup include computer room access control, uninterrupted power equipment in the computer room, regular data backup, remote data backup, disaster recovery plan and network security management. The access of the computer room is controlled by double locks, including a key and face recognition. The Company conducts daily data backups at the Headquarters and R&D Center in Nantou and the plant in Changhua Zhangbin Plant and conducts disaster recovery drills every year to confirm the feasibility of the backup data recovery after the disaster and to shorten the recovery time.

The Company's access to programs, files and documents is controlled by the password authority. In addition, the Company conducts information security testing and evaluation operations to find out the potential problems of information security. Through technical and management-related control measures, the Company continues to improve the network and information system security protection capabilities to ensure that the Company's network protection is up to date.

Malicious attacks such as computer viruses and hacker intrusions may result in theft or misappropriation of important company information. Hackers with malicious intent may also try to introduce the latest undecipherable viruses and malware into the Company's network to gain control of the system, extorting or prying into the company's internal secrets, and affect the Company's operations. In order to effectively protect network security and mitigate the threats caused by viruses, paralyzing networks and other network attacks, the Company uses multiple network security prevention technologies to regularly perform vulnerability scanning and information security announcements to ensure the stability and safety of the information system.

(XIV) List the effect on the Company's financial status if a company director, supervisor, its general manager, or a major shareholder with a stake of more than 10 percent has experienced financial difficulties or lost creditworthiness in the most recent two years and up to the publication date of the annual report: None.

(XV) An issuing company with subsidiaries meeting one of the standards of a "major subsidiary" as provided in Article 2-1, Paragraph 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants in the most recent fiscal year or the fiscal year of the listing application shall additionally include an exposition on the risks of the subsidiaries:

For the most recent year and up to the printing date of the annual report, the invested business of the Company complying with the criteria of an important subsidiary prescribed in Paragraph 2 of Article 2-1 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants is the subsidiary U.S. CH BIOTECH, LLC. 100% held by the Company, and its main business is to perform processing and manufacturing of relevant products for the Company. With regard to the risks associated with the subsidiary, please refer to the following explanation:

1. Operation and management risk

CH BIOTECH, LLC. is an overseas production site of the Company and is located in the U.S. Due to the remote management, possible operation and management risks may occur; therefore, in addition to local employees, appropriate Taiwanese management staff are also employed to act as communication and management bridge, in order to overcome the issues of time and cultural difference. The subsidiary of the Company has established a written internal control system and various management regulations according to the operational needs and has executed accordingly. Settlement statements and relevant management reports are provided to the Company on a monthly basis for supervision of its operation status, and its financial documents are issued to cooperate with the financial report of the Company. The

Company's CPA performs audit on its financial statements, and the Company's management also proceeds to the subsidiary in person periodically to understand and supervise matters, in order to reduce operation and management risks.

2. Financial risk

The main source of the operating income of CH BIOTECH, LLC. is from the processing and manufacturing of products of the Company. During its establishment in 2015, it was operating at a loss at the beginning. To overcome the financial capital issue of CH BIOTECH, LLC, in 2018, its operation and financial structure were adjusted via the overtime fee payment calculation method. In 2022, its operation performance has indicated operating profit. To effectively manage its financial status, it is necessary to report its financial statements to the Company monthly. If there is any major financial expenditure, asset purchase plan, property change or other factors such that there is a demand for fund or capital, the subsidiary is required to submit benefit evaluation analysis to the Company for review. Once evaluation is approved, the cash capital increase method is adopted to provide the capital demanded by the subsidiary.

3. Exchange risk

CH BIOTECH, LLC. is established in the U.S., and its operating income, purchase of raw materials and relevant operating costs are calculated in USD; therefore, natural hedging effect has been generated, and its exchange rate risk on the Company is relatively minor.

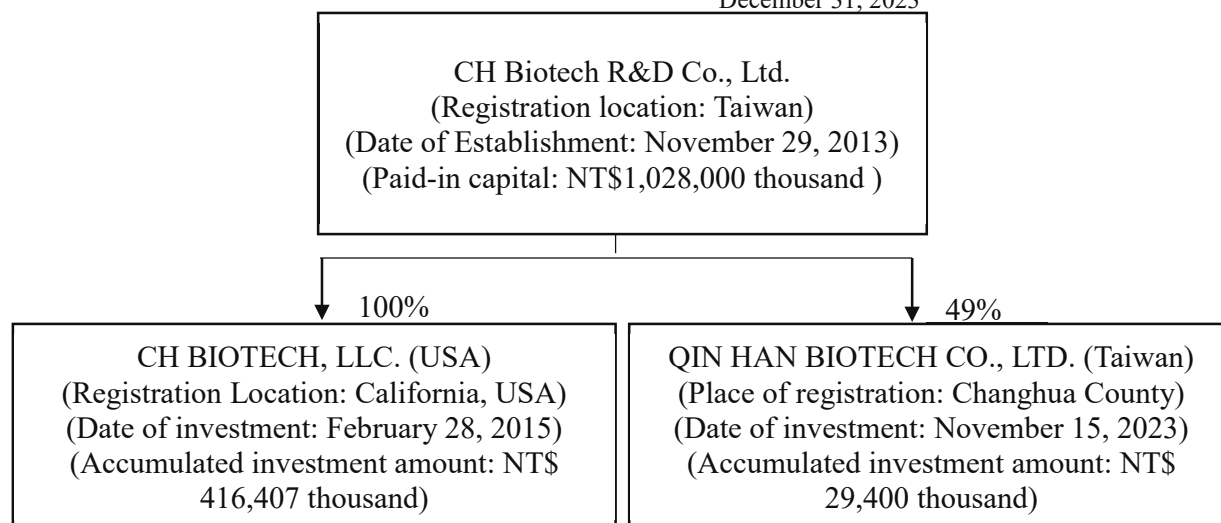
VII. Other Important Matters: None.

Eight. Special Notes

I. Information Related to the Company's Affiliates

(I) Organizational chart for affiliates

December 31, 2023



(II) Setting forth the relationship between the company and its affiliated enterprises, cross-shareholding ratios, numbers of shares held and actual investment amounts

December 31, 2023; Unit: USD thousand

Company Name	Name of affiliated enterprises	Relationship with the Company	Affiliated enterprises' shareholdings in the Company			The Company's shareholdings in the affiliated enterprises		
			Number of shares (thousand shares)	Percentage of Shareholdings	Actual investment	Number of shares (thousand shares)	Percentage of Shareholdings	Actual investment
CH Biotech R&D Co., Ltd.	CH BIOTECH, LLC.	Subsidiary	0	0	0	- (Note)	100.00	13,356

Note: CH BIOTECH, LLC. is a limited liability company and it has not issued shares.

December 31, 2023; Unit: NT\$ thousand

Company Name	Name of affiliated enterprises	Relationship with the Company	Affiliated enterprises' shareholdings in the Company			The Company's shareholdings in the affiliated enterprises		
			Number of shares (thousand shares)	Percentage of Shareholdings	Actual investment	Number of shares (thousand shares)	Percentage of Shareholdings	Actual investment
CH Biotech R&D Co., Ltd.	QIN HAN BIOTECH CO., LTD.	Affiliated enterprise	0	0	0	29	49.00	29,400

(III) The same shareholder information if the company meets the elements provided in the law for presumption of a relationship of control or subordination: None.

(IV) The industries covered by the business operated by the affiliates overall

The business of the Company and related companies is mainly research, development, production, manufacturing and sales of various plant growth regulator and fertilizers.

(V)The names of the directors, supervisors, and general manager of each affiliate

Name enterprises	Title	Name or representative	Shares Held Directly	
			Number	Percentage of Shares Held
CH BIOTECH, LLC.	Manager	Evelyn Ku	—	—
QIN HAN BIOTECH CO., LTD.	Chairman	Yu-Min Lai	1,200	2%

Note 1: If the affiliated company is a foreign company, the equivalent positions are listed.

Note 2: If the invested company is a company limited by shares, please provide the number of shares and the proportion of shareholding, otherwise please provide the amount of capital and the proportion of capital contribution and indicate it.

Note 3: When the directors and supervisors are legal persons, relevant information about the representative should be disclosed.

(VI)Overview of the operation of each affiliate

December 31, 2023: Unit: USD thousand

Name enterprises	Capital	Total assets	Total liability	Net value	Operating revenue	Operating loss	Current profit (after tax)
CH BIOTECH, LLC.	US\$12,585	US\$9,361	US\$386	US\$8,975	US\$3,659	US\$472	US\$391

December 31, 2023: Unit: NT\$ thousand

Name enterprises	Capital	Total assets	Total liability	Net value	Operating revenue	Operating loss	Current loss (after tax)
QIN HAN BIOTECH CO., LTD.	60,000	59,998	152	59,846	—	183	154

(VII)Affiliated Enterprise Consolidated Financial Statements

The entities that are required to be included in the consolidated financial statements of CH Biotech Co., Ltd. as of and for the year ended December 31, 2023 (from January 1 to 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 Accounting Standard 27, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

(VIII)Affiliation Reports: Not applicable.

II.Information on Private Placement of Securities for the Most Recent Year and Up to the Printing Date of the Annual Report: None.

III.Information on Share Ownership and Disposal of Shares of the Company by Subsidiaries for the Most Recent Year and Up to the Printing Date of Annual Report: None.

IV.Additional Information Required to be Disclosed: None.

V.For the Most Recent Year and up to the Printing Date of the Annual Report, Occurrence of Events Having Material Impact on Shareholders’ Rights and Interests or Securities Prices According to Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

CH Biotech R&D Co., Ltd.

Chairman: Cheng-Pang Wu

April 15, 2024



正瀚生技股份有限公司
CH Biotech R&D Co., LTD.

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