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（I）Spokesperson : Deputy Spokesperson：

1. Name: LO,YUE-YING 1.Name: LIN,JIN-YUAN
2. Title: Associates 2.Title: Manager
3. Tel.: (03)3623105 3.Tel.: (03)3623105
4. E-mail: monica@hcgnet.com.tw 4.E-mail: nick@hcgnet.com.tw

（II）Address and telephone number of headquarter, plant and sales office.

Name	Current Location	Tel No.
Headquarter	No. 398, Xingshan Rd., Neihu Dist., Taipei 14066 , Taiwan	(02)2792-5511
1st Plant	No. 67, Zhongzheng 2nd Rd., Yingge Dist., New Taipei City, Taiwan	(02)2679-2044
2nd Plant	No. 1, Bade Rd., Yingge Dist., New Taipei City, Taiwan	(02)2679-2294
3rd Plant	No. 135, Houzhuang St., Da Fa Village, Bade Dist., Taoyuan County, Taiwan	(03)362-3105
Taipei Branch	No. 105, Binjiang St., Zhongshan Dist., Taipei, Taiwan	(02)2502-1971
Taoyuan Branch	No. 89, Houzhuang St., Da Fa Village, Bade Dist., Taoyuan County, Taiwan	(03)362-8101
Hsinchu Branch	No. 2, Sec. 1, Zhongshan Rd., Hukou Township, Hsinchu County, Taiwan	(03)569-2949
Miaoli Branch	No. 22-9, Shuiliuniang, Miaoli City, Miaoli County, Taiwan	(037)234-911
Chiayi Branch	No. 136-20, Cuxi, Shuishang Township, Chiayi County, Taiwan	(05)235-3168
I-Lan Branch	No. 7- , Ln. 41, Sec. 3, Dafu Rd., Zhuangwei Township, Yilan County, Taiwan	(039)304-107
Keelung Branch	No. 4- 1, De'an Rd., Zhongshan Dist., Keelung, Taiwan	(02)2437-1411
Nanto Branch	No. 37, Nangang 3rd Rd., Nantou City, Nantou County, Taiwan	(049)225-3626
Taichung Branch	No. 312, Ln. 16, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung, Taiwan	(04)2452-7560

（III）Stock Transfer Agent：

Name ：Capital Securities Corporation (Stock)
Address ：B2, No. 97, Sec. 2, Dunhua S. Rd., Da’an Dist., Taipei, Taiwan
Tel. ：(02)2702-3999
Website ：https://www.capital.com.tw/agency/tc/default.asp

（IV）CPA for the latest annual financial report.

Name ：CPA – Chiang, S. L、Chiang, C. Y
Name of Firm：KPMG International Limited
Address ：68F., No. 7, Sec. 5, Hsin Yi Road, Taipei
Tel ：(02)8101-6666
Website ：http://www.kpmg.com.tw/

（V）Name of overseas marketable securities trading exchange and information inquiry method: None

（VI）Company website：http://www.hcg.com.tw/

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I. Letter to Shareholders

Dear shareholders,

On behalf of the Board of Directors, I would like to express my deepest respect and gratitude to all shareholders for their full support and encouragement to the Company during the past year.

In the past year, the global economy was already in turmoil due to the trade war between the United States and China, and the outbreak of Coronavirus hit the world, causing nearly all countries around the world to lockdown and seek asylum, which also impacted a severe economic downturn, our manufacturing in China and Philippines were also affected. Fortunately, the domestic market is still growing steadily, so that the Epidemic didn't have a seriously impact on the Company. During the past year, the domestic real estate market has shown signs of improvement in terms of price and volume, even rising values increase in price. However, because of some unfavorable factors recently such as price rising in raw materials, labor shortages and the new policy against real estate speculation, it remains to be observed whether the growth will continue. In order to face the continuous changes in the market, we not only need to maintain our market share in the Sanitary Wares, but also to develop new target customers for our products.

1.1. Performance of Enterprise:

We hereby report to our shareholders on the results of operations in 2020.

Consolidated revenue of Hocheng Co., Ltd. in 2020

Item	Revenue	
Operating income.	5,102,207	Thousand dollars (net)
Operating gross profit.	1,254,786	thousand dollars
Operating profit.	185	thousand dollars
Net income after tax.	79,404	thousand dollars
Earnings per share.	0.24	dollars

1.2. Outline of 2020 Annual Business Plan

With the company's management and development, we achieved the target of performance in 2020, but due to the policy against real estate speculation issued by the government, the economic situation is getting severe, thus we are actively responding to changes and formulate countermeasures, and the direction of development as follows.

(1) New product development for sanitary wares: Based on the concept of safety in bathing spaces, the company focuses on the planning of barrier-free space and its related products with the concept of "HCG design for all", and arranges auxiliary facilities that can meet the needs of users with different physical conditions and even the caregivers. For example, swivel backrest shower chair with double-lifting armrest, washlet with handles, adjustable washbasin and so on. In the face of Taiwan's aging society, HCG takes a positive and active attitude towards the seniors.

(2) The development of core technology: Based on "ceramics and composite materials", HCG has developed from traditional ceramics to "precision ceramics", while "composite materials" has advanced the bathtub production technology from "glass fiber" to carbon fiber material molding technology for automotive components. All our OEM automotive components have been

qualified by CAPA (Certified Automotive Parts Association), and we have recently released carbon fiber diving boots to cross domain the field of leisure life.

(3) AI product development: "AI Anti-bacterial Water Faucet" and "AI Cosmetic Mirror" have won the "2021 Taiwan Excellence Award", and combined AI applications in life. Through the cooperation between Acer's AI team and our subsidiary, Oplus SmartTech Co., we are jointly jostling for a slice of this “smart home” market.

(4) Development of other industries: Zirconia tiles have obtained various certifications from the Ministry of Health and Welfare (MOHW) in Taiwan, including MOHW inspection registration, Good Manufacturing Practice (GMP), and the ISO13485 medical material management system. In 2020, we passed the FDA 510(K) Premarket Notification and the U.S. Food and Drug Administration review. We have also obtained the certification from the Thai Trade and Economic Office and will export our products to Thailand. Furthermore, our intelligent "Flagship Dryer", the Electric Clothes Dryer had been launched to help the consumers have a better life.

1.3、Future development strategy of the company

1.Actively develop new markets and marketing channels to achieve annual sales targets.
2. Reduce costs, strengthen logistics management, and increase operating profit.
3. Accelerate the development of new products to improve market competitiveness.
4. Rising the commercial marketing to increase the market share of our products.
5. Strengthen talent training and implement performance management.
6. Implement ISO quality and environmental policies.

In addition to drawing up the management plan for 2021, HCG will strengthen the integration of marketing channels, staff training and sales stores. In the past, the distributorship and dealership channels were one of the most important factors in establishing the Top 1 of the industry, but nowadays, with the development of professional hypermarkets and network marketing, and the prevalence of all-round sales model, our existing channel model is no longer sufficient to cope with this change. Therefore, we should make a comprehensive and effective planning and adjustment on the overall channel model, resource allocation, product development, personnel training, and tasking to meet the challenges of fiercer competition in the future. In the future, the market will no longer have the advantage of comparing brands, prices, and products. We will actively promote "Tech-Hocheng" by using electronic composite materials and product differentiation to develop products with a sense of technology in order to establish the image of " Tech-Hocheng", and through the excellent performance of teamwork, we will continuously innovate, integrate, and grow.

1.4. Influenced by the external competitive environment, regulatory environment and whole business environment

The sanitary industry is directly facing the consumer market with constantly changing preferences. In addition to consolidating the existing channels and markets, the company is actively developing new products, expanding its operations and increasing the number of showrooms nationwide, actively selling imported brand products, and increasing the growth of sales, moreover, HCG focuses on the reduction of the cost and the purchasing cost of raw materials to increase the profitability and ensure the sustainable operation of the company. In the face of severe competitive pressure from competitors in the industry with high product homogeneity and substitution, and the low-price strategy to plunder the market, the main way to maintain competitiveness is to continuously improve product manufacturing processes, introduce new product lines, and provide complete solutions to enhance the overall business growth. HCG will dedicate to increase added value by enhancing product development and design, and increasing product differentiation and innovation, we believe that with the dedicated management and active efforts, our R&D, production and sales business will grow up steadily in the future. The management will handle all matters in a responsible and prudent manner to create better revenue and profit for the company, so that shareholders, customers and employees can share the success of management.

Finally, I wish all shareholders good health and all the best, thank you!

Chairman: Chiu Li-Chien

II. An Introduction to Hocheng Corporation

(1) Date of creation: 1931/12/17

(2) Date of establishment: 1963/04/15

(3) Our manufacturing business is as follows:

1. Sanitary ceramics and its attachments, tiles, ceramic toys, sand wheels, fine ceramics, electronic ceramics, voltage insulators, bricks, ceramic table wares, ceramic containers, artistic ceramic products, refractory materials, heat insulating materials, bathroom appliances (including cosmetic mirrors, paper towel holders, soap dishes, mug holders, towel rings/racks, clothes hooks, makeup plates, ashtrays, etc.), and other kiln ceramics.
2. water-supply copper wares, milling tubes, vanishes, enamel products and other fabrication accessories.
3. Electric water heaters, water boilers, water dispensers, water flushers, water filters, bathroom dryers, air purifiers, sauna heaters, hand dryers, automatic toilet cover devices, dehydrators, and gas water heaters.
4. Fire doors, partition walls, tile walls, door windows etc.
5. Reservoirs, bathtubs, toilet covers, modular bathrooms and glass fiber products.
6. Any of the forementioned raw materials processing and manufacturing services
7. Industrial furnaces (including batch furnaces, continuous furnaces, semi-continuous furnaces, etc.) and their components.
8. Environmental controlling equipment (including controlling/testing instruments and sensor components) and other components of manufacturing.
9. Import/export trade and related interbank endorsement/guarantee business.
10. Entrustment of the construction of public housing and commercial buildings for lease/sale business.
11. Automobile import and sale business.
12. Electric Instantaneous Water Heaters Manufacturing and Trading Business.
13. Manufacture and trading of pre-cast concrete, curtain wall.
14. Import/export, installation and sale of wood and plastic kitchen appliances and related components (except stainless steel kitchen appliances).
15. Import/export, wholesale and retail business of watches, perfumes and departmental merchandises.
16. Display, introduction, sale services of domestic and foreign art, folk crafts.
17. Design and construction of interior decoration and its materials trading business (except architects and construction).
18. Import/export trading business of bathroom equipment, artistic ceiling fans and lighting fixtures.
19. F111040 Tile Veneer Stone Wholesaler.
20. F211010 Building Materials Retailer.
21. CC01030 Electrical Appliance Manufacturer.
22. CR01010 Gas apparatus and its components Manufacturer.

23. F105010 Furniture wholesaler.
24. F105040 Kitchen Utensils Wholesaler.
25. F205010 Furniture Retailer.
26. F205030 Kitchen appliances retailer.

(4) Milestone:

In 1931 - Mr. Hocheng Chiu the late president of the company, founded Hocheng Pottery Manufacturing with an initial capital of NT$500 to manufacture and sell flowerpots and water tanks.

In 1941 - Starts production of non-washed sanitary porcelain.

In 1961 - Hocheng Pottery Manufacturing reorganized as Hocheng Kiln Co.

In 1972 - Hocheng Group was awarded the "CNS Mark" by the National Bureau of Standards, and organized the third factory of Hocheng Kiln Co.

In 1980 - Hocheng Group established a research and development department to independently improve product quality and competitiveness.

In 1981 - Hocheng Group launched the new “HCG” logo to mark its international presence.

In 1982 - Hocheng Group merged with Ho Chih Industrial Co. and started to manufacture metal doors. On August 13, HCG was officially renamed as "Hocheng Co.

In 1984 - Hocheng and Stanada Corporation, U.S.A. established a joint venture, Hostan Co., Ltd. HCG introduced the first “ONE-PIECE” water closet, Alps series, in Taiwan which got a successful sale amount.

In 1985 - The product, sanitary pottery has been qualified by the JIS industrial standard (Japan) and the ANSI national standard (the U.S).

In 1986 - The product, sanitary pottery has been qualified by the CAS industrial standard (Canada).

In 1987 - Launches the new series “Alps M II”, which has already hit the store Shelves and sales.

In 1988 - HCG successfully developed Industrial kilns.
CD faucet and SC single handle faucet with precision ceramic design shaft stop are developed.
R&D design step into CAD (computer-aided design system), CAM (computer-aided production system) generation.

In 1989 - Invests in HCG NORTH AMERICA INC. to establish a North American sales office and introduced a low-pressure casting machine and technology from Switzerland in April. During mid-year, cash capital increase in the amount of $181million to expand the plants and purchase additional equipments.

In 1990 - proposes a capital increase from undistributed earnings in the amount of NT$670,033,000 to expand its plants and purchase equipments in July.

In 1991 - For the 60th anniversary of the founding, HCG redesigned the CIS (corporate identity system) logo to HCG, and the IPO was approved on October 14.

In 1992 - purchases a plot of land at Satengpo Section in Sanchong, and built a 31-storey residence for sale in January.
purchases a plot of land at Dahu Section in Yingge Town, and built kitchenware plant in April.
Approves cash and surpluses of $446,269,900 in June.
Introduces KITCHEN HOUSE kitchenware manufacturing technology from Japan.
The amount of received capital increased to $1,496,302,900 in October.
Introduces ICI's acrylic manufacturing technology from the U.K. to enhance the manufacturing capability of bathtubs and cosmetic countertops in December.

In 1993 - Purchases the third floor of the commercial building at 26 and 28 Nanjing East Road, Section 3 for office use in March.
Introduces MOLYMER Corporation technology (Japan) to produce high-quality and low-pollution SMC III bathtubs in June.
Obtains the ISO 9002 certification in July.
The capital increase from undistributed earnings and capital surplus was NT$486,298,450, bringing the capital to NT$1,982,601,350 after the capital increase on Aug. 26.
The kitchenware plant started mass production in September.
Establishes a Distribution Center in Gangshan, Kaoshiung as a headquarter in south of Taiwan in December.

In 1994 - SMC bathtub was certified by CNS in March.
The directors and supervisors were re-elected, and the paid-in capital was increased to NT$2,775,641,890 in April.
Issuance of overseas depositary receipts (GDRs) for US$85.4 million in June.
K9 and K10 kiln is completed relatively in June, October.
The copper and porcelain factories were also awarded the "Ministerial Quality Control Award" by the Ministry of Economic Affairs in September.
Obtains three Green Marks in October.
Establishes the Guangzhou office, which is the 4th office in China in November.

In 1995 - Paid-in capital increases to NT$ 3,469,552,380 in June.
Issues the first corporate bond of NT$500 million in July.
UFO series wins the "Taiwan Excellence Award".
Launches the "Nest Repair Project" to provide clients with a full range of services including design, renovation and decoration.

In 1996 – 1. Paid-in capital increases to NT$ 3,989,985,250.
2. Issues the second unsecured corporate bonds in the amount of NT$1,000 million.
3. Purchases the common stock 9,710,000 shares of Hotang Co., Ltd., owned by MOEN Co., Ltd. for NT$297,543,000, and the total number of shares comes to 19,099,561 shares, which is 98% of shareholding.
4. Purchases over 6600-square-meter land in Neihu District with NT$800 million

and plans for development.

5. Starts the Construction of a new office building on Xinsheng South Road.
6. Starts the Construction of a new office building on Nanjing East Road.
7. Completion and handover of Alps Residential Building in Sanchong, Taipei.
8. Invests Living Mall Co., Ltd. with NT$120,000,000 and 1% shareholding.
9. Groundbreaking for the facility in Philippines.
10. Completes the construction of HoCheng manufacturing in Jiangsu and starts its operation.
11. Launches the first 6L flush water-saving toilet in Taiwan, so-called king of water-saving C4360, which is also the first domestic manufacturer to obtain the Green Mark certification.
12. Single C toilets and low-flush toilets were approved by the KS Industrial Standards (Korea).
13. SMC bathtubs is obtained the ISO 9002 certification.
14. Establishes a new branch in Nantou to increase the number of sales locations
15. Product multi-management strategy: shower doors, vanity tops, ceiling fans, SMC water towers, etc.
16. Develops the components of two-stage low-flush toilet to promote the environmental awareness.

In 1997 – 1. Paid-in capital increases to NT$ 4,189,484,550.

2. Obtains the ISO 9001 certification.
3. Passes the ANSI Standards of the U.S.
4. Launches the new product, Raised floor.
5. Completes the development of new color series.
6. Completes the development of the ceramic mandrel.
7. Completes Philippine manufacturing branch and begins its operation.
8. EDEN and LEGATO series are in full mass production.
9. Purchases Holong Ceramics Co., land and factory in Danan for the expansion of factory sites.
10. Sets up an activity center to increase the sales.

In 1998 - Awards the "Excellent Building Material Manufacturer Award" at the 26th Architect Building Material and Furniture Exhibition in Taichung World Trade Center in February.

Andy Lau endorses the company, and reinforces the first brand image of Hocheng Co., in March.

Unit Bathroom (UB) receives the Ministry of Economic Affairs' official seal of approval in March.

The Philippine branch officially lit up for mass production in May.

Our affiliate, Hocheng (China) Co., Ltd. obtains the KS Industrial Standards (Korea) in June.

Obtains a certificate of the Ministry of Economic Affairs for the water-supply chopper

wares in August.

The construction site on Xinsheng South Road is completed and the license to operate is obtained in September.

The construction site on Nanjing East Road is completed and the license to operate is obtained in November.

Awarded as a **Remarkable Company** by CommonWealth Magazine (Vol. 210) in November.

Ricardo sanitary products wins the first place in the Best Product Styling Award of the Marketing Innovation Awards by Breakazine in December.

In 1999 - The TV commercial "It's Good to be Home" was shot by Andy Lau, which successfully created the peak sales of Legato baths in January.

Both sanitary wares and kitchen wares of Hocheng products win the first place of The Ideal brand survey by Breakazine in February.

Establishes the Department of Information Management to promote the MIS and enterprise network business in March.

Establishes sales office in Taichung by merging with Daijun Corporation, the general agency in Taichung in April.

Taoyuan Plant obtains the IAPMO certification of ANSI standard in July.

Taoyuan Plant obtains the ISO 14001 certification of Bureau of Standards in September.

Jiangsu branch obtains ISO 9002 certification of Beijing State Council.

Under the leadership of our chairman, HCG actively participates in the relief work for 921 Earthquake, and donates more than NT$8 million in goods and cash.

Receives the powder painting equipment from the affiliate, Hostan Co., and set up a copper ware manufacturing department.

Establishes the Technical Division, in charge of the development of raw materials, processing technology, equipment and project improvement, as well as supporting the technical and human resources training for overseas factories in October.

Founds Taiwan Toilet Association in November. Andy Lau takes the shot of the TV commercial for the free toilet seat and faucet, and cooperated with the Children's Scalding Association to enhance the corporate image.

In 2000 - CERABO International Co., Ltd. is officially listed in April.

Golden Pottery Awards cooperates with Pottery Museum to hold the 6th International Golden Pottery Awards.

For the worst affected areas of the 921 Earthquake (Nantou, Changhua, etc.), HCG offers the most favorable prices for toilet products to help the victims rebuild their homes in September.

The world's largest, thinnest and lightest CERABO ceramic panel of 120*320cm was exhibited for the first time at the World Trade Fair in October.

A visiting group of professors from Jingdezhen, Jiangxi Province, visits Taiwan for art exchange and participates in the creation of art pottery panels in November.

Restructures the sales offices in Hualien and Taitung to a general distribution.

CERABO Art Pottery Panel was officially unveiled at the Art Gallery Expo in December.

In 2001 - Philippine Plant obtains the KS Industrial Standards (Korea) in January.

Taoyuan Plant is awarded "Excellent Water Conservation Manufacturer" by Water Resources Office in June.

A press conference is held at Hyatt Regency Hotel to introduce the ERP system in June.

Launches the "safety-enhancing basin", the first innovative development of new structure products to reduce the degree of ceramic breakage in August.

Launches the new products, Ricardo 2nd generation series, ADB anti dirt/bacteria series, and large countertop basin etc. in August.

Taoyuan Plant and the copper ware Plant obtains the ISO 9001 revised certification of the new edition of 2000.

December - In celebration of the 70th anniversary of Hocheng, a musical event "My Country, My Land, Taiwanese Folk Symphonic Poetry" was held.

One-Piece washlet starts to sale.

In 2002 – January - Introduces SUPERLET, an anti dirt/bacteria, intelligent washlet with various functions such as one-piece molding, 6-liter for no.2, 3-liter for no.1, and wireless remote control.

May - Hocheng Service Center provides safety check for bathing stove, so that the customers can use it with more peace of mind.

C239, C301 6L water-saving toilet with single C low tank officially launches to sale.

In response to the massive water shortage in Taiwan, HCG promotes water-saving sanitary equipment and encourages citizens to replace their water-saving handles with two-stage ones.

October - The new products such as nano-tech antibacterial series, bowl basin, and the third generation of Ricardo have receiving positive feedbacks from consumers.

Contracts the curtain wall project of Tsannkuen Co., home appliance storage and distribution headquarters with CERABO silicone fiber panel back-lining by galvanized panel with dry construction method.

November - Hocheng Art Center opens, exhibiting the 12 Orders of the Imperial Palace and paintings by many renowned artists such as Fengchun Chen.

Philippine Plant obtains the ISO 9001 revised certification of the new edition of 2000.

In 2003 – April - Jiangxu Plant obtains the ISO 9001 revised certification of the new edition of 2000.

May - Collaborates with Energy resources Lab. of ITRI to sign water conservation strategy alliance.

June - legato M III series C660, U660, CS662, L161, LF920, BF920, etc. wins the GD MARK of Excellent Product Design Award from WTO.

July - Launches the new product, SUPERLET, a water-saving toilet.
Establishes the repair and renovation division, King of Renovation, to penetrate the housing repair and renovation market.

October - Introduces eco-friendly bricks and eco-permeable bricks in line with green building materials.

In 2004 – March - Taiwan Plant's 150m tunnel kiln was put into production, adding 30,000 pieces per month.
cooperates with the Ministry of Economic Affairs for 3 military products technology projects.

May - Develops 2-and-half-size water line diameter, which can be applied to 6L toilets and meets the demand of the US market.

June - Launches the new series, NEW ZEN and DINK.

July - The permeable bricks are started in automatic mass production, and acquires the first environmental protection permeable brick structure and its manufacturing method in Taiwan, Invention No. I 225906.

August - Ceramic-faced platform for medical devices is introduced into mass production.

October- Develops mass production of sanitary porcelain (T.M.C.) for yachts.
Penetrates to the technology industry and develops ceramic speakers.

November - Obtains the CSA registration from IAPMO National Laboratory, the U.S.

In 2005 - March - Manufactures hybrid faucet with single handle made of stainless steel for water-supply copper wares.

May - Manufactures hybrid faucet with single handle mad of Lead-free copper for water-supply copper wares.
The ceramic panels for bulletproof vests are certified by the H.P. WHITE Laboratory to be accord with NIJ III of the National Institute of Justice.
Develops the high-tech business: Process the development of precision ceramics and composite materials for various products, such as ballistic armor.

June - CERABO ceramic panels development applied with photocatalytic materials “Energy Brick” receives the NanoMark.

October - The production of photocatalytic ceramic filters and the application of air filtration.

November - Completes the project of the National Chung-Shan Institute of Science & Technology for the Military Material Release Project, and obtains the priority procurement right for military related products.
Taiwan Plant obtains the ISO 14001 revised certification of the new edition of 2004.
SMC countertop with 80 cm is in mass production.

December - 3C composite material decorative panel is successfully developed and applied to 3C panels.

In 2006 - March - HU-11 dental ceramic basin is successfully developed in collaboration with Dingxing Belmont, and ships at the end of November.

May - The project "Preliminary Study on the Development of Multi-layer Columnar Water Purification Module Technology" under the Small Business Innovation Research (SBIR) of the Ministry of Economic Affairs (MOEA) is granted $1.25 million dollars to test water purification and antimicrobial efficacy of photocatalytic ceramic filters.

September - Sanitary Ceramic Reliability Laboratory, Taoyuan Plant is awarded as a CNLA certified national laboratory.

November - Hocheng Plant 2 is obtained the ISO 14001 certification by the Bureau of Standards.

In 2007 - January - Department of Technology, Ministry of Economic Affairs: High Performance Ballistic Ceramic Materials Technology Development Project.

Project Duration: 2006/12/01~2008/11/30

The research units and their cooperative research projects are as follows:

a. National Defense Science and Technology Research Institute, R.O.C. – Bullet-resistant ceramic gunshot test research.

b. Five Institutes of the NCSIST-Research on ceramic physical assay of ballistic resistant.

c. Samding Corporation - Optimization of assembly parameters and armor-piercing damage analysis of bullet-resistant ceramic products.

d. AG materials Inc. - Research on the production and sintering of high grade ballistic resistant ceramic powder.

March - Department of Technology, Ministry of Economic Affairs:

Toilet ceramic plasma ceramic coating technology and device development project.

Project Duration: 2007/03/01~2008/02/28

The research units and their cooperative research projects are as follows:

a. Institute of Nuclear Energy - plasma ceramic coating parameter optimization technology.

April - Jiangsu Plant obtains ISO 14001 certification of Beijing State Council.

May - The program of the Ministry of Economic Affairs to assist the research and development of the service industry: Taiwan Sanitary Ceramics Industry digitalization - Toilet Upgrade Education Exhibition and Sales Project.

Project Duration: 2007/05/22~2008/06/10

November - Obtains the EPA (the U.S. Environmental Protection Agency) HET registration from IAPMO National Laboratory.

In 2008 – December - Taoyuan plant passes ISO 180012007 occupational safety and health management system certification by Bureau of Standards.

In 2009–I. Industrial-academic collaboration project with the Department of Industrial Design, Chaoyang University of Science and Technology

(A) Project name: The effect of dimensional variation of all-ceramic production on toilet function.

(B) Project Duration: 2008/09/01~2009/08/31

(C) Total project expenses: NT$800,000

(D) Project Description: Combines industrial design and computer-aided engineering technology to introduce toilet development research, and focuses on the existing traditional research and development design process to make comprehensive improvements.

II. NCSIST Military Products Release Cooperation Program

1. (A) Project name: Unmanned Aerial Vehicle (UAV) lightweight sandwich structure research and development

(B) Project period: 2009/01/01~2009/12/31

(C) Total project expenses: NT$7,926,000

(D) Project Description: To enhance the composite material manufacturing capacity of HCG, and to establish the manufacturing technology of lightweight sandwich structure with integrated beams, ribs and control airfoil, and to cultivate the implementation and integration technology of design, analysis, manufacturing, assembly, testing and verification of composite material lightweight sandwich structure.

2. (A) Project name: composite tapered shell molding technology

(B) Project Duration: 2009/01/01~2009/12/31

(C) Total project expenses: NT$10,400,000

(D) Project Description: To enhance the composite manufacturing capacity of HCG, and to complete the technology transfer of medium and large composite cone and shell pre-shaping, hot pressing, and composite cone and shell/metal ring bonding.

III. Participates in the U.S. Department of Defense Foreign Comparison Test (FCT) program, where U.S. Army personnel and our personnel conducted tests on the results of "protective ceramic products" and the progress of subsequent development.

IV. Our ceramic ware plant is awarded the "Water Conservation Performance Unit Award" by the Water Resources Department, Ministry of Economic Affairs in December 2009.

In 2010 - I. Industrial-academic collaboration project with the Department of Material Creation and Design, Tainan University of Arts

(A) Project name: Environmental ceramics faucet design project

(B) Project Duration: 2010/03/18~2010/07/01

(C) Total project expenses: NT$150,000

(D) Project Description: To enhance the competitiveness of the environmental ceramics leader, the project intends to assist the cultural and creative activities of the academic community and to cultivate the ceramic product development and design capabilities of the participating students and researchers to provide the appropriate talents for the manufacturing industry of the environmental ceramics talents in Taiwan.

II. Industrial-academic collaboration project with the Department of Industrial Design, Shih-Chien University

(A) Project name: toilet design talent training seminar program in 2010

(B) Project Duration: 2010/10/01~2011/01/15

(C) Total project expenses: NT$79,800

(D) Project Description: Through a series of in-depth explanations and on site visits, HCG hopes to cultivate more future talents who are interested in bathroom design, and to serve as a reference for the future application of product design concepts.

In 2011 - April - Taoyuan Plant and Copper ware Plant passed the "MIT Smile Mark of Taiwan-made products" certification.

Taoyuan Plant obtains the “KS Mark” certification.

I. Industrial-academic collaboration project with the Department of Industrial Design, Tunghai University

(A) Project name: Alpha Ceramic Faucet Product Development and Design

(B) Project Duration: 2011/04/01~2011/05/31

(C) Total project expenses: NT$150,000

(D) Project Description: The design theme of α means "multi-functional", based on the idea of "multi-functional ceramic faucet", returning to the potential needs of human-oriented, while integrating technology and aesthetics of the wisdom of the crystallization, design a closer-to-life creative ceramic faucet equipment.

II. Corporation with Taiwan Plastics Industry, Formosa Plastics Corporation, Shangwei Corporation, Mingan International Corporation, and Huachuang Electric Vehicle Technology Center (stock) and other five enterprises to form a carbon fiber research and development alliance

(A) Project name: Carbon fiber composite materials for electric vehicle light-weight key technology project

(B) Project Duration: 2011/12/01~2013/11/30

(C) Total project expenses: NT$100,000,000

(D) Project Description: This project is aimed at the development of a domestic electric vehicle, Luxgen Motor, with carbon fiber composite material structure process as the main shaft of technology development, and selected vacuum-assisted resin

injection molding and prepreg lamination process technology and materials required for development, in response to the needs of the vehicle industry for rapid delivery and cost reduction. This project will provide the best weight reduction solution for domestic electric vehicles by establishing the key technology of carbon fiber composite material for vehicles through rigorous testing in factory regulations to verify the R&D results and light-weight effectiveness.

In 2012– I. Target material characterization research project with SolarTech Co.,

(A) Project name: High-pressure injection molding ITO rotary target process technology development

(B) Project Duration: From 2012/06/01

(C) Project Description: The project is entitled "High Pressure Injection Molding ITO Rotating Target Technology Development" and on behalf of the industry, HCG invite Solar Tech Co., and the Fifth Research of NCSIST to be the partnership for the research and development of the target characteristics analysis.

In 2013 – February - Awards as the first Competitive Enterprise Finalists.

November - Passes the military product release project of Ministry of Economic Affairs.

(A) Project name: NCSIST cooperative research project - research and development of protective clothing for alumina series ballistic plates

(B) Project Duration: January to December 2014

(C) Project Achievement: The project takes the ballistic ceramic insert as the main axis of technology development and completed the world's first "bendable" ballistic ceramic insert, which passed the NIJ Class IV ballistic test and obtained the patent of R.O.C. total expenses for the project are NT$5.93 million.

December - Obtains the ISO50001 energy management certification from BSI.

In 2014 – February - Awards as the 2nd Competitive Enterprise of Key Mentor Manufacturers.

May - Plastic Division Bumper is approved by CAPA.

November - Passes Ministry of Economic Affairs Military Products Release Project of A+ Enterprise Innovation R&D, led by HCG and cooperated with Shengpeng Applied Materials Co., Huntsman (Taiwan) Ltd., to develop carbon fiber composite materials.

(A) Project name: environmentally friendly PU resin carbon fiber composite material automotive wheel development project

(B) Project Duration: January 2015 to December 2016

(C) Project Achievement: This project takes carbon fiber wheels for automobiles as the R&D target, and has evaluated its structural design, component lap design, structural analysis and stack design in advance to lay the foundation for process technology development. The carbon fiber composite material has the characteristics of light weight and high strength, which is especially beneficial

for the inertia of the wheels in the high speed rotation of the car, and it can be applied to different car types. By passing the strict testing requirements of the factory regulations and the light-weight effect of the R&D results, we expect to improve the technical capacity and product technology threshold of the domestic composite material industry, and to match the domestic and foreign market channels and meet the product development direction of "high performance", "high quality" and "high technology".

(D) Total expenses: NT$60,000,000
Self-financing: NT$34,500,000
Subsidy: NT$25,500,000

In 2015 – March - Establishes a zirconia ceramic dental alliance.

August - The zirconia ceramic material is developed and approved by the dental professionals.

November - "ISO 13485 Medical Device Management System and GMP for Medical Devices" project starts.

December - The "Military Products Release Project" of NCSIST case closes.

(A) Project name: Research and production of protective vests for alumina series ballistic plates

(B) Project Duration: January 2014~December 2015

(C) Project Achievement: This project takes the ballistic ceramic insert as the main axis of technology development, and completes the world's first "bendable" ballistic ceramic insert; in the first year, it completes the bendable ballistic panel; and in the second year, it completes the light weight of the bendable ballistic panel; its effectiveness passes the NIJ Class IV test and obtains patents in Taiwan, China, and Japan. The total expense for the project is NT$12,604,000; (self-financing: NT$4,950,000, subsidies: NT$7,654,000).

A+ Enterprise Innovation R&D project of the Ministry of Economic Affairs is completed.

(A) Project name: Environmental PU resin carbon fiber composite material automotive wheel development project

(B) Project Duration: January 2015 to December 2016

(C) Project Achievement:

(1) Improved vacuum-assisted resin injection molding technology, rapid molding.

(2) Development of large size fiber braided sleeves to improve structural strength.

(3) Develop two-piece lap joint carbon fiber automotive wheels.

(4) Obtained a patent in Taiwan.

In 2016 - Taoyuan Plant and the copper ware Plant obtains the ISO 9001&14001 revised certification of the new edition of 2015 in relatively September and December.

November - The project of NCSIST for the maintenance of the conventional industries is completed.

(A) Project name: low smoke and flame retardant composite materials technology development - low smoke, low toxic and flame resistant resin mass production feasibility evaluation

(B) Project Duration: January ~ November 2016

(C) Project Achievement: This study is to assist domestic manufacturers in the feasibility evaluation of phenolic lightweight low smoke and low toxicity flame-resistant composite resin formulations, and to establish a mass-production grade resin formulation that passes the fire/smoke/toxicity testing standards for rail vehicle composite interiors, and when completed, it can formally start to mass-production grade prepreg production, with a total project expense of NT$1 million.

December- The second year of A+ Enterprise Innovation R&D project of the Ministry of Economic Affairs is completed.

Awards the 10th Taoyuan Innovative Enterprise Excellence Award and Gold Quality Award.

In 2017 - May - The first domestic installation of a water tap grinding and polishing line for a copper ware plant is completed under the productivity 4.0 industry promotion program of the Industrial Development Bureau, Ministry of Economic Affairs, which greatly enhances the usability and convenience of the automated system.

September - Passes the SGS "ISO 13485:2003 Edition" medical device quality management system certification.

November - "Hocheng Zirconia Ceramic Tile" receives the Medical Device License and the Certificate of Good Manufacturing of Medical Devices from the Ministry of Health and Welfare.

December - The ceramic part of the toilet with high-pressure molding will be officially mass production, adopting the triple demolding method, and it's the first creation in the world, and officially launches the energy-saving jet toilet to the market.

In 2018 – August - Passes the SGS "ISO13485 Medical Device Quality Management System Certification" (2016 Edition) revised version and obtains the certificate.

October - High-pressure molded toilets are fetched by robotic arms.

December - The electronic warm-water toilet is fully promoted to establish CNS standard and formally included in the product inspection control by the examination meeting of the Bureau of Standards.

In 2019 - July - Awards the first manufacturer of electronic warm-water toilet in Taiwan of which has to be qualified.

October - Awards the 28th "Taiwan Excellence Award" (sanitary equipment category,

kitchenware category products) - AFC290 long-lasting electrochemical de-chlorination faucet, HD2085/HD2010 composite carbon fiber wheel and three other products.

November - The composite carbon fiber wheels, AFC intelligent SUPERLET, and long-lasting electrochemical de-chlorination faucet win the Taiwan Excellence Award.

In 2020 – February - Obtains the MIT certificate of all the manufacturers of washlet in Taiwan.

April - HCG has developed bullet-resistant products that have passed gunshot tests and receives numerous orders.

June - Publishes the brand, LAZULI, the new product carbon fiber Fins, and puts them on sale.

July - Department of Power Mechanics' Racing Factory of Tsinghua University unveiled the new generation of Formula Student racing car, with air power kit and many structural components made by HCG carbon fiber composite material technology.

Launches the ISO 27001 "Information Technology - Security Technology - Information Security Management System - Requirements" introduction project to comprehensively upgrade the information security protection level.

August - In conjunction with Kaohsiung University's participation in the high value project of recycled materials, "Development of a prototype process for the production of medical materials from eggshell waste using bone apatite functional particles", the project passes the mid-term review by the Ministry of Science and Technology.

September - The development of lightweight components of carbon fiber composite materials for cooling water towers is completed and marketed, and patent applications are pending in the R.O.C and the U.S.

Obtains the Certificate of Appreciation of Green Mark.

October - HCG’s washlet Obtains the MIT Gold Selection Award.

HCG's zirconia tiles have received 510(k) premarket notification from the U.S. Food and Drug Administration (FDA) for sale in the United States.

November - The Green Store is awarded for its outstanding performance.

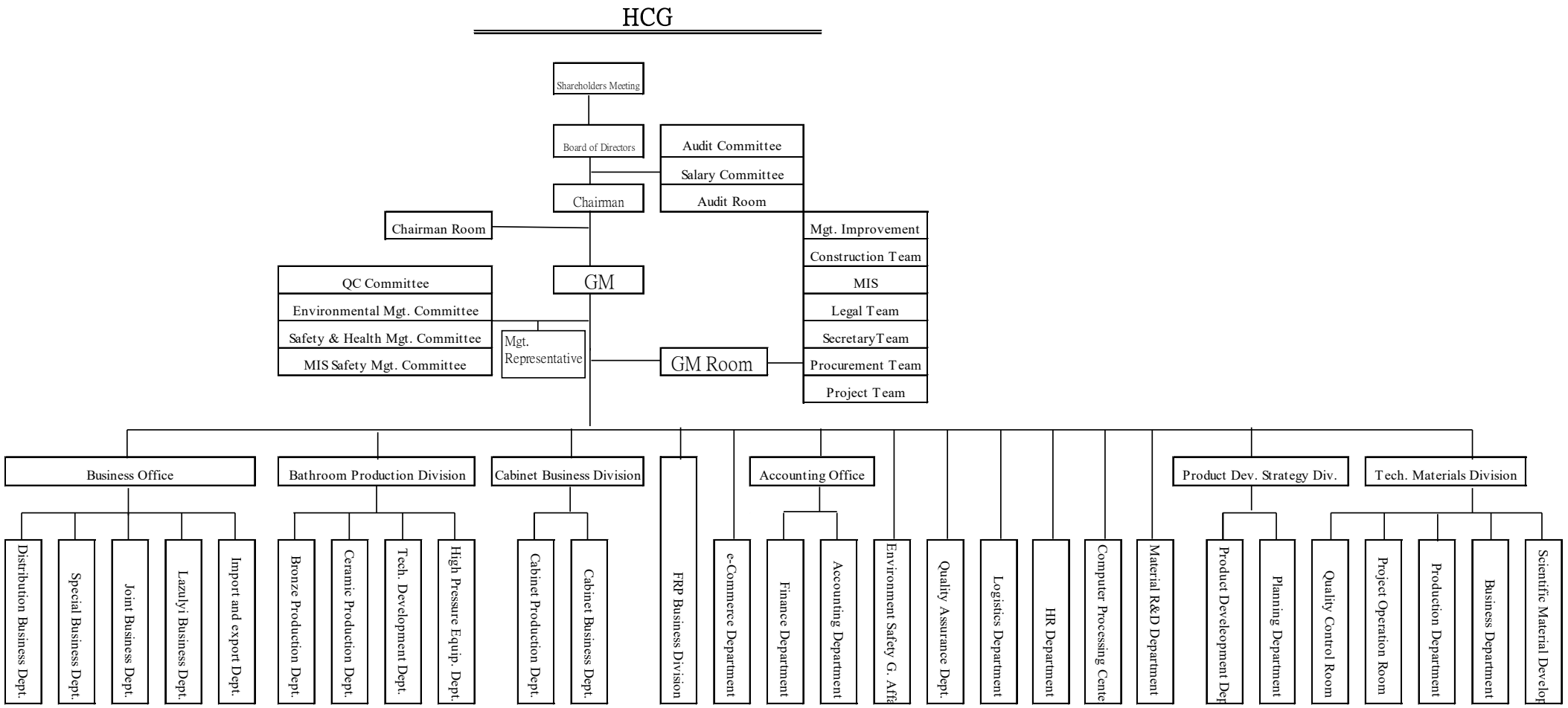
0-Contact AI Antibacterial Water Faucet and 0-Contact AI Smart Cosmetic Mirror wins the Taiwan Excellence Award.

December - HCG passes the examination of Technology Transfer and Commercialization program by the NCSIST in 2020.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Business description of each major department

Operation Improvement Group: Analyze, prepare audit explanation, improve and track the management system of the company. Each production, operation performance and business evaluation, internal audit operation, and evaluation of the reasonableness and timeliness of the operation process.

Construction Section: Responsible for the planning, supervision and management of new buildings and sales.

Information Technology Section: Planning and execution of computerized operation system, file and hardware maintenance.

Legal Affairs Section: Registration and processing of legal cases.

Secretary Section: responsible for communication, coordination and handling of recurrent affairs of all departments.

Purchasing Section: Purchasing of raw materials and financial appliances.

Project Team: Project planning, execution, and evaluation.

T.Q.M Committee: Promote the TQM total quality management business.

Human Resources Department: Human resources strategy evaluation, personnel recruitment and training, career planning, education and training program development and implementation, labor law research, welfare system planning and promotion.

Product Development Strategy Division: Research and development, improvement, analysis and implementation of new products.

Computer Processing Center: Research and development, improvement, analysis, and implementation of product molds.

Materials Research Department: Research and development, improvement, analysis and implementation of new materials.

Plastic Steel Division: responsible for the production planning of bathtubs and all SMC products, product manufacturing, and quality control.

Quality Assurance Department: Establishment and implementation of quality control system and formulation of inspection standards for various products.

Finance Department: responsible for the management and control of accounting system, financial analysis and accounts processing, company capital allocation and research and planning of long and short-term investment.

Environmental Safety General Affairs Department: Responsible for environmental protection, planning, personnel and vehicle management of the factory.

Technology Materials Division: Research, development and production of high pressure molding machines, resin molds and technology ceramics.

Sales Division: domestic bathroom market research and evaluation, sales, promotion and after-sales service of the company's products, and the operation of the volume sales channel; various import business and the expansion of the company's products in overseas markets.

Cabinet Division: domestic kitchenware market research and evaluation, data collection, opinion survey, and dealer counseling.

Bathroom Production Division: responsible for production planning, product manufacturing, quality control, improvement of production technology and other related matters.

Logistics Department: Management of raw materials and finished products for the manufacturing process.

E-Commerce Department: Management and execution of internet marketing, supervision of technical engineering management.

3.2. Directors, Supervisors, General Manager, Deputy General Manager, Associates, Departments and Branches Officers Information

3.2.1. Directors information:

1. Directors:

April 30, 2021

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected (inaugurated)	Term	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 3)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Chiu, Li-Chien	Male	2018.06.28	3 years	2003.06.27	3,271,126	0.88%	12,832,033	3.47%	0	0%	0	0%	University of San Francisco	Yuhuang Co., Ltd., Director (Xin Jie Xu, Representative) Helong, Director (HCG, Representative) Hostan, Director (HCG, Representative) Hohung, Chairman (HCG, Representative)				
Director	R.O.C.	Wu, Yue-Long	Male	2019.06.28	2 years	2019.06.28	2,918,834	0.79%	2,736,416	0.74%	80,205	0.02%	0	0%	Tokai University (Japan), Master degree	Yuhuang Co., Ltd., Vice Chairman (Xin Jie Xu , Representative)				
Director	R.O.C.	Fuho Investment Co. Representative: Chiu, Chi-Hsin		2018.06.28	3 years	2003.06.27	2,379,979	0.64%	2,307,979	0.62%	0	0%	0	0%						
Director	R.O.C.	Chiu, Chi-Hsin	Male	2018.06.28	3 years	2003.06.27	1,906,400	0.50%	215,491	0.06%	252,868	0.07%	0	0%	Columbia University (USA), Master of BA	HCG, Finance Department CFO Yuhuang Co., Ltd., Director (Xin Jie Xu, Representative) Helong, Supervisor Fuho Investment Co., Director Holung, Supervisor (HCG, Representative) Xin Jie Xu, Director				
Director	R.O.C.	Chiu, Chih-Chung	Male	2018.06.28	3 years	2015.06.25	3,016,273	0.815%	3,016,273	0.815%	870,365	0.24%	0	0%	(USA) ALFRED University	Hong Qiao Investment, Chairman Aosilai Tech., Director				
Director	R.O.C.	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai		2018.06.28	3 years	2006.06.30	14,033,700	3.79%	14,033,700	3.79%	0	0%	0	0%						

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected (inaugurated)	Term	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 3)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Chiu, Shi-Kai	Male	2018.06.28	3 years	2006.06.30	1,840,575	0.48%	5,998,417	1.62%	0	0%	0	0%	WENT WORTH INSTITUTE OF TECHNOLOGY	Hocheng (China), Chairman (Ritiboon, Representative)				
Director	R.O.C.	Hoshun Investment Co.		2018.06.28	3 years	2012.06.21	20,000	0.005%	20,000	0.005%	0	0%	0	0%						
Director	R.O.C.	Hoshun Investment Co., Representative: Lu, Chuan-Kun	Male	2018.06.28	3 years	2015.06.25	0	0%	0	0%	10,000	0.002%	0	0%	NTU College of Law					
Independent Director	R.O.C.	Fan, Wei-Guang	Male	2018.06.28	3 years	2015.06.25	0	0%	0	0%	0	0%	0	0%	University of Southern California, Master degree	Mei Fu Engineering Service Co. Ltd., Chairman Meifu Development Co. Ltd., Supervisor Importers and Exporters Association of Taipei, Director				
Independent Director	R.O.C.	Wang, Cheng-Wei	Male	2018.06.28	3 years	2015.06.25	0	0%	0	0%	0	0%	0	0%	Fudan University (Shanghai), EMBA	Kuang Chuan Dairy Co. Ltd., Director Lien Chang Electronic Enterprise Co. LTD., Independent Director				
Independent Director	R.O.C.	Tsai, Hung-Jian	Male	2018.06.28	3 years	2018.06.28	0	0%	0	0%	0	0%	0	0%	University of California, Berkeley, Master degree	Bao-Sheng Construction Co. Ltd., Chairman Fulai Construction Co. Ltd., Chairman				

Note 1：Juristic-person shareholders shall be listed by names of the juristic-person shareholders and their representatives (if a juristic-person shareholder represents, its name shall be specified), and Table 1 as follows shall be filled in.

Note 2：Any interruption circumstance shall be specified when filling in the date of first serve as Director or Supervisor.

Note 3：When filling in current positions, positions and responsibilities shall be specified if once positioned at an attesting CPA firm or an affiliated company during the aforementioned period.

Note 4：Relevant information of the reason, rationality, necessity, and countermeasures shall be explained if the Director or the General Manager or person of an equivalent post (top management) are the same person, spouses or relations within the first degree of kinship (e.g., the number of independent directors will be added, and there shall be a majority of directors who do not serve concurrently as an employee or officer.

2. Major shareholders of the juristic-person shareholders:

Table 1: Major shareholders of the juristic-person shareholders

April 30, 2021

Name of juristic-person shareholders（Note 1）	Major shareholders（Note 2）
Ho Shun Investment Co.	Xu, Bi-Yun(99.9%), Xu, Rong-De(0.1%)
Fuho Investment Co.	Chiu, Chi-Hsin(82.56%), Chen, Hui-Mei(0.06%),Chiu, Yu-Ping(1.62%), Chiu, Yu-Fen(3.8%),Lu, Bo-Qing(3.73%), Zhu, Xin-Xin(5.56%), Chiu, Qiu-Weijie(2.67%)
Yuhuang Co., Ltd.	Xin Jie Xu Enterprises Co., Ltd.(99.57%), Wu, Yue-Feng(0.07%), Chiu, Chi-Hsin(0.07%), Chiu, Hong-Mao(0.07%), Chiu, Jun-Jie(0.07%), Chiu, Li-Chien(0.07%), Chiu, Bi-Chuan(0.07%)

Note 1: If a director or supervisor is a representative of a juristic-person shareholder, the name of the juristic-person shareholder shall be filled in.

Note 2: Fill in major shareholders' names of a juristic-person shareholder (whose shareholding ratio is in the top ten) and their shareholding ratio. If the major shareholder is a juristic-person shareholder, Table 2 as follows shall be filled in.

Note 3: If a juristic-person shareholder is not a corporate organization, the foregoing name and shareholding ratio of the shareholder indicates a funder or a donor's name and his/her donation ratio.

Table 2: Major shareholders of the juristic-person shareholders in Table 1

April 30, 2021

Name of juristic-person shareholders（Note 1）	Major shareholders (Note 2)
Xin Jie Xu Enterprises Co., Ltd.	Bai He Fa Investment Co.(14.29%), BORKAY Investment Co. (14.29%), FU HO Investment Co.(14.29%), Yuan Cheng Investment Co. (3.44%), Ho Shun Investment Co.(3.76%), Zhao Yi Investment Co.(3.76%), Jing Yang Investment Co.(2.75%), Yu Sheng Investment Co.(1.84%), Chiu, Jun-Jie(14.29%), Wu, Yue-Feng(10.84%), Chiu, Chih-Chung(3.51%), Zhang, Mei-Li(2.16%), Chiu, Yu-Chuan(2.16%), Chiu, Qi-Chuan(2.16%), Chiu, Qi-Chuan(2.16%), Chiu, Bi-Chuan(2.16%), Chiu, Yuan-Yi(2.18%)
BORKAY Investment Co., Ltd.	Chiu, Bo-Jun(25%), Chiu, Shi-Kai(25%), Chiu, Ma-Ge(20.8%), Li, Kai-Ping(16.7%), Chiu, Hong-Mao(12.5%)

Yuan Cheng Investment Co., Ltd.	Wu Zhi-Ming(21.05%), Wu Yue-Feng(11.84%), Wu Yue-Long(30.26%),Wu Yue-Zheng(25%), Wu Yu-Xian(0.53%), Zhan Li-Hua (6.05%), Yang Yu-Zhen (0.53%), Yu Xin-Ghua (4.74%)
Bai He Fa Investment Co., Ltd.	Lin Yu-Zhen (25%), Chiu, Li-Chien (75%)
Zhao Yi Investment Co., Ltd.	Xu, Bi-Yun(99.8%), Xu, Rong-De(0.2%)
Jing Yang Investment Co., Ltd.	Xu, Bi-Yun(99.8%), Xu, Rong-De(0.2%)
Yu Sheng Investment Co., Ltd.	Xu, Bi-Yun(99%), Xu, Rong-De(1%)

Note 1: If Table 1 indicates the major shareholder is a juristic-person, the name of the juristic-person shall be filled in.

Note 2: Fill in major shareholders' names of a juristic-person shareholder (whose shareholding ratio is in the top ten) and their shareholding ratio.

Note 3: If a juristic-person shareholder is not a corporate organization, the foregoing name and shareholding ratio of the shareholder indicates a funder or a donor's name and his/her donation ratio.

3. Professional qualifications and independence analysis of the Directors and Supervisors

Criteria / Name (Note 1)	Meet one of the following professional qualification requirements, together with at least five-year work experience			Independence criteria (Note 2)												Number of other public companies in which the individual concurrently serves as an Independent Director
	Business, legal affairs, finance, accounting or above in colleges in related departments	Judge, prosecutor, attorney, CPA or national certified professionals	Business, legal affairs, finance, accounting or related work experience	1	2	3	4	5	6	7	8	9	10	11	12	
Chiu, Li-Chien			✓					✓	✓	✓		✓	✓	✓	✓	
Wu, Yue-Long			✓					✓	✓	✓		✓	✓	✓	✓	
Fuho Investment Co. Representative: Chiu, Chi-Hsin			✓					✓	✓	✓		✓		✓	✓	
Chiu, Chih-Chung			✓					✓	✓	✓		✓		✓	✓	
Yu Huang Co., Ltd. Representative: Chiu, Shi-Kai			✓					✓	✓	✓		✓		✓	✓	
Ho Shun Investment Co. Representative: Lu, Chuan-Kun			✓					✓	✓	✓		✓		✓	✓	
Independent Director: Fan, Wei-Guang			✓					✓	✓	✓		✓	✓	✓	✓	
Independent Director: Wang, Cheng-Wei			✓					✓	✓	✓		✓	✓	✓	✓	1
Independent Director: Tsai, Hung-Jian			✓					✓	✓	✓		✓	✓	✓	✓	

Note 1: The number of columns is subject to adjustments with the actual needs.

Note 2: Please tick "✓" the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

（1）Not an employee of the Company or any of its affiliates.

（2）Not a director or supervisor of the Company or any of its affiliates. (Not applicable to an independent director of the Company who concurrently serves as the independent director of the parent company, subsidiary, or another company subordinated to the same parent company according to the law or the local laws.)

（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 amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

（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.

（5）Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings. (Not applicable to an independent director of the Company who concurrently serves as the independent director of the parent company, subsidiary, or another company subordinated to the same parent company according to the law or the local laws.)

（6）Not a director, supervisor, or employee of another company of which the majority of the voting shares or the directors are under control of the same person of the Company. (Not applicable to an independent director of the Company who concurrently serves as the independent director of the parent company, subsidiary, or another company subordinated to the same parent company according to the law or the local laws.)

（7）Not a director, supervisor or employee of another company or institution or the spouse of the person who concurrently serves as the Company's director, general manager, or other equivalent position. (Not applicable to an independent director of the Company who concurrently serves as the independent director of the parent company, subsidiary, or another company subordinated to the same parent company according to the law or the local laws.)

（8）Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company (Not applicable to an independent director of the Company who concurrently serves as the independent director of the specific company or institution holding 20% or more but less than 50% of the Company shares, together with the parent company, subsidiary, or another company subordinated to the same parent company according to the law or the local laws.)

（9）Not a professional individual Or the cumulative amount of remuneration received in the last two years does not exceed NT$500,000 who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx.

（10）Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

（11）Not been a person of any conditions defined in Article 30 of the Company Act.

（12）Not a governmental, juristic person or its representative as defined in Article 27 of the Company Act.

3.2.2. General manager, deputy general manager, associates, department and branches officer information:

Title (Note 1)	Nationality	Name	Gender	Elected (inauguration) date	Shareholding		Spouses & minors shareholding		Shareholding in the name of others		Experience (Education) (Note 2)	Current positions at other companies	Managers who are spouses or within two degree of kinship			Remark (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Chen,Shih-Chieh	Male	2012.08.01	0	0	0	0	0	0	University of Leeds (UK) Ph.D.					
Deputy General Manager	R.O.C.	Chen, Shang-Xian	Male	2002.11.01	47,274	0.0125%	0	0	0	0	University of Akron (USA)					
Deputy General Manager	R.O.C.	Kang, Shui-Shu	Male	2012.08.01	7,922	0.0021%	1,255	0.0003%	0	0	National Taipei University of Business					
Deputy General Manager	R.O.C.	Huang,Jian-Cheng	Male	2012.08.01	0	0	180	0.00004%	0	0	Tatung University					
CFO	R.O.C.	Chiu, Chi-Hsin	Male	1998.03.01	215,491	0.06%	252,868	0.07%	0	0	Columbia University (USA)Master of BA	Yuhuang Co., Ltd., Director (New Swift, Representative)				
Associate	R.O.C.	Gu,Cheng-Dong	Male	2001.09.01	1,027	0.0002%	0	0	0	0	Fu Jen Catholic University					
Associate	R.O.C.	Xu,Zhao-Shan	Male	2007.04.01	0	0	0	0	0	0	Chung Yuan Christian University					
Associate	R.O.C.	Chen,Yao-Song	Male	2008.05.01	9,325	0.0025%	0	0	0	0	Nanya Institute of Technology					

Associate	R.O.C.	Huang,Zhao-Jie	Male	2008.05.01	0	0	0	0	0	0	Tatung University					
Associate	R.O.C.	Chen,Jin-Ye	Male	2010.08.01	0	0	0	0	0	0	National United University					
Associate	R.O.C.	Xu,Ting-Jia	Male	2012.08.01	2,517	0.001%	0	0	0	0	National Taiwan University					
Associate	R.O.C.	Li,Long-Cheng	Male	2013.10.01	0	0	0	0	0	0	Cheng-Kung Vocational Senior High School					

Note 1: The information shall be disclosed including general manager, deputy general manager, associates, department and branches officers, and any position which is an equivalent post of general manager, deputy general manager, associates.

Note 2: Positions and responsibilities related to the current position shall be specified if once positioned at an attesting CPA firm or an affiliated company during the aforementioned period.

Note 3: Relevant information of the reason, rationality, necessity, and countermeasures shall be explained if the Director or the General Manager or person of an equivalent post (top management) are the same person, spouses or relations within the first degree of kinship (e.g., the number of independent directors will be added, and there shall be a majority of directors who do not serve concurrently as an employee or officer.

3.2.3. Remunerations of Directors, Supervisors, General Manager and Deputy General Manager in the most recent year:

1. Remunerations of Directors

(1-2-1) Remunerations of Regular Directors and Independent Directors（names revealed as an aggregate in numerical range）

Unit：NTD Thousand

Title	Name	Remuneration of Directors								Ratio of total remuneration (A+B+C+D) to Net profit after tax (%) (Note 10)		Relevant remuneration received by Directors who are also Employee								Ratio of total compensation (A+B+C+D+E+F+G) to Net profit after tax (Note 10)		Compensation paid to Directors from an invested company other than the Company's subsidiary or the Parent (Note 11)
		Base compensation (A) (Note 2)		Retirement pension (B)		Directors compensation (C)(Note 3)		Professional practice fee (D)(Note 4)				Salary, bonus and allowance (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)						
																The Company		All companies in Financial Statements (Note 7)				
		The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	Cash	Stock	Cash	Stock	The Company	All companies in Financial Statements	
Directors	Chiu, Li-Chien Fuho Investment Co. Chiu, Chi-Hsin Wu, Yue-Long Chiu, Chih-Chung Yuhuang Co., Ltd. Chiu, Shi-Kai Lu, Chuan-Kun	0	0	0	0	3,949	3,949	783	783	4,732	4,732	6,681	7,784	0	0	0	0	0	0	13.1497	14.4205	None
Independent Director	Fan, Wei-Guang Wang, Cheng-Wei Tsai, Hung-Jian																					

1. Please state the remuneration policy, system, standard and structure of paying Independent Directors, and information of the individual who carries responsibilities, risks, input time and other factors, that is correlated to the remuneration: For Independent Director's remuneration, except a reference from the result of Director performance evaluation, according to Article 16 of the Articles of Incorporation, the Remuneration Committee shall examine each Director's participation and contribution involved in the Company operations, and link reasonable fairness of the performance risk with the remuneration. With respect to the performance assessments, it shall also consider the Company's business performance and the typical pay levels adopted by peer companies, finally propose advices to the Board of Directors for resolutions.
2. Except the sheet disclosed above, the remuneration to all the Directors served for all the companies within the financial statements (such as a consultant not an employee) in the most recent fiscal year: 0.

* Related information of the Directors (regular Directors but not Independent Directors) and Independent Directors shall be listed separately.

(1-2-2) Remuneration numerical range

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the Financial Statements (Note 9) H	The Company (Note 8)	All companies in the Financial Statements (Note 9) I
Under NT$1,000,000	Directors: Chiu, Chih-Chung, Wu, Yue-Long, Ho Shun Investment Co. Representative: Lu, Chuan-Kun, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang, Tsai, Hung-Jian	Directors: Chiu, Chih-Chung, Wu, Yue-Long, Ho Shun Investment Co. Representative: Lu, Chuan-Kun, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang, Tsai, Hung-Jian	Directors: Chiu, Chih-Chung, Wu, Yue-Long, Ho Shun Investment Co. Representative: Lu, Chuan-Kun, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang, Tsai, Hung-Jian	Directors: Chiu, Chih-Chung, Wu, Yue-Long, Ho Shun Investment Co. Representative: Lu, Chuan-Kun, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang, Tsai, Hung-Jian
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	Directors：Yu Huang Co., Ltd. Representative: Chiu, Shi-Kai	Directors：Yu Huang Co., Ltd. Representative: Chiu, Shi-Kai	Directors：Yu Huang Co., Ltd. Representative: Chiu, Shi-Kai	Directors：Yu Huang Co., Ltd. Representative: Chiu, Shi-Kai
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	Directors: Chiu, Li-Chien, Fuho Investment Co. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co. Representative: Chiu, Chi-Hsin
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)				
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)				
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)				
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)				
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)				
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)				
Over NT$100,000,000				
Total	9	9	9	9

Note 1: Directors' names shall be listed separately (name and representative of a juristic person shareholder shall be listed separately), and a regular director and independent director shall be listed separately, and each amount paid shall be disclosed as an aggregate. If a Director is concurrent as the General Manager or Deputy General Manager, this Table and the following Table (3-1) or (3-2-1) and (3-2-2) shall be filled in.

Note 2: Indicates directors' remuneration in the most recent year (including Director's salary, allowance, severance payment, each kind of bonus, incentive, etc.)

Note 3: To fill in the amount of directors' remuneration allocated by the approval of the Board of Directors in the most recent year.

Note 4: Indicates all related professional practice fees in the most recent year (including transportation allowance, special allowance, each kind of allowance, and material object provided such as dormitory, car, and etc.) If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration.

Note 5: Indicates a Director is concurrent as an employee in the most recent year (including concurrent as the General Manager, Deputy General Manager, other managerial officer and employee) who receives salary, allowance, severance payment, each kind of bonus, incentive, transportation allowance, special allowance, each kind of allowance, and material object provided such as dormitory, car, and etc. If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration. In addition, the salary expense recognized at share-based payment under IFRS 2, including acquisition of employee stock option certificate, new restricted employee shares, participation of cash capital increased for shares subscription, and etc., shall be accounted to the remuneration.

Note 6: Indicates a Director is concurrent as an employee in the most recent year (including concurrent as the General Manager, Deputy General Manager, other managerial officer and employee) who receives employee compensation (including stock and cash) shall disclose the employee compensation appropriated by the approval of the Board of Directors in the most recent year. If the amount cannot be estimated, it can be calculated according to the actual appropriation last year for the proposed amount this year; Attachment Table 1-3 shall be filled in.

Note 7: Total amount of each remuneration paid to the Company's Directors by all companies (including the Company) mentioned in the consolidated statements shall be disclosed.

Note 8: Total amount of each remuneration paid to each Director by the Company, whose name is disclosed in the numerical range belonged to.

Note 9: Total amount of each remuneration paid to the Directors by all companies (including the Company) mentioned in the consolidated statements and whose names shall be disclosed in the numerical range belonged to.

Note 10: Net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year.

Note 11: a. The column shall be filled in the related remuneration amount of the Company Director received from the reinvestment companies or the parent company other than subsidiaries (if there is none, please fill in "None.")

b. If the Company Director receives remuneration from the reinvestment companies or the parent company other than subsidiaries, the amount shall be combined to the column I in the numerical range, and the column will be altered to "Parent Company and all reinvestment companies."

c. Remuneration means remuneration, compensation (including compensation of employee, directors, and supervisor), and professional practice fee paid to the Company Directors who serve as a Director, Supervisor or managerial officer at the reinvestment companies or parent company other than subsidiaries.

∗ Contents of remuneration disclosed in this Table is not as the same concept as income expressed under the Income Tax Act, thus this Table is only for information disclosure, not for taxation purpose.

2. Remunerations of Supervisors (the Company has established the Audit Committee, not Supervisors): Not applicable

(3-2-1) Remuneration of General Manager and Deputy General Manager （names revealed as an aggregate in numerical range）

Expressed in Thousand New Taiwan Dollars

Title	Name	Remuneration (A)（Note 2）		Retirement pension (B)		Bonus and special allowance, etc. (C)（Note 3）		Employee's compensation (D)（Note 4）				Ratio of total remuneration (A+B+C+D) to Net profit after tax (%)（Note 8）		Compensation received from a reinvestment company other than the Company's subsidiary or the Parent (Note 9)
		The Company	All companies in the Financial Statements（Note 5）	The Company	All companies in the Financial Statements（Note 5）	The Company	All companies in the Financial Statements（Note 5）	The Company		All companies in the Financial Statements（Note 5）		The Company	All companies in the Financial Statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Chen,Shih-Chieh	6,276	6,276	447	447	3,076	3,076	122	0	0	0	11.43%	11.43%	None
Deputy General Manager	Chen,Shang-Xian													
Deputy General Manager	Kang,Shui-Shu													
Deputy General Manager	Huang,Jian-Cheng													

＊ Regardless of any position title, an equivalent post as General Manager and Deputy General Manager (e.g., President, CEO, Executive, and etc.) shall be all disclosed.

(3-2-2) Remuneration numerical range

Range of remuneration paid to each General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All companies in the Financial Statements (Note 7) E
NT$1,000,000		
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	Chen, Shang-Xian	Chen, Shang-Xian
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	Chen, Shih-Chieh, Huang, Jian-Cheng, Kang, Shui-Shu	Chen, Shih-Chieh, Huang, Jian-Cheng, Kang, Shui-Shu
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)		
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)		
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)		
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)		
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total	4	4

Note 1: General manager and deputy general manager's names shall be listed separately, and each amount paid shall be disclosed as an aggregate. If a Director is concurrent as the General Manager or Deputy General Manager, this Table and the above Table (1-1) or (1-2-1) and (1-2-2) shall be filled in.

Note 2: To fill in general manager and deputy general manager's remuneration, allowance, and severance payment in the most recent year.

Note 3: To fill in general manager and deputy general manager's each kind of bonus, incentive, transportation allowance, special allowance, each kind of allowance, and material object provided such as dormitory, car, and other remuneration amount in the most recent year. If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration. In addition, the salary expense recognized at share-based payment under IFRS 2, including acquisition of employee stock option certificate, new restricted employee shares, participation of cash capital increased for shares subscription, and etc., shall be accounted to the remuneration.

Note 4: To fill in the amount of employee's compensation (including stock and cash) for general manager and deputy general manager appropriated by the approval of the Board of Directors in the most recent year. If the amount cannot be estimated, it can be calculated according to the actual appropriation last year for the proposed amount this year; Attachment Table 1-3 shall be filled in.

Note 5: Total amount of each remuneration paid to the general manager and deputy general manager by all companies (including the Company) mentioned in the consolidated statements shall be disclosed.

Note 6: Total amount of each remuneration paid to each general manager and deputy general manager by the Company, whose name is disclosed in the numerical range belonged to.

Note 7: Total amount of each remuneration paid to each general manager and deputy general manager by all companies (including the Company) mentioned in the consolidated statements and whose names shall be disclosed in the numerical range belonged to.

Note 8: Net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year.

Note 9: a. The column shall be filled in the related remuneration amount of the general manager and deputy general manager received from the reinvestment companies or the parent company other than subsidiaries (if there is none, please fill in "None.")

b. If the Company general manager and deputy general manager receives remuneration from the reinvestment companies or the parent company other than subsidiaries, the amount shall be combined to the column E in the numerical range, and the column will be altered to "Parent Company and all reinvestment companies."

c. Remuneration means remuneration, compensation (including compensation of employee, directors, and supervisor), and professional practice fee paid to the general manager and deputy general manager who serve as a Director, Supervisor or managerial officer at the reinvestment companies or parent company other than subsidiaries.

＊ Contents of remuneration disclosed in this Table is not as the same concept as income expressed under the Income Tax Act, thus this Table is only for information disclosure, not for taxation purpose.

3.2.4. Analysis of the proportion of the total remuneration of Directors, Supervisors, General Managers and Deputy General Managers of the Company paid by the Company to net profit after tax in the recent two years.

Analysis of Financial Statements states the remuneration policies, standards and package, procedure for determining remuneration, and its linkage to operating performance:

Expressed in Thousand New Taiwan Dollars

Title	2019				2020			
	The Company	Net profit after tax ratio	All companies in the Financial Statements	Net profit after tax ratio	The Company	Net profit after tax ratio	All companies in the Financial Statements	Net profit after tax ratio
Directors, Supervisors	6,701	19.65%	7,198	20.69%	6,681	7.70%	7,784	8.97%
General Manager Deputy General Manager	14,636	30.54%	14,636	30.54%	9,921	11.43%	9,921	11.43%
1. The remuneration of directors, supervisors and employee bonuses is conducted in accordance with the Articles and dividend policy of the Company. 2. The payment of remuneration, including salary, bonus and dividend, to general managers and deputy general managers is conducted in accordance with the assessment by job grade of Company.								

The payment of remuneration to the directors, supervisors and managerial officers, salaries and wages, bonus, and employees' dividend appropriation is conducted in accordance with the Articles and dividend policy of the Company and relevant regulations set forth in Articles of the Remuneration Committee, which is determined in considerations of the responsibility of that position carried, and the feature and nature of the business. The Company set up the Remuneration Committed in December 2011, the related remuneration to the directors, supervisors and managerial officers shall be examined by the Committee and executed by the approval of the Board of Directors.

1. Managerial officers' names and appropriation of employee's compensation:

Proposal of the 2020 appropriation to be approved at the Shareholders' Meeting and publicly announced.

The following table is 2019 appropriation which was already distributed with the actual amount of NT$419,400.

Expressed in New Taiwan Dollars

	Title (Note	Name (Note 1)	Stock amount	Cash amount	Total	Ratio of total amount to net profit after tax (%)
Managerial officers	General	Chen Zhen-Qian	0	419,400	419,400	0.8752%
	Deputy General	Chen, Shih-Chieh				
	Deputy General	Huang, Jian-Cheng				
	Deputy General	Kang, Shui-Shu				
	Associate	Gu, Cheng-Dong				
	Associate	Chen, Yao-Song				
	Associate	Xu, Zhao-Shan				
	Associate	Huang, Zhao-Jie				
	Associate	Chen, Jin-Ye				
	Associate	Hu, Jun-Xu				
	Associate	Xu, Ting-Jia				
	Associate	Li, Long-Cheng				
	Accounting	Luo, Yue-Ying				

Note 1: Individual name and title shall be disclosed separately, and the appropriation shall be revealed as an aggregate.

Note 2: To fill in the amount of employee's compensation (including stock and cash) for managerial officers by the approval of the Board of Directors in the most recent year. If the amount cannot be estimated, it can be calculated according to the actual appropriation last year for the proposed amount this year. Net profit after tax means net profit after tax of the most recent year; if IFRS is adopted, net profit after tax means net profit after tax of the parent or individual financial reports in the most recent year.

Note 3: The scopes of the managerial officers in accordance with Tai-Cai-Jheng-Three-No.0920001301 issued by the Committee on March 27, 2003, the scopes are as follows:

(1) general managers or their equivalents (2) deputy general managers or their equivalents (3) associates or their equivalents (4) chief financial officers

(5) chief accounting officers (6) other persons authorized to manage affairs and sign documents on behalf of the Company

Note 4: If a director, general manager and deputy general manager receives employee's compensation (including stock and cash), except Attachment Table 1- 2, this Table shall be filled in too.

3.3. Corporate governance status

3.3.1. Operation status of the Board of Directors:

The Board of Directors has held 4 meetings in the recent year (A); 2020.8.11-2021.3.23; the attendance of Directors is as follows:

Title	Name (Note 1)	Attendance in person B	By proxy	Attendance rate in person (%)【B/A】(Note 2)	Remark
Chairman	Chiu, Li-Chien	4	0	100%	
Director	Wu, Yue-Long	0	0	0%	Newly elected on June 28,2019.
Director	Fuho Investment Co. Representative: Chiu, Chi-Hsin	1	3	25%	
Director	Ho Shun Investment Co. Representative: Lu, Chuan-Kun	0	0	0%	Resigned on June 27, 2020.
Director	Chiu, Chih-Chung	0	0	0%	Resigned on June 27, 2020
Director	Yu Huang Co., Ltd., Representative: Chiu, Shi-Kai	0	0	0%	
Independent Director	Wang, Cheng-Wei	4	0	100%	
Independent Director	Fan, Wei-Guang	4	0	100%	
Independent Director	Tsai, Hung-Jian	3	1	75%	

Note 1: If a director or supervisor is a juristic-person, the name of the juristic-person shareholder and its representative shall be disclosed.

Note 2: (1) If there is a director or supervisor leaving the company before the end of the year, please indicate the date of departure in the Remark column. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

(2) If there is a director or supervisor election before the end of the year, please list both the newly elected and the former directors and supervisors, and indicate in the Remark column whether the director or supervisor is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of board meetings held and the actual number of meetings attended during the tenure.

The Board of Directors has held 4 meetings in the recent year (A); 2020.8.11-2021.3.23; the attendance of Independent Directors is as follows:

Independent Director	2020.8.11	2020.11.10	2021.1.12	2021.3.23
Wang, Cheng-Wei	Attendance in person	Attendance in person	Attendance in person	Attendance in person
Fan, Wei-Guang	Attendance in person	Attendance in person	Attendance in person	Attendance in person
Tsai, Hung-Jian	By proxy	Attendance in person	Attendance in person	Attendance in person

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the Board of Directors meeting, please indicate the date of the Board meeting, session number, contents of the motion, the opinions of all Independent Directors and the Company's handling of the opinions of the Independent Director:
   (1) Matters listed in Article 14-3 of the Securities Exchange Act.
   (2) Other than the aforementioned matters, the Board resolutions which Independent Directors object to or have reservations about, and there are records or written statements for them.

Date	Type	Significant resolutions	Independent Director's opinion	Handling of Independent Director's opinion	Independent Director's objection or reservation has a record or written statement
2021.3.23	Board of Directors	1. Evaluation of the independence of the attesting CPA 2. To accept the Company's 2020 Financial Statements 3. Meeting agenda of the Company's 2021 Regular Shareholders' Meetings 4. The examination of the internal control system effectiveness and propose "The Internal Control System Statement" 5. Acceptance of the dates for shareholders' written proposal 6. Nomination of director candidates at the Company's 2021 regular shareholders' meeting. 7. Acceptance of the period for the 2021 director candidates'	None	Not applicable	None

Date	Type	Significant resolutions	Independent Director's opinion	Handling of Independent Director's opinion	Independent Director's objection or reservation has a record or written statement
		nomination 8. Re-election of directors 9. To remove the restriction of non-competition for the newly elected directors 10. To amend the Procedures for Election of Directors 11. To amend the Rules of Procedure for Shareholders Meetings Resolution result: all approved.			
2021.1.12	Board of Directors	1. Proposal of the 2020 Directors' remuneration and managerial officers' year-end bonus 2. To amend the "Self-evaluation or Peer Evaluation of the Board of Directors" 3. To renew the application of bank loan limits for the first half of the year 2021 4. Proposal of Hocheng Philippines Corporation applying endorsements and guarantee 5. Proposal of donating to Hocheng Cultural and Educational Foundation Resolution result: all approved.	None	Not applicable	None
2020.11.10	Board of Directors	1. The Company's 2020 third quarter financial reports 2. The 2021 internal auditing plan 3. The 2021 business plan 4. Application of credit line to KGI Bank 5. Proposal of Hocheng (China) Co., Ltd. applying endorsements and guarantee 6. Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee 7. Proposal of Rules of Procedure for Functional Committee amendments Resolution result: all approved.	None	Not applicable	None

Date	Type	Significant resolutions	Independent Director's opinion	Handling of Independent Director's opinion	Independent Director's objection or reservation has a record or written statement
2020.8.11	Board of Directors	1. The Company's 2020 second quarter financial statements 2. To renew the application of bank loan limits for the second half of the year 2020 3. Proposal of Hocheng Philippines Corporation applying endorsements and guarantee 4. Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee Resolution result: all approved.	None	Not applicable	None

2. For the situation where a Director avoids motion related to his/her own interests, please specify the Director's name, contents of the motion, reasons for the avoidance of interests and the voting results:

Director's name	Motion content	Reasons for recusal	Voting participation	Remark
Chiu, Li-Chien	Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee	Involvement in a stake in the motion	Did not participate for the voting	2020.08.11
Chiu, Li-Chien	Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee	Involvement in a stake in the motion	Did not participate for the voting	2020.11.10
Chiu, Li-Chien	Proposal of the 2020 Directors' remuneration and managerial officers' year-end bonus	Involvement in a stake in the motion	Did not participate for the voting	2021.01.12

3. Cycle, period, scope, method, and content of the self-evaluation by the Board (or evaluation by peers) for TWSE/TPEx Listed Companies shall be disclosed, and the state of the implementation is as follows:

State of implementing Board of Directors evaluation

Cycle (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	From January 1, 2020 to December 31, 2020	Board of Directors	Self-evaluation by the internal of the Board	Including participation to the Company operation, improving quality of the resolution made by the Board of Directors, composition and structure of the Board of Directors, Directors' election and continuing education, and the internal control and etc.

Note 1: To fill in implementation cycle of the Board of Directors evaluation: e.g., implementing once a year.

Note 2: To fill in evaluation period for the Board of Directors: e.g., evaluate performance of the Board of Directors from January 1, 2020 to December 31, 2020.

Note 3: The scope of evaluation includes the performance evaluation to the Board of Directors, each individual Board member, and the Functional Committee.

Note 4: The evaluation methods include self-evaluation by the internal of the Board of Directors, self-evaluation by the Board members, evaluation by peers, appointing an external specific institution or a professional, or any other adequate method.

Note 5: According to the scope of evaluation, the evaluation content shall include at least the following items:

(1) Performance evaluation of the Board of Directors: at least include the participation to the Company operation, improving quality of the resolution made by the Board of Directors, composition and structure of the Board of Directors, Directors' election and continuing education, and the internal control and etc.
(2) Performance evaluation of the individual Board member: at least include the handling of the Company goals and tasks, acknowledge of responsibilities to the Board, participation to the Company operation, internal relationship management and communication, director's professional and continuing education, internal control, and etc.
(3) Performance evaluation of the Functional Committee: include the participation to the Company operation, acknowledge of responsibilities to the Committee, resolution quality made by the Committee, composition and election of the Committee, internal control, and etc.

4. The goal of strengthening powers of the Board of Directors (e.g., establishment of the Audit Committee, promotion of information transparency, etc.) and evaluation of the implementation in the current year and the most recent year:

(1) The Company drew up the "Rules of Procedure for Board of Directors Meetings" for compliance with. The Board meeting attendance (or attendance in a non-voting capacity) shall be filed on the MOPS after each Board meeting, and the significant resolutions made by the Board of Directors shall be disclosed on the Company's website.

(2) According to the "Self-evaluation or Peer Evaluation of the Board of Directors," besides yearly self-evaluating the Board overall performance by using the five major perspectives including participation to the Company operation, improving quality of the resolution made by the Board of Directors, composition and structure of the Board of Directors, Directors' election and continuing education, and internal control, the Board members conduct self-evaluation on the handling of the Company goals and tasks, acknowledge of responsibilities to the Board, participation to the Company operation, internal relationship management and communication, director's professional and continuing education, and internal control. The related evaluation result was made by the agenda working group as an aggregate and to be reported to the Board of Directors on March 23, 2021. The result of the 2020 overall evaluation indicates the participation of the Company operation is fine.

(3) The Company's Independent Directors conduct communications about the major auditing matters of the 2020 Financial Reports with the attesting CPAs.

3.3.2. State of the operation of the Audit Committee

The Audit Committee has held 4 meetings in the recent year (A); 2020.8.11-2021.3.23; the attendance of Independent Directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person (%) (B/A)(Note)	Remark
Independent Director	Wang, Cheng-Wei	4	0	100%	
Independent Director	Fan, Wei-Guang	4	0	100%	
Independent Director	Tsai, Hung-Jian	3	1	75%	

Note:

＊ If there is an independent director leaving the company before the end of the year, please indicate the date of departure in the Remark column. The actual attendance rate (%) is calculated based on the number of Audit Committee meetings held and the actual number of meetings attended during the tenure.

＊ If there is an independent director election before the end of the year, please list both the newly elected and the former independent directors, and indicate in the Remark column whether the independent director is old, new or re-elected and the date of election. The actual attendance rate (%) is calculated based on the number of committee meetings held and the actual number of meetings attended during the tenure.

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the Audit Committee meetings, please indicate the date of the Board meeting, session number, contents of the motion, the resolution results made by the Committee, and the Company's handling of opinions of the Audit Committee.

(1) Matters listed in Article 14-5 of the Securities Exchange Act.

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company's handling of opinions of the Audit Committee
Session 1 The second meeting in 2021 2021.3.23	The second meeting in 2021 2021.3.23	1. Evaluation of the independence of the attesting CPA 2. To accept the Company's 2020 Financial Statements 3. The examination of the internal control system effectiveness and propose "The Internal Control System Statement" 4. To remove the restriction of non-competition for the newly elected directors 5. To amend the Procedures for Election of Directors 6. To amend the Rules of Procedure for Shareholders Meetings 7.To report the internal auditing Resolution result: all approved.	None	Not applicable
Session 1 The first meeting in 2021 2021.1.12	The first meeting in 2021 2021.1.12	1. To report the internal auditing 2. To renew the application of bank loan limits for the first half of the year 2021 3.Proposal of Hocheng Philippines Corporation applying endorsements and guarantee Resolution result: all approved.	None	Not applicable

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company's handling of opinions of the Audit Committee
Session 1 The fifth meeting in 2020 2020.11.10	The fifth meeting in 2020 2020.11.10	1. The Company's 2020 third quarter financial reports 2. The 2021 internal auditing plan 3. The 2021 business plan 4. Application of credit line to KGI Bank 5. Proposal of Hocheng (China) Co., Ltd. applying endorsements and guarantee 6. Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee 7. To report the internal auditing Resolution result: all approved.	None	Not applicable
Session 1 The fourth meeting in 2020 2020.8.11	The fourth meeting in 2020 2020.8.11	1. The Company's 2020 second quarter financial statements 2. To renew the application of bank loan limits for the second half of the year 2020 3. Proposal of Hocheng Philippines Corporation applying endorsements and guarantee 4. Proposal of Ho Long Ceramic Co., Ltd. applying endorsements and guarantee 5. To report the internal auditing Resolution result: all approved.	None	Not applicable

(2) Other than the aforementioned matters, other matters for resolution are approved by two-thirds or more of the entire Board of Directors but the Audit Committee: None.

2. For the situation where an Independent Director avoids motion related to his/her own interests, please specify the Independent Director's name, contents of the motion, reasons for the avoidance of interests and the voting results: None.

3. Communications between the Independent Directors and the internal auditing officers, and the CPAs (communications including significant matters, methods, results, and etc. regarding the Company financial and business status).

A. Between Independent Directors and internal auditing officers

(a) The Company holds Board meetings at least once a quarter, and before the meeting, the Independent Directors and internal auditing officers conduct communications about each auditing matter where the internal auditing officers attend as non-voting participants.

(b) Independent Directors may communicate or discuss with the auditing officers depending on the aforementioned matters or any circumstance if needed.

Abstracts of the communications between the Independent Directors and internal auditing officers:

Date	Focus
2020/01/07	Implementation status of 2019 auditing plan
2020/03/24	Implementation status of 2020 auditing plan
2020/05/12	Implementation status of 2020 auditing plan
2020/08/11	Implementation status of 2020 auditing plan
2020/11/10	Implementation status of 2020 auditing plan

Communication results: Independent Directors have no suggestions yet.

B. Between Independent Directors and CPAs

(a) The Company holds Board meetings at least once a quarter, and before the meeting, the Independent Directors and internal auditing officers conduct communications about each auditing matter where the internal auditing officers attend as non-voting participants.

(b) Independent Directors may communicate or discuss with the CPAs depending on the aforementioned matters or any circumstance if needed.

Abstracts of the communications between the Independent Directors and CPAs:

Date	Focus
2020/03/24	Key matters to communicate (after audited) Independent Auditors' Review Report on account receivable valuation, inventory valuation and financial reports of the Parent, and Independent Auditors' Review Report on consolidated financial reports
2020/11/10	Key matters to communicate (after audited) Independent Auditors' Review Report on account receivable valuation, inventory valuation and financial reports of the Parent, and Independent Auditors' Review Report on consolidated financial reports

Communication results: Periodically explain the new reporting standards to the Board of Directors.

Revise explanation:

In order to strengthen corporate governance and help investors understand the Audit Committee operation, other matters to be recorded are revised that are specified under Article 14-5 of the Securities and Exchange Act, for investors decision-making reference, to disclose matters which shall be agreed by the Audit Committee or other matters reported to the Audit Committee but not approved, related contents resolved by two-thirds of the entire Directors, and to state the communications about the Company's financial and business significant matters between the Independent Directors and the internal auditing officers, and the CPAs.

3.3.3. Corporate Governance Implementation Status, its Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
I.	Does the company establish and disclose the corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?		V	Although this Company has not established the corporate governance best-practice principles, but has promoted the corporate governance implementation in accordance with the "the Corporate Governance Best-Practice Principles	The establishment will be duly completed according to the law.
II.	The Company's Shareholding Structure and Shareholder Equity	V			
	(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement it, based on the procedure?			(1) This Company appoints a spokesperson to serve as the service window to deal with such issues as the shareholders' suggestions or disputes and we disclose on our website the contact person and his/her telephone no. in order to ensure the shareholders' interests.	(1) We adhere to the essence of the principles to protect the shareholders' interests and fairly treat the shareholders without discrimination.
	(2) Does the company have control of the list of its major shareholders as well as the ultimate owners of those shares?			(2) This Company consigns the stock affairs agency to deal with the shareholders' related affairs; we have control of the major shareholder and the ultimate owners of those shares in accordance with the shareholders roster in the stock affairs agency; we also declare on a regular basis the shareholding variation of the directors, managers and those major shareholders with more than 10% shareholding.	(2) The shareholders roster suggests the major shareholders' equity.
	(3) Does the company establish and execute the risk management and firewall system among the affiliates?			(3) Each of our affiliates operates independently; besides we also establish the trading management rules of the interested parties and the designated enterprises in the Company's conglomerate; our business transactions with the affiliates all comply with these rules.	(3) There is no variance from the essence of the principles.
	(4) Does the company establish internal rules against insiders trading with undisclosed information?			(4) This Company is still building up the "ethical corporate management principles" as well as the "Operational Procedure of Ethical Corporate Management and Conduct Guidelines", which have been passed and implemented by the Board of Directors; it is	(4) There is no variance from the essence of the principles.

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
				expressly stipulated therein that any insider of the Company is prohibited to trade the securities by making use of the undisclosed information.	
III.	Composition and Responsibilities of the Board of Directors	V			
	(1) Does the Board of Directors develop and implement a diversified policy for the composition of its members?			(1) Depending on the current operation scale and development needs, this Company appoints 7 seats of director (including three seats of independent director), all of whom are professionals and elitists with specialization covering such fields as industry, law and management, etc.; as such we implement the diversified policy for the composition of the members of the Board of Directors.	(1) The establishment is duly completed in accordance with the law.
	(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			(2) Except for the Remuneration Committee and the Audit Committee, this Company has no need for the establishment of other functional committees so far.	(2) There is no variance from the essence of the principles.
	(3) Does the company establish the evaluation rules and method for the performance of the Board of Directors in order to conduct the performance evaluation on a regular basis each year and submit its results with the Board of Directors for reference to determine the individual director's salary & remuneration and nomination for reelection?			(3) This Company establishes the "Performance Evaluation Rules of the Board of Directors" and regularly conducts the evaluation of the Board of Directors' performance in a way which has been passed by the discussion of the Board of Directors. We adopt the self-evaluation method by the directors themselves and the clerical unit will consolidate the evaluation results and report it to the Board of Directors; the evaluation results has been approved by the Board of Directors in a satisfactory manner on March 23, 2021.	(3) There is no variance from the essence of the principles.
	(4) Does the company regularly evaluate CPAs' independence?			(4) This Company conducts the self-evaluation of the CPAs' independence, eligibility, professionalism and their performance on a regular basis in accordance with the "Corporate Governance Best-Practice Principles" and the Rules Governing Independence of CPAs of the Financial	(4) There is no variance from the essence of the principles.

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
				Reports"; we also issue the "Evaluation List of the CPAs of the Financial Reports" in order to ensure that the CPAs have no direct or indirect material financial stake with this Company or its affiliates, or involve other events which might affect their independence, so that they are capable of serving as our CPAs. The independence declaration, issued by the CPAs, has been passed by the deliberation of the Board of Directors on March 23, 2021.	
IV.	Do TWSE/TPEX listed companies establish the eligible corporate governance personnel in proper number of persons and appoint the chief corporate governance officer, to take the responsibility for the related corporate governance affairs (including but not limited to providing the directors and supervisors with information required for the business execution, helping the directors and supervisors comply with the acts, handling the related matters of the meetings of the Board of Directors and the Board of Shareholders, preparing their proceedings, etc.)?		V	This Company has not established the exclusive (concurrent) unit in charge of the related corporate governance affairs. However, we appoints one full-time person to handle the relevant affairs of meetings of the Board of Directors and the shareholders meeting, deal with the company registration and alteration registration, prepare the proceedings of the meetings of the Board of Directors and the shareholders meeting and provide the directors with the information required for the business execution.	There is no significant variance.
V.	Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.) and properly respond to the important issues they are concerned with in terms of corporate social responsibilities?	V		(1) We open the direct line of the spokesperson and deputy spokesperson; this Company thinks highly of the stakeholders' rights and keeps a smooth channel of communication. (2) This Company has completed the buildup of the a dedicated area for the stakeholders in our website.	The channel of communication is smooth and no variance exists.
VI.	Does the company appoint a professional shareholder service agency to deal with the shareholder affairs?	V		Stock Affairs Agency Department of Capital Securities Corp.	There is no variance from the essence of the principles.
VII.	Information Disclosure (1) Does the company set up the website to disclose the information regarding finance, sales and corporate governance?	V		(1) This Company has set up the website where we introduce our relation business information and disclose our financial information; in addition, the corporate	(1) The Company has disclosed the related information on the Market Observation Post System according to the law.

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
	(2) Does the company adopt other information disclosure methods (e.g. building an English website, appointing the designated person to handle the information collection and disclosure, creating a spokesman system, webcasting the institutional investor conferences, etc.)?			governance would be handled in accordance with the related regulations. (2) This Company has set up the Chinese website and assigned the person exclusively in charge of the collection and disclosure of the company information; we also carry out the spokesperson system	(2) We will evaluate in due course the feasibility of the disclosure of other information.
	(3) Does the company publish and file the annual financial reports within two months at the end of the fiscal year and pre-publish and report Q1, Q2 & Q3 financial reports and each month's operational status within the specified deadline?			(3) The Company publishes and files the annual financial report within three months at the end of the fiscal year and completes the announcement prior to the specified deadline.	

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
VIII.	Is there any other important information to facilitate a better understanding of the corporate governance practices (including but not limited to employee rights, care for employees, investor relations, supplier relations, rights of stakeholders, conditions of the directors' & supervisors' further study, execution conditions of risk management policy as well as risk measurement standards, execution conditions of customer policy, conditions where the company purchases the liability insurance for the directors and supervisors, etc.)?	V		(1) Employees' Rights: This Company protects the employees' rights pursuant to the Labor Standards Act. (2) Care for Employees: This Company establishes a variety of welfare policies in terms of protection, living & benefits, like medical care, learning visit and friendship promoting activities, etc. (3) Investor Relations: The Company regularly announce each financial basis and our spokesperson would build up a smooth channel of communication with the investors. (4) Supplier Relations: We conduct on a regular basis the satisfaction survey for the suppliers in order to fully understand our cooperation with them and maintain a good relationship of supply and demand. (5) Rights of Stakeholders: The stakeholders shall provide the Company with opinions for communication and the Company values each opinion and takes it as a basis to which we can refer for our future work. (6) Directors' Further Study: Our directors complete the hours of further study. (7) Execution of Customer's Policy: This Company maintains a good relationship with the customers. (8) Purchase of Liability Insurance for Directors and Supervisors: The Company has purchased the liability insurance in the amount of USD10 million for the directors and supervisors for Year 2020.	There is no variance from the essence of the principles.
IX.	Please describe the improvement status, based on the corporate governance assessment results, published by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose the matters to be	V		This Company has completed the corporate governance self-evaluation for 2020 and conducted the review and improvement, subject to the evaluation results in anticipation of complying with more related regulations.	There is no significant variance.

Evaluation Item		Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
		Yes	No	Summary Description	
	strengthened on a priority basis and measures. The company is actively consistent with the company's current actual situations to further improve the evaluation results, for example, the evaluation of the CPA's independence; besides the items to be enhanced on a priority basis is the matters related to the disclosure of the annual report, etc.				

Note: No matter what "Yes" or "No" is ticked, the column of the "Summary Description" must be specified.

III. (4) Evaluation of the CPAs' Independence

This Company evaluates the CPAs' independence on a regular basis in view of the following items, which have been approved by the Board of Directors on March 23, 2021:

1. CPAs' Independence Declaration
2. One single CPA does not carry out the certification service for over seven consecutive years.
3. Each year, this Company synchronizes the CPAs' independence evaluation results via the CPAs' eligibility evaluation list.

Hocheng Corporation

Independence Evaluation List of Financial Report CPAs

Independence		Yes	No	Remarks
1.	Does the CPA not serve as a director of this Company or its affiliates?	V		
2.	Is the CPA not a shareholder of this Company or its affiliates?	V		
3.	Is the CPA not paid by this Company or its affiliates?	V		
4.	Does the CPA ensure that his/her accounting firm has complied with the regulations of independence?	V		
5.	Does the joint practicing CPA of the CPA's accounting firm not serve as a director or supervisor of this Company, or take any office, which would make material impact on the audit cases?	V		
6.	The CPAs do not provide this Company with the audit service for seven consecutive years.	V		
7.	Does the CPA comply with the independence as prescribed in Bulletin No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China?	V		

3.3.4. If the company establishes the Remuneration Committee, its composition, responsibilities and implementation status should be disclosed:

In a capacity of a good administrator, this Committee shall faithfully perform the following duties in due care and submit the suggestions to the Board of Directors for discussion. However, in respect of the suggestions on the remuneration of supervisors, submitted to the Board of Directors for discussion, the remuneration of supervisors shall be handled only subject to what is expressly stipulated in the Articles of Incorporation or dealt with by the Board of Directors via authorization by the resolution of the shareholders meeting: (1) establish and review on a regular basis the policy, system, standards and structure of the performance evaluation and remuneration for the directors, supervisors and managers; (2) regularly evaluate and set up the remuneration for the directors, supervisors and managers.

(1) Information of Members of the Remuneration Committee

Type of Status (Note 1)	Criteria / Name	Have over five-year work experience and the following professional qualification?			Independence Criteria (Note 2)										Number of Other Public Listed Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a Division of commerce, law, finance, accounting, or other academic division related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession, required by the business of the Company	Has work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	WANG, CHENG-WEI	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Took the office on August 7, 2018
Independent Director	FAN, WEI-KUANG	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Took the office on June 1, 2019
Others	WANG, SEN	-	-	✓												0	Took the office on August 7, 2018

Note 1: Please fill in “director”, “independent director” or “others” in the column of type of status.

Note 2: Please tick “✓” in the blank box below the code of each condition, if each member meet one of the following conditions during the two years prior to being elected or during the tenure of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates.

(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 amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager falling under (1) or of any of the persons in (2) & (3).
(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 that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Paragraph 1 or 2, Article 27 of the Company Act.
(6) Not a director, supervisor, or employee of the other company in which a majority of the company's director seats or voting shares and those of any other company are controlled by the same person.
(7) Not a director (or governor), supervisor, or employee of that other company or institution, if the chairperson, vice president, 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.
(8) Not a director, supervisor, executive 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. (However, it is not applicant in cases where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
(9) Not 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 past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. This restriction does not apply, however, to a member of the 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) Do not involve any one of conditions specified in Article 30 of the Company Act.

(2) Information of Implementation of the Remuneration Committee

1. The company's Remuneration Committee is composed of three committeemen.
2. Tenure of Office for this term's Committeemen: From August 7, 2018 to June 28, 2021; one (A) meeting (January 12, 2012) was held by the Remuneration Committee in 2021and the conditions of attendance for the committeemen were as follows:

Title	Name	Frequency of Attendance in Person (B)	Frequency of Attendance by Proxy	Rate (%) of Attendance in Person (B/A) (Note)	Remarks
Convener	WANG, CHENG-WEI	1	0	100%	Took the office on August 7, 2018
Committeeman	FAN, WEI-KUANG	1	0	100%	Took the office on June 1, 2019
Committeeman	WANG, SEN	1	0	100%	Took the office on August 7, 2018
Other items to be specified: 1.If the Board of Directors does not adopt or revise the suggestions of the Remuneration Committee, the dates, sessions and the contents of motion of the Board of Directors' meetings, the resolution results of the Board of Directors and the Company's response to the Remuneration Committee's opinions should be specified. (For example, if the remuneration, passed by the Board of Directors, is higher than that, as suggested by the Remuneration Committee, its difference and reason should be specified). 2.If the member makes an objection or reserves opinions, accompanied with the records or written statement concerning the Remuneration Committee's items of resolution, the dates, sessions, contents of motions, all members' opinions and response to the members' opinions should be specified.					

Note:

1. If the members of the Remuneration Committee resign prior to the end of the fiscal year, the date of release should be specified in the column of "Remarks"; the rate of their attendance in person (%) shall be counted on the basis of frequency of meetings held by the Remuneration Committee and the frequency of their attendance in person during their tenure of office.
2. If the remuneration committeemen are reelected prior to the end of the fiscal year, the new and old remuneration committeemen should be both listed and in the column of remarks, the former & new appointment, or reelection and date of reelection for the said members should be specified. The rate of their attendance in person (%) shall be counted on the basis of frequency of meetings held by the Remuneration Committee and the frequency of their attendance in person during their tenure of office.

Resolution Items of the Remuneration Committee:

Session and Meeting Date of the Remuneration Committee	Session and Meeting Date of the Board of Directors	Contents of Proposals and Resolution Results	The Company's Response to the Remuneration Committee's Opinions	The committeemen object or reserve their opinions, accompanied with the records or written declaration.
The 1st Meeting of Session IV in 2021 on January 12, 2021	The 1st Meeting in 2021 on January 12, 2021	The deliberation was taken on the "directors' compensation and the managers' year-end bonus distribution case in 2021" Resolution results: The case was approved.	Not applicable	None

3.3.5 Performance of Corporate Social Responsibility: Systems & Measures, Adopted by the Company in Terms of Environmental Protection, Participation in Community, Social Contribution, Social Service, Social Benefits, Consumer's Rights, Human Rights, Safety & Health, and Other Social Responsibility Activities, as well as the Performance Status:

Evaluation Item	Implementation Status (Note 1)			Variance from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description (Note 2)	
I. Does the company conduct the risk evaluation on such issues of environment, society and corporate governance, related to the company's operation, pursuant to the materiality principle and establish the relevant risk management policy or strategy? (Note 3)		V	The Company has not established the corporate social responsibility best-practice principles, but we will append the related regulations and principles, depending on the actual operation conditions. 1.Environmental Protection (1) The Company has stipulated the identification and management business standards in consideration of the environmental aspect, which is under implementation. (2) The Company has certified and passed the ISO140001 environmental management system, which is under execution. (3) The Company has appointed the person exclusively in charge of air pollution, waste water, waste and toxic environmental management in order to maintain the relevant processing of environmental management; the Company has established the pollution prevention and energy saving & consumption business standards, which is under implementation. 2.Labor Relations The Company's employee recruitment is subject to the annual plan of each department and we conduct the organization of manpower needs to seek the excellent talents who can meet the Company's cultural core values via the diversified recruitment channels; we team up with the schools to jointly promote the co-op teaching and practical training, provide the students with the internship programs and help them reinforce their employability in their occupational development by way of the	(1) The establishment will be duly completed according to the law. (2) The Company will establish the exclusive (concurrent) unite in charge of promoting the corporate social responsibility, depending on the actual needs in the future.

Evaluation Item	Implementation Status (Note 1)			Variance from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description (Note 2)	
			workplace experience opportunities; we value and retain the talents and understand in an objective viewpoint the reasons for the employees' resignation through the interview; in that aspect, we collect the related information, analyze it for the subsequent improvement plan, and give feedbacks to the supervisor of the department for the manpower management and the conduction of such optimal measures as the work design and adjustment of the job vacancy requirements in recruitment.	
II. Does the company set up the unit exclusively (concurrently) in charge of carrying out the corporate social responsibility and the Board of Directors authorize the senior management personnel to dispose and report the disposal status with the Board of Directors?		V	Although this Company does not establish the dedicated unit, we continue to strive for the promotion of the corporate social responsibility.	To be handled in due course.
III. Environment Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Does the company endeavor to enhance the utilization efficiency of various resources and use the recycled materials which make the low impact on the load of environment? (3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company make the statistics on the volume of room temperature gas emission, water use as well as the gross weight of waste and establish the policy of	V		(1) This Company's environment management is handled pursuant to the related environment safety and health regulations in Taiwan. (2) This Company carries out the garbage classification and recycle the usable resources in order to reduce impact upon the environmental pollution. (3) This Company endeavors to implement energy saving and carbon reduction. For example, we use the LED bulbs of low power consumption and high brightness in the lighting equipment. (4) This Company reviews on a monthly basis the usage of water, electricity and fuel as well as the raw material consumption conditions for the purpose of reducing the unnecessary	There is no variance yet.

Evaluation Item	Implementation Status (Note 1)			Variance from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description (Note 2)	
the energy saving & reduction of carbon, room temperature gas & water use or other waste management?			waste of energy and achieving the objective of energy saving, carbon reduction and greenhouse gas reduction.	
IV. Social Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Does the company formulate and implement the reasonable employee welfare measures (including remuneration, vacation and other welfares, etc.) and properly reflect its operation performance or results on the employee' remuneration? (3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company build up an effective career ability development plan for the employees? (5) Does the company comply with the related regulations and international standards pertinent to the customers' health and safety, customers' privacy, marketing and labeling, of the product & service, and establish the policy and appealing procedures related to the protection of the consumer's rights? (6) Does the company establish the supplier management policy and request the		V	(1) This Company establishes the employees' work rules in accordance with the Labor Standards Act and the relevant statutory regulations. (2) This Company sets up the employees' welfare committee and implement the pension system in accordance with the statutory regulations; we also additionally establish the "performance bonus management rules" to reward the employees. (3) This Company arranges the employee training courses for the newcomers and strengthens their concepts of harm awareness and prevention. (4) This Company establishes the "educational training rules" and encourages our employees to upgrade their professional knowledge and skills; we subsidy our employees to participate in the diversified courses of study so that we can effectively provide our employees with assistance in their career planning. (5) This Company complies with the related regulations and the international standards when we market our products and service. We do not undertake the direct sale to the general consumers; for the business customers, we set up a dedicated after-sales service unit to provide the customers with the after-sales service and various consultations on the use of products and accept the customers' complaint cases. (6) This Company has not established the related articles, but if our suppliers involve the	(1) These mattered will be handled in due course and published in the company's website, depending on our future actual needs or statutory regulations. (2) The Company will compile the corporate social responsibility report in the future.

Evaluation Item	Implementation Status (Note 1)			Variance from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description (Note 2)	
suppliers to comply with the related regulations on such issues as environmental protection, occupational safety and health or labor human rights as well as the implementation status?			violation of its corporate social policy, we shall terminate the cooperation relationship with them at any time. In order to maintain the social benefits, we expressly stipulate in our contracts with the suppliers that in case of involvement in any fraud, this Company shall terminate the contract at any time and request for compensation.	
V. Does the company refer to the international standards or guidelines for the preparation of reports to prepare such reports as the corporate social responsibility report which disclose the information other than finance? Does the foregoing report obtain the assurance or guarantee opinions from the third party verification unit?		V	This Company has not compiled the corporate social responsibility report.	We would enhance the disclosure of the related corporate social responsibility in keeping with the establishment of the future systems.
VI. If the company has established its own corporate social responsibility best-practice principles pursuant to the "Corporate Social Responsibility Best-practice Principles for TWSE/TPEx Listed Companies", please describe the implementation and its variance from the said principles: We are still drawing up and establishing our corporate social responsibility best-practice principles and relevant regulations.				
VII. Other important information which is helpful for understanding the implementation of the corporate social responsibility: 1. Due to the needs of the pandemic, the company donated 221 washlet lids to Jen-Ai Hospital, Yang Ming Hospital, and Taoyuan Hospital for a total of NT$3,063,060. 2. Participated in the R&D and manufacturing of electric racing cars at National Tsing Hua University and international student formula racing competitions in 2020, donating a total of NT$870,000. 3. This Company has built up the appealing mechanism and channels for the employees with proper treatment. 4. This Company provides the employees with a safe and healthy work environment and conducts on a regular basis the safety and health education for the employees. 5. This Company offers the high-quality employment opportunities, sets up the employees' welfare committee, implements the pension system, and arranges the regular physical examination, etc. We put much emphasis on the labor harmony. 6. In order to protect and co-exist with our natural environment, attain to the objective of the corporate sustainable management and well perform the social responsibility, this Company establishes the environmental policy and the labor safety & health system. We also introduce the ISO-9001 system and put it into full implementation. Besides, we continuously upgrade the environmental management performance for the purpose of the corporate sustainable operation. 7. This Company legally executes the recycling of resources subject to the contents of the business waste cleaning plan. 8. This Company encourages the use of environmental-friendly packing materials, reduce waste and increase the cycle of resources. 9. This Company advocates via the educational training the co-workers' awareness of such basic sense of responsibility as environmental protection, resources recycling and energy saving. Certification passed:				

Evaluation Item	Implementation Status (Note 1)			Variance from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description (Note 2)	
1. Quality Management System: ISO9001 (from October 15, 1997 to January 10, 2022). 2. Environmental Management System: ISO14001 (from September 28, 1999 to December 26, 2023). 3. Occupational Safety and Health Management System: ISO180012007 (from December 9, 2008 to February 2, 2023). 4. Energy Management Certification: ISO50001 (from December 26, 2013 to December 30, 2023). 5. Our ceramic plate exclusively used for the bullet proof cloth passes the certification of H.P. WHITE Laboratory in USA to be in compliance with the American Law Institute. 6. The HET registration with EPA is appended in the IAPMO of National Laboratory in USA (from July 31, 2019 to July 31, 2020). 7. Re-edition of new SGS "ISO13485 Medical Facilities Quality Management System Verification" (2016 Edition) is completed and a certificate thereof is obtained (from September 19, 2017 to September 19, 2023).				

Note 1: if "Yes" is ticked for the implementation status, please describe the important adopted policy, strategy, measures & the execution status; if "No" is ticked for the implementation status, please explain the reason and describe the plan about the related policy, strategy and measures adopted in the future.

Note 2: For those companies, which have prepared the corporate social responsibility report, a note should be put in the column of implementation status the way how one can check with the corporate social responsibility report and the page no. of index instead.

Note 3: The materiality principle refers to the significant impact made by the social and corporate governance on the company's investors and other stakeholders.

3.6.6. Performance Status of Ethical Corporate Management, its Variance from "the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies" and Reason for Variance

Evaluation Item	Implementation Status (Note)			Variance from "the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description	
I. Establish Ethical Corporate Management Policy and Program	V			There is no variance.
(1) Does the company establish the ethical corporate management policy, passed by the Board of Directors and expressly indicate the policy and practice in the regulations and external documents and are the Board of Directors & the high-ranking management personnel committed to carrying out the operational policy?			(1) This Company expressly stipulates in the "Employee's Manual" that if an employee of this Company involves "jobbery, embezzling or owing the public funds and accepting bribe or commission", and "accepting the dealers' entertainment and gifts (including meal events), affecting the company's interests & image or seeking private interests in a material manner", the company shall directly terminate the employment relations without notice.	
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention of immoral conduct programs accordingly, covering at least the prevention measures of the conduct, as prescribed in each subparagraph of Paragraph 2, Article 7 of the "Ethical Corporate Management Principles for the TWSE/TPEX Listed Companies"?			(2) This Company hosts the educational training and propaganda for the employees and enables them to fully understand the company's determination, policy, prevention programs in ethical corporate management as well as the outcome of the violation of ethical conduct.	

Evaluation Item	Implementation Status (Note)			Variance from "the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description	
(3) Does the company clearly stipulate the processing procedures, conduct guideline, and violation discipline & complaint system, carry out the execution and review & revise the above-described program on a regular basis?			(3) It is expressly prescribed in the "Employee's Self-discipline Guarantee" of the "Employment Agreement" in this Company's "Employee's Manual" that the employee commits him/herself to: abide by the interest avoidance principle, refuse to accept bribe, reject jobbery and improper competition for the same business, etc. If he/she violates the aforesaid committed and guaranteed matters, he/she will compensate the company for other losses incurred, in addition to the punitive liquidated damage, and is willing to accept the company's termination of the employment agreement according to the law.	
II. Implementation of Ethical Corporate Management (1) Does the company evaluate the business partners' ethical records and expressly stipulate the clause of ethical conduct in contracts, signed with them?	V		(1) An article concerning the "merchandise purchase policy" in the purchase contract that this Company signs with the suppliers expressly set forth that the suppliers should assure a transparent status and shall not have an improper relations and contacts with Tsann Kuen Enterprise Co., Ltd.; they should conduct the commercial activities in a fair and transparent manner. The ethical article is included in the general external contract with an agreement made for the suppliers to compensate the punitive liquidated damage in high stakes when they violate the article.	There is no variance.

Evaluation Item	Implementation Status (Note)			Variance from "the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description	
(2) Does the company set up the exclusively (concurrently dedicated unit, subordinated with the Board of Directors, to implement ethical corporate management and regularly report its ethical corporate management policy, the prevention of immoral conduct programs as well as the supervision & execution status with the Board of Directors?			(2) This Company adopts the mutual supervision via the establishment of the organization. For example, separate the order placing from the purchase quotation for the purchasing and net profit departments; separate the contracting from the design for the engineering & design departments; separate the annual purchase contract from the purchase for the negotiation and purchasing departments. Furthermore, we accord the job rotation and focus on the ethical management. The Board of Directors divides the authority to take the responsibility according to the authorization rules and conducts audit on the controlling points of each quarter through the Remuneration Committee and the Audit Committee. There are no material defective matters for each project report.	
(3) Does the company establish the conflict of interest prevention policy, provide the adequate appealing channel, and carry out the execution?			(3) As far as a conflict of interests in business is concerned, a prior notice shall be given to the supervisor with avoidance subject to the employment agreement in order to prevent the conflict of interests. In the event that each proposal in the Board of Directors involves a conflict of interests, the directors concerned shall not participate in discussion and shall leave to avoid voting in accordance with the avoidance principle.	

Evaluation Item	Implementation Status (Note)			Variance from "the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies" and Reason for Variance
	Yes	No	Summary Description	
II. Implementation of Ethical Corporate Management (4) Does the company build up an effective accounting system and an internal control system for the implementation of the ethical corporate management and does its internal audit unit draw up the related audit plan, based on the evaluation results of the immoral conduct risk and further audit the compliance conditions of the immoral conduct prevention program or assign the CPA to execute audit?	V		(4) The accounting system of this Company is established with reference to the related regulations, such as the Securities and Exchange Act, the Company Act, the Business Entity Accounting Act, the Regulations Governing the Preparation of Financial Reports by Public Companies, the international financial reporting standards, accepted by the Financial Supervisory Commission, R.O.C. (Taiwan), the International Accounting Standards, interpretation & interpretation notice, etc., and depending on the actual business conditions of this Company. The internal control system is set up and carried out with reference to the related regulations of the "Regulations Governing Establishment of Internal Control Systems by Public Companies". The audit department of the Board of Directors checks on a regular basis the compliance status of the accounting system and the internal control system and submit a report to the Board of Directors in that regard.	
(5) Does the company regularly conduct the internal and external educational training in respect of ethical corporate management?	V		(5) This Company expressly stipulates such regulations as "no bribery", "no trading with the manufacturers without undergoing the company's purchase distribution procedure and we advocate the discipline articles through the educational training.	

III.	Implementation Status of the Company's Reporting System (1) Does the company establish the concrete reporting & rewarding system, build up a convenient reporting channel, and appoint one eligible dealing person-in-charge for the reported subject? (2) Does the company establish the standard processing procedures for investigation of accepted reporting matters, the follow-up measures to be adopted after completion of investigation and related confidentiality mechanism? (3) Does the company adopt the measure wherein the reporter can be protected so that he/she would not be treated improperly due to the reporting?	V		This Company has expressly established in the "Employee's Manual" the reporting and punishment system, which is announced and advocated among the entire co-workers. (1) This Company has set up the related regulations on the general appealing and fraud prevention wherein the management method of the appealing cases, the acceptance channel and the dealing person of the appealing cases are expressly set (2) forth. This Company has prescribed such standard operational procedures as the acceptance method & the acceptance channel of the appealing matters, the dealing person of the appealing cases and the way of confidentiality, etc. (3) This Company absolutely keeps the secrets of the appellant and the appealing contents, accompanied with the proper treatment.	There is no variance.
IV.	Strengthening Information Disclosure Does the company disclose the contents of ethical corporate management it establishes as well as the implementation effectiveness in its website and the Market Observation Post System?	V		(1) We build up the company's website, disclose the company's overview, basic information and financial information and timely disclose the company's information on the MOPS in a prompt, public and transparent way. (2) We offer a dedicated line at 0800-080-089 and a customer service mailbox, which function as a transparent and effective appealing channel for the customers.	There is no variance.
V.	If the company has established its own ethical corporate management principles pursuant to the "Ethical Corporate Management Principles for TWSE/TPEx Listed Companies", please describe the implementation and its variance from the said principles: We are drawing up and establishing our ethical corporate management and related regulations.				
VI.	Other important information which is helpful for understanding the implementation of the ethical corporate management: (For example, the company reviews and revises its established ethical corporate management principles. None.				

Note: No matter what "Yes" or "No" is ticked, the column of the "Summary Description" must be specified.

3.3.7. If the company establishes the corporate governance principles and related regulations, the checking method shall be disclosed: Please refer to the Market Observation Post System (http://mops.twse.com.tw) or this Company's website (http://www.hcg.com.tw) for checking.

3.3.8. Please disclose other important information, which is helpful for the understanding the implementation of the corporate governance: Please refer to the Market Observation Post System or this Company's website for the implementation of this Company's corporate governance.

3.3.9 Implementation status of internal control system

3.3.9.1. Statement of Internal Control System

HOCHENG Corporation

Statement of Internal Control System

Date: March 23, 2021

Based on the results of the self-assessment, the Company's internal control system for the year 2020 is stated as follows.

1. The Company recognizes that the establishment, implementation and maintenance of the internal control system is the responsibility of the Company's Board of Directors and the Manager, and that the Company has established such a system. The purpose of the system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.
2. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, the effectiveness of the internal control system may change due to changes in circumstances and conditions. However, the Company's internal control system has a self-monitoring mechanism, and once deficiencies are identified, the Company will take corrective action.
3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the criteria for determining the effectiveness of the internal control system set forth in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"). The judgment items of the internal control system adopted in the "Guidelines" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Handling Guideline" for the above items.
4. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the aforementioned evaluation, the Company believes that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2020, including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved, and the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the aforementioned objectives.
6. This statement will be the main content of the Company's annual report and public statement and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors' Meeting on March 23, 2021. Of the five directors present, zero held opposing views and the rest agreed to the contents of this statement.

HOCHENG Corporation

Chairman： Chiu, Li-Chien

General Manager： Chen, Shih-Chieh

3.3.9.2. For those who need to appoint an accountant to review the internal control system, the accountant's review report should be disclosed: None.

3.3.10. If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

3.3.11. Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Material resolutions of a board of directors meeting

Date	Material resolutions
March 23, 2021	1. Status of evaluation of CPA's independence 2. Recognition of Company's 2020 Financial Statements 3. 2021 General Shareholders Meeting Agenda 4. Evaluation of efficacy of internal control systems and proposal for Internal Control System Statements. 5. The period for accepting shareholders' proposals in writing 6. Proposal for nomination of directors' candidates in 2021 general shareholders meeting. 7. The period for accepting nomination of directors' candidates in 2021 general shareholders meeting. 8. Proposal for directors' election. 9. Release of the non-competition restriction on newly elected directors Resolution Results: Approved according to cases
January 12, 2021	1. Proposal for 2020 directors' compensation and managerial personnel year-end bonus. 2. Amendments to regulations of Performance Evaluation of Board of Directors. 3. Proposal for extension application for first half of 2021 Bank Financing Line. 4. Proposal for application for endorsements/guarantees by HCG Philippines. 5. Proposal for donation to Hocheng Cultural & Educational Foundation. Resolution Results: Approved according to cases

November 12, 2020	1. Company's Financial Statement in Q3, 2020. 2. 2021 Internal Audit Plans. 3. 2021 Operational Plans. 4. Proposal for application for Credit Financing Line by KBI bank. 5. Proposal for application for endorsements/guarantees by HCG China. 6. Proposal for application for endorsements/guarantees by HO LONG CERAMIC CO., LTD. 7. Proposal for amendments to organizations and regulations of Functional Committee. Resolution Results: Approved according to cases
August 11, 2020	1. Company's Financial Statement in Q2, 2020. 2. Proposal for extension application for second half of 2020 Bank Financing Line. 3. Proposal for application for endorsements/guarantees by HCG Philippines. 4. Proposal for application for endorsements/guarantees by HO LONG CERAMIC CO., LTD. Resolution Results: Approved according to cases

2. Discussion on resolution items and implementation status of 2020 General Shareholders Meeting:

(1) Date of Meeting: June 29, 2020

(2) Material resolutions:

A. Business Report and Financial Statements:

(1) Approval for adoption of Company's 2019 Business Report and Final Accounts.

Implementation status: adopted in accordance with revised procedures.

B. Material resolutions: Amendments to Articles of Incorporation

(1) Approval for amendments to provisions in Company's Articles of Incorporation

Implementation status: adopted in accordance with revised procedures.

C. Other matters to be stated:

(1) Approval for amendments to provisions in Procedures for Directors Election.

Implementation status: adopted in accordance with revised procedures.

(2) Approval for amendments to provisions in Company's Rules of Procedure for Shareholders Meetings

Implementation status: adopted in accordance with revised procedures.

3.3.12. Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director 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, disclose the principal content thereof: None.

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

A summary of resignations and dismissals of the company's related personnel

February 1, 2021

TITLE	NMAE	DATE OF ASSUMPTION OF DUTY	DATE OF DISMISSAL OF DUTY	REASON OF RESIGNATIONS OR DISMISSALS
general manager	Chen, Chen-Chian	July 1, 2001	February 26, 2020	TERM OF OFFICE EXPIRES
chief research and development officer	Chen, Shih-Chieh	September 16, 2005	May 12, 2020	FREE OF CONCURRENCE

Note: The term “company's related personnel” refers to chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer.

3.4. Information on CPA professional fees

Bracket table of CPA professional fees (Please tick the corresponding bracket or fill in the amount)

Name of accounting firm	Name of CPA		Audit period	Remarks
KPMG Taiwan	Linda Chiang	Calvin Chiang	2020	

Note: When the Company changed CPAs or the accounting firm this year, it shall separately list its audit period, and explain the reason of change in the column of remarks.

Unit of the amount: NT$ 1,000

Items of fee / Brackets of the amount		Audit fees	Non-audit fees	Sum
1	Less than NT$ 2,000 thousand			
2	NT$ 2,000 thousand (with)～NT$ 4,000 thousand	3,450	78.308	3,528.308
3	NT 4,000 thousand (with ～NT$ 6,000 thousand			
4	NT$ 6,000 thousand (with)～NT$ 8,000 thousand			
5	NT$ 8,000 thousand (with)～NT$ 10,000 thousand			
6	NT$ 10,000 thousand (with) or more			

Information on CPA professional fees (Please fill in the amount)

Unit of the amount: NT$ 1,000

Name of accounting firm	Name of CPA	Audit fees	Non-audit fees					Audit period of CPA	Remarks
			System designing	Businessregistration	Human resource	Others (note 2)	Subtotal		
KPMG Taiwan	Linda Chiang	3,450				50.308	50.308	2020	
	Calvin Chiang								
Cheng Hsin CPAs Firm						28	28	2020	

Note 1: When the Company changed CPAs or the accounting firm this year, it shall separately list its audit period, and explain the reason of change in the column of remarks, and disclose information of paid audit fees and non-audit fees, etc., in order.

Note 2: Please separately list non-audit fees by items of service, if others of non-audit fees reach 25% of the sum of non-audit fees, the contents of service shall be listed in column of remarks.

KPMG Taiwan

1. The consolidated financial statements printing of 4th quarter of year 2019, etc., NT$ 9,697
2. 2019 information service fees of remuneration of full-time employees in non-management positions, NT$ 25,000
3. February 10 - February 18 examined fares of 4th quarter of year 2019, etc., NT$ 3,281
4. April 13 - April 17, April 23 examined fares of KPMG Taiwan of first quarter of year 2020, NT$ 2,625
5. July 13 - July 17 examined fares of KPMG Taiwan of second quarter of year 2020, NT$ 2,319
6. October 12 - October 16 fares audited by CPAs and taxi of third quarter of year 2020, NT$ 3,014
7. November 16 - November 19 audit of internal control fares of KPMG Taiwan - taxi and train, NT$ 1,898
8. November 30 - December 4 taxation audit of KPMG Taiwan - train tickets and taxi, NT$ 2,474

   Sum: NT$ 50,308

Cheng Hsin CPAs Firm

1. Business tax of 2019 concurrent business entity adopted a direct deduction method, auditing and certificating NT$ 18,000
2. Certification fees of 2020 production record (authorized products) NT$ 10,000

   Sum: $ 28,000

3.5. The Company did not change any CPA in 2020.

3.6. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: none.

3.7. Shareholding variation of directors, supervisors, managerial officers and largest shareholders

Title (Note 1)	Name	2020		Current year, as of April 30	
		Shareholding increase (decrease)	Pledged share Increase (decrease)	Shareholding increase (decrease)	Pledged share Increase (decrease)
Chairman (note 1)	Chiu, Li-Chien	1,284,000	2,100,000	0	0
Director (note 1)	Wu, Yue-Long	(182,418)	0	0	0
Director (note 1)	FuHo Investment Co., Ltd. - representative: Chiu, Chih-Chung	0	0	0	0
Director (note 1)	Yuhuang Co., Ltd. - representative: Chiu, Shih-Kai	0	0	0	0
Director (note 1)	Ho Shun Investment Co., Ltd.- representative: Lu, Chuan-Kun	0	0	0	0
Independent director	Fan, Wei-Guang	0	0	0	0
Independent director	Wang, Cheng-Wei	0	0	0	0
Independent director	Tsai, Hung-Jian	0	0	0	0
General manager	Chen, Shih-Chieh	0	0	0	0
Vice general manager	Chen, Shang-Hsien	0	0	0	0
Vice general manager	Huang, Chien-Cheng	0	0	0	0
Vice general manager	Kang, Shui-Shu	0	0	0	0
Chief financial officer of finance department	Chiu, Chi-Hsin	0	0	0	0
Accounting Supervisor	Lo, Yueh-Ying	0	0	0	0

Note 1: Shareholders holding 10% or more of total amount of the Company's shares shall be designated as largest shareholders, and separately listed.

Note 2: Where the counter party in any such transfer or pledge of equity interests is a related party, it shall be filled in the following table.

Information on Equity ledge

Name (Note 1)	Reason of pledge change (note 2)	Variation date	Counter party of transaction	Relationship between counter party of transaction and the Company, directors, supervisors, managerial officers and shareholders holding 10% or more of shareholding ratio	Number of shares	Shareholding ratio	Pledge ratio	Pledge (redemption) amount
Chiu, Li-Chien	Pledge	January 8, 2020	Yuanta Financial Holding Co., Ltd.	None	2,100,000	3.47%	88.84%	10,000,000

Note 1: Fill in names of the Company's directors, supervisors, managerial officers and 10 largest shareholders holing 10% or more of shareholding ratio.

Note 2: Fill in pledge or redemption.

3.8. 10 largest shareholders and the holding percentage of each, and its interrelationship information

Name (note 1)	Self shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Among the company's 10 largest shareholders, any one is a related party or a spouse, a relative within the second degree of kinship, and his/her name or relationship. (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
BORKAY Investment Co., Ltd.	21,929,421	5.93					None	None	
Yuhuang Co., Ltd.	14,033,700	3.79					None	None	
Chiu, Li-Chien	12,832,033	3.47					None	None	
Chiu Wang, Pao-Kuei	10,362,858	2.80					Chairman Chiu, Li-Chien	Mother and son	
Li, Kai-Ping	10,269,343	2.78					Director Chiu, Shih-Kai	Mother and son	
Chiu Lin, Tsui	9,774,809	2.64					Director Chiu, Chih-Chung	Mother and son	
Chiu, Hung-Yu	9,288,109	2.51					Director Chiu, Chi-Hsin	Father and son	
Chiu, Chun-Chieh	8,862,100	2.40					None	None	
Chiu, Hung-Wen	8,841,338	2.39					Director Chiu, Chih-Chung	Father and son	
Chiu Chen, Hui-Mei	7,148,107	1.93					Director Chiu, Chi-Hsin	Mother and son	

Note 1: 10 largest shareholders shall be listed, when a shareholder is a juristic shareholder, the name of the juristic shareholder and the representative's name shall be separately listed.
Note 2: The calculation of shareholding ratio means that shareholding ratio is separately calculated in my own name, spouse, minor children or other people's names.
Note 3: The listed shareholders mentioned above include a juristic person and a natural person, shall disclose their relationship.

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

Unit: shares; %

Reinvestment business (note)	The Company's investment		Investment of directors , supervisors and managerial officers, and any companies controlled either directly or indirectly by the Company		Total investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Hohung Investment Co., Ltd.	31,525,907	99.5	--	--	31,525,907	99.5
Hocheng Industrial Co., Ltd.	600,000	40	450,000	30	1,050,000	70.00
Hostan Co., Ltd.	100,595,839	100	--	--	100,593,839	100
Ritiboon International Co., Ltd.	78,646,373	100	--	--	78,646,373	100
Holung Industrial Co., Ltd.	7,088,332	67.92	--	--	7,088,332	67.92

Note: The Company adopted the equity method for long-term investment.

IV Capital Overview.

4.1.1 Source of Equity

Unit: Share, NT$

Year Month	Issue Price	Authorized share capital		Paid-in share capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Equity	The use of property other than cash to offset the payment of shares	Other
1989.12	10	19,900,000	199,000,000	19,900,000	199,000,000	—	—	—
1990.01	10	40,000,000	400,000,000	38,000,000	380,000,000	Cash capital increase NT$181,000 thousand	—	—
1990.07	10	105,003,300	1,050,033,000	105,003,300	1,050,033,000	Transfer of surplus to capital NT$670,033 thousand	—	—
1992.06	75 10	200,000,000	2,000,000,000	149,630,290	1,496,302,900	Capital increase in cash NT$131,260 thousand Transfer of surplus to capital NT$315,009,900	—	Note1
1993.06	10	200,000,000	2,000,000,000	198,260,135	1,982,601,350	Capital surplus increased by NT$254,371,500 Transfer of capital from surplus NT$231,926,950	—	Note2
1994.06	10	400,400,000	4,000,000,000	277,564,189	2,775,641,890	Transfer of surplus to capital NT$793,040,540	—	Note3
1995.06	10	400,000,000	4,000,000,000	346,955,238	3,469,552,380	Capital surplus increased by NT$249,807,780 Transfer of capital from surplus NT$444,102,710	—	Note4
1996.07	10	570,000,000	5,700,000,000	398,998,525	3,989,985,250	Capital surplus increased by NT$242,868,670 Transfer of capital from surplus NT$277,564,200	—	Note5
1997.07	10	570,000,000	5,700,000,000	418,948,455	4,189,484,550	Transfer of surplus to capital NT$199,499,300	—	Note6
1997.11	10	570,000,000	5,700,000,000	377,053,610	3,770,536,100	Cash reduction NT$ 418,948,450	—	Note7
2011.11	10	570,000,000	5,700,000,000	369,853,610	3,698,536,100	Cancellation of treasury stock NT$ 72,000,000	—	Note8

Note 1: Taiwan Securities Regulatory Commission, Ministry of Finance, June 19, 1992 (81) Taiwan Financial Securities (I) No. 01325.

Note 2: Securities Commission, Ministry of Finance, June 10, 1993 (82) TCC (I) No. 01382.

Note 3: Securities Administration Commission, Ministry of Finance, Taiwan, June 21, 1994 (83) TCC (I) No. 28459.

Note 4: Securities Commission, Ministry of Finance, June 14, 1995 (84) TCC No. 35215.

Note 5: Securities Commission, Ministry of Finance, Taiwan, July 02, 1996 (85) TCC (I) No. 40940.

Note 6: Taiwan Securities Regulatory Commission, Ministry of Finance, July 03, 1997 (86) TCC No. 53250.

Note 7: Financial Supervisory Commission, Executive Yuan, November 12, 1997, Financial Supervisory Certificate No. 0960060736.

Note 8: Letter of approval from the Ministry of Economic Affairs (MOEA) for distribution authorization No.10001266250.

4.1.2 Shareholder Structure

May 03, 2021

Shareholder Structure / Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	0	0	53	14,768	55	14,876
Number of shares held	0	0	75,685,537	277,799,617	16,368,456	369,853,610
Shareholding Ratio	0%	0%	20.46%	75.11%	4.43%	100%

Note: First listed (OTC) companies and emerging companies shall disclose the proportion of their shares held by Chinese capital; Chinese capital refers to the people, legal entities, organizations, and other institutions from mainland China or their companies invested in third regions as stipulated in Article 3 of the Regulations on the Permission for People to Invest in Taiwan.

4.1.3 Diversification of shareholding

4.1.3.1. Diversification of Ordinary Shareholdings：

Face value of NT$10 per share

May 03, 2021

Shareholding Classification	Number of shareholders	Number of shares held	Shareholding Ratio
1 to 999	4,951	1,565,782	0.42%
1,000 to 5,000	6,720	15,932,381	4.31%
5,001 to 10,000	1,512	12,910,593	3.49%
10,001 to 15,000	366	4,762,140	1.29%
15,001 to 20,000	404	7,677,080	2.08%
20,001 to 30,000	260	6,889,048	1.86%
30,001 to 40,000	123	4,517,298	1.22%
40,001 to 50,000	105	5,003,577	1.35%
50,001 to 100,000	180	13,281,547	3.59%
100,001 to 200,000	99	14,350,196	3.88%
200,001 to 400,000	54	15,056,459	4.07%
400,001 to 600,000	20	9,952,886	2.69%
600,001 to 800,000	14	10,159,122	2.75%
800,001 to 1,000,000	10	8,847,781	2.39%
1,000,001 or more depending on Actual situation	58	238,947,720	64.61%
Total	14,876	369,853,610	100.00%

4.1.3.2. Diversification of ownership of preferred shares: Not applicable.

4.1.4 List of major shareholders

May 03, 2021

Shares / Name Of major shareholders	Number of shares held	Shareholding ratio (%)
BORKAY Industrial Co., Ltd.	21,929,421	5.93
YUHUANG CO., LTD.	14,033,700	3.79
CHIU,LI-CHIEN	12,832,033	3.47
CHIU,WANG-BAO-GUI	10,362,858	2.80
LI,KAI-PING	10,269,343	2.78
CHIU,LIN-CUI	9,774,809	2.64
CHIU,HONG-YOU	9,288,109	2.51
CHIU,JUN-JIE	8,862,100	2.40
CHIU,HONG-WEN	8,841,338	2.39
CHIU,CHEN-HUI-MEI	7,148,107	1.93

4.1.5. Statement of market price, net worth, earnings and dividends per share

Item \ Year			2019	2020	Current year, as of March 31, 2021 (note 8)
Market price per share (note 1)	The highest		8.53	10.4	10.60
	The lowest		7.51	5.39	9.68
	Average		7.88	8.27	10.18
Net worth per share (note 2)	Before distribution		15.31	16.07	16.37
	After distribution		---	---	---
Earnings per share	Weighted average number of shares		368,120 thousand shares	366,386 thousand shares	368,120 thousand shares
	Earnings per share (note 3)		0.13	0.24	(0.03)
Dividends per share	Cash dividends		0	0.2	---
	Bonus shares	Stock dividends	0	0	---
		Capital reserve dividends	0	0	---
	Accumulated unpaid dividends (note 4)		---	---	---
Analysis of return on investment	Earnings ratio (note 5)		60.62	34.46	---
	Dividend ratio (note 6)		0	41.35	---
	Cash dividend yield rate (note 7)		0	2.42%	---

* When the Company has earnings or capital surplus transferred to dividends, it shall disclose information of market price and cash dividends retrospectively adjusted by distributed number of shares.

Note 1: List the highest and the lowest market prices of common stocks each year, and according to the turnover and trading volume of each year, calculate the average market price of each year.

Note 2: Please go by the number of shares issued in the end of the year, and fill in according to the distribution approved by the resolution of the shareholders' meeting in the next year.

Note 3: As the Company had bonus shares, and needed to retrospectively adjust, and it shall list earnings per share before and after adjusted.

Note 4: If it specified that the undistributed dividends of the current year shall be accumulated in distributed earnings year in equity securities issuance conditions, and the Company shall separately disclose accumulated unpaid dividends as of the end of the current year.

Note 5: Earnings ratio = average closing price of the current year / earnings per share.

Note 6: Dividend ratio = average closing price of the current year / cash dividends per share.

Note 7: Cash dividend yield rate = cash dividends per share / average closing price per share of the current year.

Note 8: Information of the recent quarter examined (reviewed) by CPAs shall be filled in columns of net worth per share and earnings per share as of the date of publication of the annual report; information of the current year shall be filled in the rest columns as of the date of publication of the annual report.

4.1.6. Company's Dividend Policy and Implementation Status

Company's Dividend Policy:

1. If surplus earnings are available, priority is offsetting any loss from prior year(s) and paying all taxes and dues. Secondly, the company shall set aside ten percent of such profits as a legal reserve. If surplus earnings remain, it shall be combined with the statutory surplus reserve from previous years to be distributed into shareholders dividends at shareholders meeting. The Board of Directors shall draft a proposal of shareholders dividends allocation which is based on Company's operation status and capital requirements and submit it to the shareholders meeting for resolution. Priority of distribution is cash dividends. While the dividends were distributed in cash and shares at the same time, cash dividends shall not be less than ten percent of total amount of distributed dividends. Where such legal reserve amounts to the total paid-in capital, the dividends shall not be distributed through resolutions by shareholders meeting. The statutory surplus and capital reserve shall be paid as dividends and bonuses, as required by relevant laws and regulations, and such distribution shall be submitted by Board of Directors to shareholders meeting for approval.
2. Distribution of Dividend Proposed by Shareholders Meeting:
   (1) The 2020 Financial Statements of the company has been duly audited by entrusted accountants Chiang, Shiao-Ling and Chiang, Chung-Yi of the CPA firm of KPMG. The surplus after tax in 2020 was NT$86,793,413, setting aside NT$13,187,881 as ten percent legal reserve pursuant to articles of incorporation of the company, and distributable surplus in the end of the period was NT$366,157,799. Distributable surplus in 2020 was NT$453,316,402 and was proposed to allocate for shareholders' cash dividends of NT$73,970,722(Earnings per share of NT$0.2), rounded down to the nearest dollar, and the total of any fractional amount less than one dollar will be recognized as "other" income of the company.
   (2) Upon approval by the shareholders meeting, the chairman shall be authorized to resolve the ex-dividend base date, the issuance date and other relevant matters.
   (3) If the outstanding shares is afterward affected by buyback, transfer, cancellation of the company shares, or in accordance with other laws and regulations, it is proposed that the Board of Directors be authorized to adjust the amount and rate of dividend to be distributed.

4.1.7. Effect upon 2020 Business Performance of the company and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable due to no stock dividend distribution for this year.

4.1.8. Compensation of employees and directors:

A. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation: In addition to paying taxes and dues and making up the losses of the previous year, ten percent of the net profit after the final

accounts shall be set aside as a legal reserve, pursuant to article 41 in Securities and Exchange Act, a certain proportion of its earnings as special reserve. In view of business conditions and policy of balance dividends, except for the reserved partial balance, the undistributed surplus of the previous year is added to the balance. The distribution proposal is as follows, subject to a resolution of the shareholders meeting for distribution.

1. The employee compensation allocation rate is 5%-8% of the annual profit.
2. Directors and supervisors' remuneration allocation rate is with limit of no more than 3% of the annual profit.

B. Annual profit of the company in 2020 was NT$119,779,711, by proposal of the second remuneration committee in the fourth session of 2021, the compensation of employees (including managerial officers) is 6%, totaling NT$7,897,563 and the remuneration of directors 3%, NT$3,948,782, all distributed in cash.

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

1. The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

	This year (2020) note			
	Actual distribution by shareholders meeting	Original proposed distribution by board of directors	Variation	Reason of variation
1. Employee Compensation	NT$ 0	NT$7,897,563	None	--
2. Employee Dividends	NT$ 0	NT$0	None	--
3. Directors Remuneration	NT$ 0	NT$ 3,948,782	None	--

Note: Approved by Board meeting on May 11, 2021, and then distributed after resolution of shareholders meeting.

2. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: There is no employee compensation distributed in stocks for this period.

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

	Previous year (2019)			
	Actual distribution by shareholders meeting	Original proposed distribution by board of directors	Variation	Reason of variation
1. Employee Compensation	NT$4,482,486	NT$4,482,486	None	--
2. Employee Dividends	NT$0	NT$0	None	--
3. Directors, Supervisors Remuneration	NT$2,241,243	NT$2,241,243	None	--

2019 employee compensation in cash was NT$4,482,486, and directors remuneration in cash was NT$2,241,243. There is no discrepancy between the actual distribution and the proposed distribution by Board meeting and shareholders meeting.

4.1.9. Status of the company repurchasing its own shares: In 2020 up to this annual report published, there is no repurchasing its own shares by the company.

Financing Plans and Implementation of Corporate Bonds, Preferred Shares, Overseas Depositary Receipts, and Employee Stock Option with Warrants:

4.2. Financing Plans and Implementation of Corporate Bonds: None

4.3 Financing Plans and Implementation of Preferred Shares: None

4.4 Financing Plans and Implementation of Overseas Depositary Receipts: None

4.5. Financing Plans and Implementation of Employee Stock Option with Warrants: None

4.6. Implementation of Mergers and Acquisitions or Issuance of New Shares in connection with any acquisition of shares of another company: None

4.7. Implementation of Assets Process and Planning:

(1) Planning: Not applicable due to the company not issuing or privately placed securities not been completed within the last three years.

(2) Implementation: Not applicable due to the company not issuing or privately placed securities not been completed within the last three years.

V. Operational Highlights

5.1. Business Activities:

(I) Scope of Business:

Main Business Activities and the Business Proportion:

The scope of business of this Company is mainly manufacture, processing, sales, repair & maintenance, etc. of the general sanitary ceramics, water supply copper, bathtub, kitchen utensils and bathroom accessories. The rate for import is 69.54%, while that for export is 30.46% (Hocheng Mainland China + Hocheng Philippines + other affiliates). Our products include:

Sanitary ceramics: various toilets, water tank, washbasin, pedestal, lower body basin, dirt basin, urinal, etc. and related parts; the sales volume accounts for 49.01% of the total operational revenue.

Water supply copper: ordinary faucet, single lever faucet, high-class art faucet, thermostatic faucet, water supply tank parts, makeup mirror, automation equipment, washlet seat; the sales volume accounts for 24.08% of the total operational revenue.

Bathtub and countertop: SMC bathtub, jaccuzi, automatic clotheshorse, shower sliding door, marble countertop, etc.; the sales volume accounts for 6.03% of the total operational revenue.

Others: toilet cover, kitchenware, Ker Taur, etc.; the sales volume accounts for 20.88% of the total operational revenue.

(II) Industry Overview:

For recent two years, although the real estate market recovers, the competition of the domestic bathroom products is rigid due to the occupation of foreign brands in the domestic market in low cost. It is expected that the operation of the domestic manufacturers would be more difficult after the government releases the import from Mainland China. For that sake, we continue to develop the high value-added products, such as the products of retro Chinese style, European classic style, environmental green series and artistic series, etc. Besides, in the future, we would actively put emphasis on the promotion of the diversified products, for example, such high-tech products as bulletproof ceramics, photocatalyst ceramic filter, and the business transformation like the new composite material industry in a view to increasing the company's performance.

(III) Technology and Research & Development Overview:

1. Research & Development Expenditure For Most Recent Three Years

Unit: NT$ Thousands

Year	2018	2019	2020	The Current Year up to March 31, 2021
Amount	151,256	149,114	136,010	29,007

2. Research and Development Results for the Most Recent Three Years:

Research and Development Results in 2018

Item No.	Item of Product	Item No.	Item of Product
1	AFC High Pressure Super Toilet	10	Several New Style Washbasin and Shower Faucet
2	Two Styles of Generation II Eaton Single Body Toilet	11	New-structure Assembled Safety Handrail for the Aged
3	HP99 Hand-held Washlet (Portable Flusher)	12	Automatic, Soap-feeding and Hand-baking Independent Tri-functioned Machine
4	Water-saving Whole-body Toilet with Hand Washing Function	13	Several New Style, New Material Lead-free Faucet
5	Several Styles of Balanced Electric Lifting Clotheshorse	14	Washbasin & Bathroom Cabinet for Small Space
6	Several Styles of Thin-sided, Semi-embedded and Countertop-type Washbasin	15	Mass Production and Sale of Zirconia Porcelain Teeth
7	Four Styles of New-type Stainless Steel Bathroom Cabinet	16	Trial Production of Mode of 20-inch Full Carbon Fiber Rim
8	Low-wall Type Jaccuzi for the Aged	17	Protection Structure for the Armored Vehicle in the Armed Forces
9	Royal & Several Styles of Bathtub and a Series of Shower Door	18	Production of High Speed Rail Generation II Pantograph

Research and Development Results in 2019

Item No.	Item of Product	Item No.	Item of Product
1	CS2600 Two-piece Toilet	14	Development of Three Styles of New-type Bathroom Cabinet
2	C3660 Single-body Toilt	15	Mass Production and Sale of Zirconia Porcelain Teeth
3	LF1588 Ceramic Faucet adopting the design concept like a dragonfly seeking lotus root	16	Large-scaled Two-slot Washbasin & Bathroom Cabinet
4	LF1711 Ceramic Faucet adopting the design concept like a stubborn stone dragging the moon	17	Two Styles of Safety Handrail for the Aged
5	Several Styles of Thin-side & Countertop-type Washbasin	18	A Set of High Pressure Produced & Semi-embedded Washbasin & Bathroom Cabinet
6	A Set of Five-piece BA56 Ribbon-series Ceramic Bathroom Accessories	19	Several Styles of New-type New-material & Lead-free Faucet
7	Ultraviolet-ray & Negative-ion Electric Lifting Clotheshorse	20	Six Styles of a Series of High Speed Rail Bathroom Products
8	CF6500G Adjustable Water Pipe of Optimal Function	21	Trial Production of Mode of Full Carbon Fiber Rim

Item No.	Item of Product	Item No.	Item of Product
9	Eaton Series S140A of Water Tank Cover with Hand Washing Device	22	Production of High Speed Rail Generation II Pantograph
10	Shangri-La Series S4520A of Water Tank Cover with Hand Washing Device	23	SU Brightness Series of Shower Sliding Door
11	Royal Series of Super Toilet	24	SG Noble-type Foggy Series of Shower Sliding Door
12	Exquisite Washlet	25	Development of 29 Series of New-pattern Faucet
13	Several Styles of New-type Washbasin & Shower Faucet		

Research and Development Results in 2020

Item No.	Item of Product	Item No.	Item of Product
1	Top-class Thin Super Toilet	12	Development and Application of Composite Materials
2	Development of High Pressure Forming Toilet	13	Related Products of Series of Assistive Device for the Aged
3	Healthy Toilet	14	Application and Development of Diversified Carbon Fiber
4	Adjustable Toilet of Mid-price and Full-size	15	Development of Porcelain Teeth Dyeing & Transparency Upgrading Technique
5	Development of Several Styles of Small-scaled Porcelain Washbasin	16	Production by Machinery in place of Manual Production and Upgrading the functional assistance of 3D Printer
6	A Set of Whole-type Sensing Faucet & Washbasin	17	Development of Environment-friendly Construction Materials and Sanitary Ware Raw Materials
7	A Set of Separate Faucet and Washbasin	18	Stainless Steel Bathroom Cabinet
8	High Pressure Forming Urinal	19	Development of Bathroom Cabinet Made of Foaming Plate, Accompanied with the Stainless Steel Washbasin
9	Each Style of New-type Lead-free Faucet	20	Column Type One Body Washbasin
10	Electric Clotheshorse Added with Functions	21	Development and Production of Two High Speed Rail Sanitary Products
11	Bathroom Cabinet with New-featured Door Plate	22	Development of Series of Lifting Toilet Seat for the Aged

3. Research and Development Plan in the Future:

Items Scheduled for Development in 2021

Item No.	Item of Product	Item No.	Item of Product
1	Development of Zero-touch AI Antibacterial Faucet	12	Development of Hub-8 Blade Wheel
2	Development of Series of New Thin-shape Faucet	13	Development of Generation IV Clamp
3	Development of Zinc-alloy Shell-type Faucet	14	Development of 8.5t Tablet
4	Development of C60868 Healthy Toilet	15	Development of AFC6068
5	Development of High Pressure Forming Toilet	16	Development of Product Applicable for Drainage in the same Floor
6	Development of High Pressure Forming Urinal	17	Research and Development of Health Detecting Technique
7	Development of Materials of Perfusion-type High Pressure Mould	18	Development of Electric Thermostatic Valve
8	Development of Independent Jaccuzi without Division of Right and Left Rows	19	Application and Development of Smart Public Toilet
9	Development of Medium Soft Board of LAZULI Fins	20	Development of 2-in-1 Sensing Soap-feeding Faucet
10	Development of Shoe Cover and Aqueduct of LAZULI Fins	21	Development of 3-in-1 Wall-mounted Hand Sanitizer
11	Development of Light-weighing of Carbon Fiber Components of Racing Car	22	Development of High Temperature Resistant Rim

(IV) Long-term & Short-term Business Development Plan:

1. Short-term Business Development Plan

(1) Upgrade the well-designed after-sales service for the customers, build the full sense of trust for facilitating the sales of related products.

(2) Actively develop the faucets of composite materials, bulletproof ceramics and environment-friendly ceramics and related products to meet the demands of the industries.

(3) Impress the customers with the idea of “quality first” and “service first” associated with this Company’s products and let them have the deep sense of identification.

(4) That the customer’s satisfaction is our responsibility is the work rule for the whole employees

2. Long-term Business Development Plan

(1) Actively develop market and channels in order to achieve the annual operational goal.

(2) Reduce cost, strengthen logistics management and increase operational profit.

(3) Accelerate the development of new products and raise the market competitiveness.
(4) Enhance the advertisement marketing and upgrade the market share of products.
(5) Reinforce the talent training and actualize the performance management.
(6) Carry out the ISO quality and environment policy.

5.2. Market and Production & Marketing Overview

(I) Market Analysis

1. Overall Analysis

(1) Economic Growth Rate: This year, the COVID-19 virus ravages the world. In order to prevent the pandemic spread, each country adopts such strict control measures as lockdown of city and border as well as restriction of human activities, etc. Consequently, the global economic demands nearly stop and the international oil and raw materials price suffers setback. Although the pandemic prevention in Taiwan is desirable, the economy in the first half of this year in Taiwan also obviously declines under the influence of the substantial recession of the global economy. However, effective this Q3, the economy of the traditional industries in Taiwan recovers month by month, accompanied with the rebound of the overseas demands, resulting from the re-opening of economic activities in each major country. Consequently, in 2020, the forecast economic growth value in Taiwan is up-adjusted from -0.75% in July to 0.54%, changing upwards from negative to positive growth. In addition, the global economic growth rate is -4.51%, which drops by -2.6% in comparison with 2.71% in 2019.

(2) Consumer Confidence Index: The consumer confidence index refers to a comprehensive index, representing the satisfaction degree of the consumers in one area towards the current economic situation and their prediction of the economic trend in the future. It suggests the consumer’s consumption intention and extent. On the basis of the statistical results, Taiwan’s lowest consumer confidence index in 2020 is 64.87 (May 2020), less than 79.48 in 2019.

(3) Prosperity Countermeasure Signal: With benefits from the huge demands in such emerging technology applications as 5G telecommunication, high-performance computing and the continuous introduction of new consumer electronics, on top of the ongoing warm-up of demands in the traditional market, the exportation, production and sales indicators are driven to grow without cease. The indicators for the sales of the manufacturing industry turns from green light to yellow red light with one more score and among nine indicators, only the employment number of the nonagricultural departments still stays at the blue light.

(4) Consumer Price Index: The average consumer price index in 2020 is 102.30, which drops slightly in comparison with 102.55 in 2019, because the fuel appreciates, accompanies with the international oil price, in addition to the appreciation of fruit price. However, part of clothes price at the time of year-end on sale of the department stores as well as the depreciation of the vegetable price just offset some rate of appreciation.

2. Industry Analysis

(1) The impact made by the COVID-19 pandemic upon the real estate industry varies, but interlocks. The construction industry in the upstream is confronted with such issues as the chain disconnection of imported construction materials and the aggravation of manpower shortage, etc. Besides, the recession of the physical retail and tourism industries and the remote work implemented by the companies will result in the reduction of lease and purchase of related real estates and the decrease of rental. Because the house mortgage interest rate is reduced, the housing ability and house mortgage affordability will be hence increased. It is estimated the purchasing force will be stimulated and the transaction volume of the housing market will be also raised.

(2) According to the statistic information on the real estate consumption disputes, published by the Ministry of Interior, in addition to noise, the water leaking problem in the house has been ranking at top one or among the top list for recent years. Therefore, the construction method of drainage on the same floor and the equipment system will become one of the future trends. It can prevent the sanitary space and equipment in the apartment building from leaking and avoid the noise caused by the drainage for the downstairs neighbors. Although the initial construction cost is a little higher, it can reduce the operational cost during the full life cycle of the building.

3. Hocheng Analysis

(1) Selling Place and Proportion of Operational Revenue of Main Products

Unit: %

Area	North Area				Middle Area				Outlying Islands
Rate of Operational Revenue	Taipei	Taoyuan	Hsinchu	Keelung	Taichung	Miaoli	Changhua	Nantou	Kinmen
2020	20.59	12.89	3.82	3.00	12.04	2.24	4.85	2.48	0.93
	40.3				21.61				0.93

Unit: %

Area	Southern Area				Eastern Area			
Rate of Operational Revenue	Kaohsiung	Tainan	Chiayi	Yunlin	Pingtung	Hualien	Ilan	Taitung
2020	13.66	5.46	3.83	4.63	3.86	1.38	3.68	0.67
	27.58				9.59			

(2) Develop and advocate the products for the barrier-free sanitary space and provide the good-quality sanitary assistive devices for the aging society.

(3) This Company is awarded the first manufacturer of the washlet with the “electronic warm water toilet seat”, qualified for the inspection.

(4) Our products such as the compound carbon fiber rim, the AFC smart super toilet and the long-acting electrochemical chloride extraction healthy faucet win the boutique award in Taiwan.

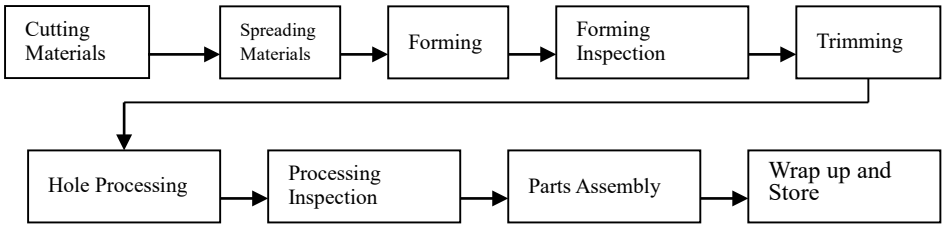
(II) Important Usage and Production Process of Main Products

1. Usage of Main Products

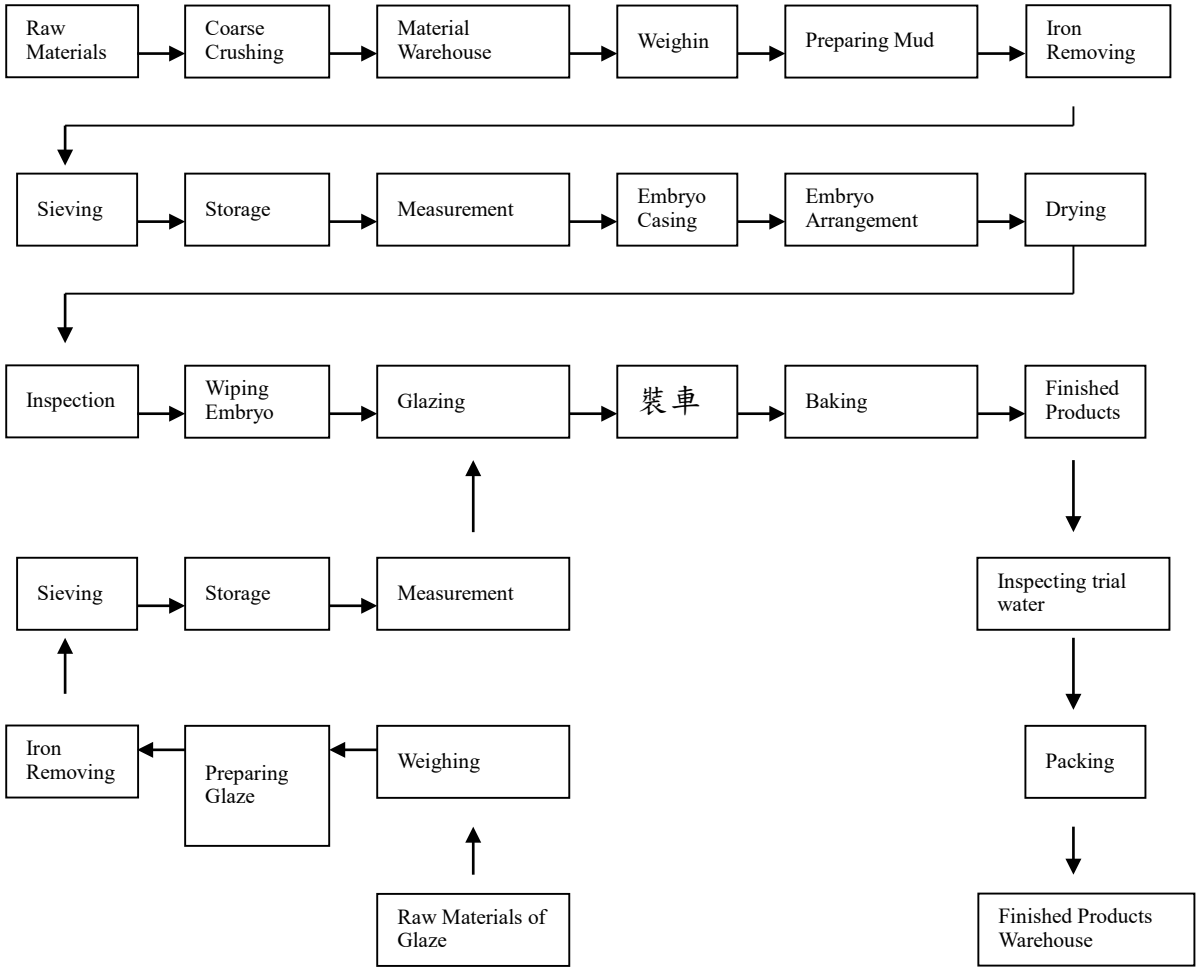
Main Merchandise	Usage
Sanitary Porcelain	For sanitary use
Water Feeding Copper and Ceramic Faucet	For sanitary use
Bathtub and Marble Countertop, Kitchenware	For sanitary use
Shower Sliding Door	For use of construction materials
Bulletproof Ceramics and Composite Materials	For use of high-tech materials
NB Panel and Mouse Pad	For use of high-tech materials

2. The production process of products is as follows:

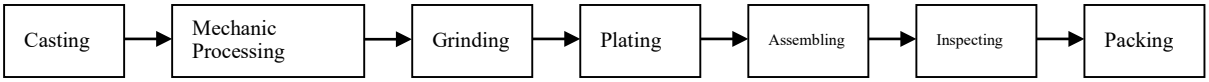
(1) SMC Bathtub



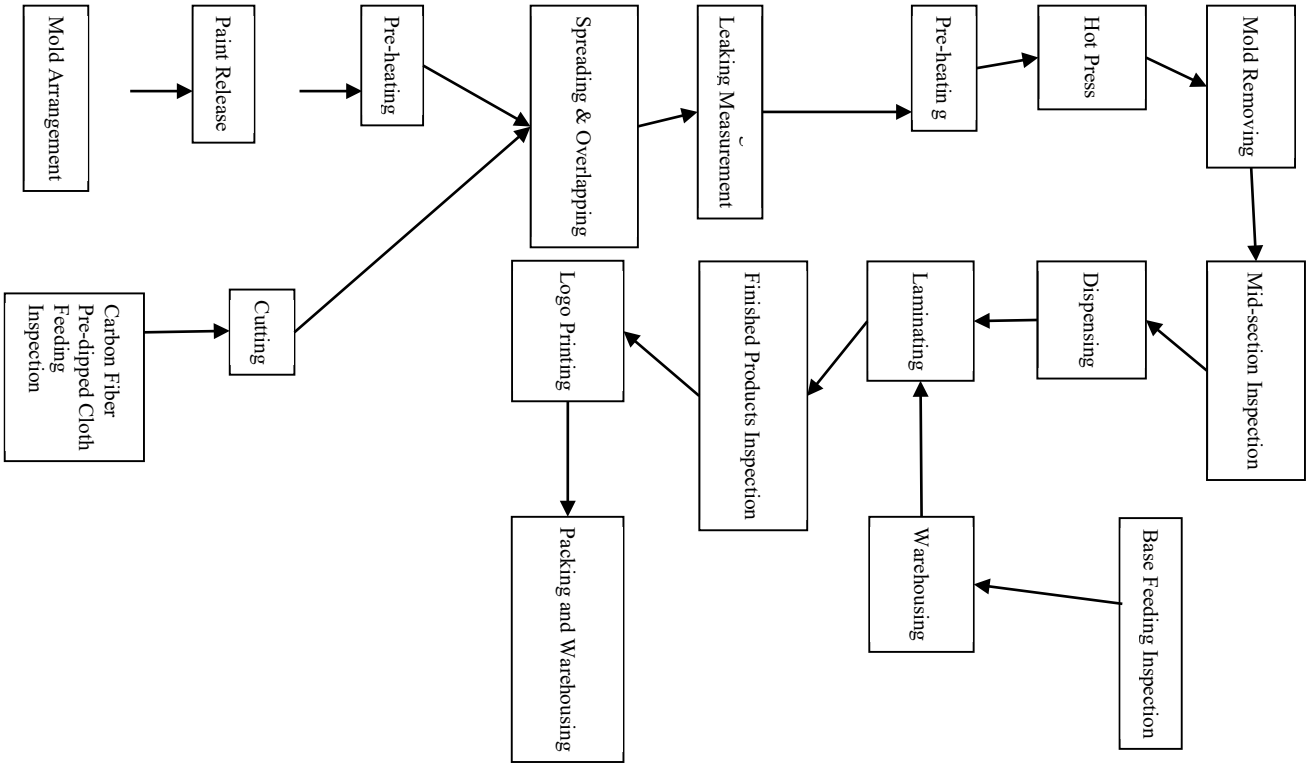
(2) Porcelain



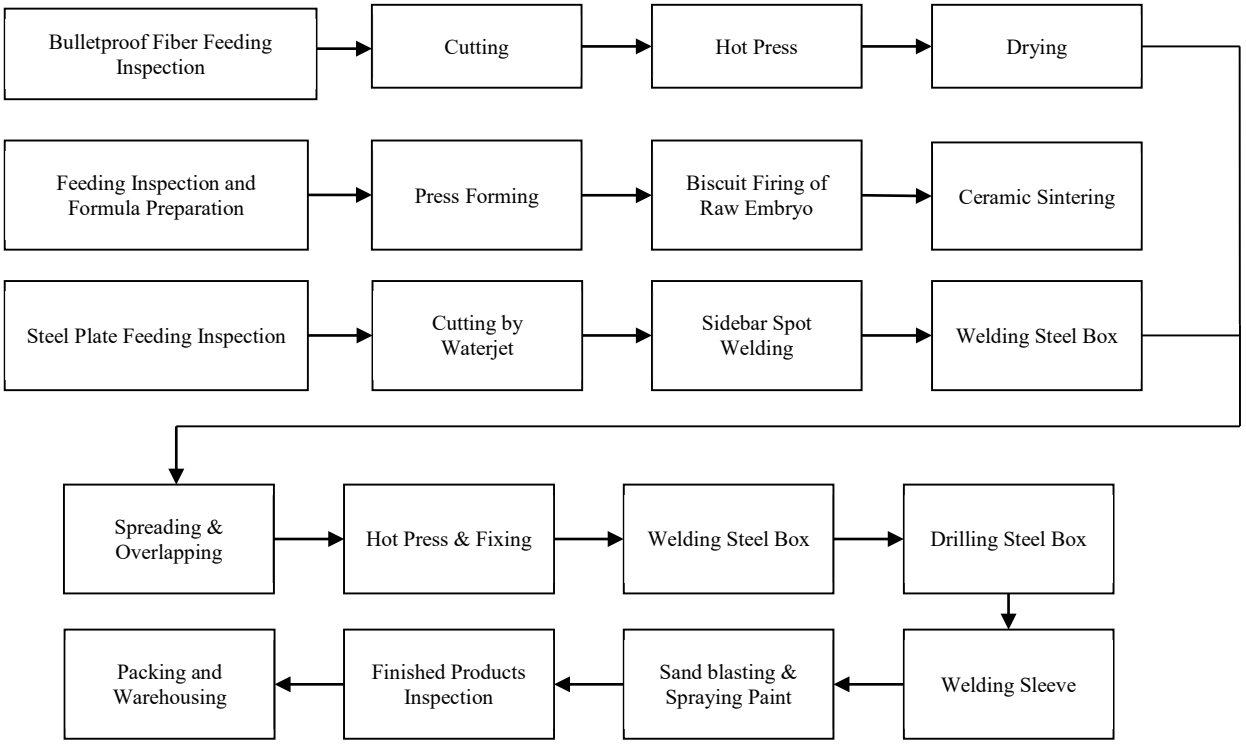
(3) Copper



(4) Composite Materials



(5) Bulletproof Ceramics



(III) Supply Status of Main Materials

(1) The raw materials of SMC are supplied by the domestic suppliers and imported materials manufacturers. Their quality is stable and their sources are sufficient.

(2) Source of materials for the porcelain: Domestic Suppliers and import (except Japan, Korea and Mainland China, there are other foreign substitute products) are paralleled. The quality of the main imported materials is stable; the price is cheap and the sources are sufficient.

(3) Source of materials for the copper: We sign the contract with the foreign copper ingot producer (Korea, Japan, Germany) and the supply of materials is not scarce. A few part of the additive materials required at the time of low-pressure casting are provided by the traders, the ratio of which is not high.

(4) Information of Main Sales Customers and Suppliers for the Most Recent Two Years

INFORMATION OF MAIN SALES CUSTOMERS DURING THE MOST RECENT TWO YEARS

Unit: NT$ Thousands

	2019				2020				2021 up to the Previous Quarter (Note 2)			
Item	Name (Note 1)	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to Issuer
1	A	1,823,663	33%	Distributor	A	1,400,428	27.45%	Distributor	A	367,608	31%	Distributor
2	B	884,202	16%	Distributor	B	929,238	18.21%	Distributor	B	189,732	16%	Distributor
3	C	718,412	13%	Distributor	C	876,559	17.18%	Distributor	C	177,874	15%	Distributor
4	Others	2,099,975	38%		Others	1,895,982	37.16%		Others	450,615	38%	
	Net Sales Amount	5,526,252	100%		Net Sales Amount	5,102,207	100%		Net Sales Amount	1,185,829	100%	

Note 1: Specify the names of customers accounting for over 10% of the sales turnover and their sales amount & percentage during the most recent two years. However if it is agreed in the contract that the name of customers cannot be disclosed or the trading partners are individuals other than the related parties, the code shall be put instead.

Note 2: Up to the date of publication of the annual report, if the latest financial information of the listed company or those companies, the stock of which has been traded in the securities dealer's business department has been certified, audited or reviewed by the CPA, it shall be disclosed.

INFORMATION OF MAIN SUPPLIERS DURING THE MOST RECENT TWO YEARS

Unit: NT$ Thousands

	2019				2020				2021 up to the Previous Quarter (Note 2)			
Item	Name (Note 1)	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to Issuer
1	Wen Hung	279,256	13.66%	Nil	Wen Hung	269,800	14.78%	Nil	Wen Hung	63,325	15.09%	Nil
2	ALLFINE	173,181	8.47%	Nil	Yu Hung	150,565	8.25%	Affiliate	Yu Hung	36,842	8.78%	Affiliate
3	Yu Hung	152,069	7.44%	Affiliate	ALLFINE	141,403	7.75%	Nil	Hostan	25,905	6.17%	Affiliate
4	Others	1,439,420	70.43%	Nil	Others	1,263,678	69.22%	Nil	Others	293,615	69.96%	Affiliate
	Net Purchase Amount	2,403,926	100%		Net Purchase Amount	1,825,446	100%		Net Purchase Amount	419,687	100%	

Note 1: Specify the names of suppliers accounting for over 10% of the purchase turnover and their purchase amount & percentage during the most recent two years. However if it is agreed in the contract that the names of suppliers cannot be disclosed or the trading partners are individuals other than the related parties, the code shall be put instead.

Note 2: Up to the date of publication of the annual report, if the latest financial information of the listed company or those companies, the stock of which has been traded in the securities dealer's business department has been certified, audited or reviewed by the CPA, it shall be disclosed.

(5) Production Volume & Value for the Most Recent Two Years

Unit: Pcs; NT$ Thousands

Production Volume & Value / Year / Main Products (or Dept. Type)	2019			2020		
	Production Capacity	Yield	Output Value	Production Capacity	Yield	Output Value
Porcelain	700,000	51,163	1,018,178	700,000	54,681	1,088,188
Copper	1,700,000	1,480,512	1,190,745	1,700,000	1,502,541	1,208,462
Kitchenware + SMC	240,000	167,000	490,400	240,000	166,000	487,460
Fine Ceramic Composite Materials	Note	Note	Note	Note	Note	Note
Mainland China + Philippines + Other Affiliates	Note	Note	Note	Note	Note	Note
Total	Note	Note	Note	Note	Note	Note

Production Capacity: refers to the volume, which can be produced under the normal operation by making use of the existing production equipment excluding such factors as the stoppage, required after the company's consideration and holidays.

Note: Because Mainland China + Philippines + Other Affiliates and the items of operation for the fine ceramic composite materials are too numerous to be quantified and the prices are different, their volume shall not be included in the statistics.

(6) Sales Volume & Value for the Most Recent Two Years

Unit: Pcs; NT$ Thousands

Sales Volume & Value / Year / Main Products (or Dept. Type)	2019				2020			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Porcelain	827,518	1,707,702	29,297	33,507	828,895	1,134,857	15,432	28,391
Copper	981,652	926,548	28,267	27,501	966,897	854,640	14,574	20,392
SMC	136,984	186,532	0	0	136,258	214,022	0	0
Kitchenware	43,635	253,355	0	0	36,030	233,852	0	0
Find Ceramic Composite Materials	Note	250,818	Note	0	Note	351,609	Note	0
Mainland China + Philippines + Other Affiliates	Note	156,583	Note	1,983,706	Note	759,466	Note	1,504,978
Total	Note	3,481,538	Note	2,044,714	Note	3,548,446	Note	1,553,761

Note: Because Mainland China + Philippines + Other Affiliates and the items of operation for the fine ceramic composite materials are too numerous to be quantified and the prices are different, their volume shall not be included in the statistics.

5.3. Information of Employees during the Most Recent Two Years up to the Date of Publication of the Annual Report

March 31, 2021

Year		2019	2020	March 31, 2021
Employee No.	Key Management Staff	295	287	287
	Staff	381	382	383
	Operator	477	450	455
	Total	1,153	1,119	1,125
Average Age		41.43	41.77	41.68
Average Years of Service		12.62	13.10	13
Distribution Rate of Education	Ph. D.	0.26	0.27	0.27
	Master	2.25	2.32	2.31
	University & College	36.17	37.44	37.15
	Senior High School	26.02	25.56	24.98
	Below Senior High School	35.03	34.41	35.29

5.4. Information of Expenses for Environmental Protection

(1) Loss which the company suffers from polluting the environment during the most recent two years: None.

(2) 1. In consideration of the generally-upgraded environmental awareness and the sustainable operation idea, this Company has deemed pollution prevention and environmental protection work as a responsibility of corporate management, so we strictly ask our workers to do well environmental protection during the construction process of each engineering.

2. We carry out the extension of the emission permit for each polluted facility and various declarations pursuant to the statutory regulations.

3. In order to meet the statutory requirements, we are devoted to the maintenance and improvement of each treatment facility, equipment and waste classification in respect of environmental protection.

4. We supervise and audit the melioration of site operation environment, maintain the employees' health and raise work efficiency, for instance, simplifying the manufacturing process of embryo wiping, etc.

5. We reduce the waste water discharge and recycle the waste water and soil and correspond to the manufacturing process of site operation.

(3) Material Capital Expenditure in Environmental Protection for the Future Three Years:

Unit: NT$ Thousands

	2021	2022	2023
Pollution Prevention Equipment Intended for Purchase or Contents of Expenditure	Efficient Diversion Disposal of Waste Water	Waste Substance Recycling	Maintenance and Improvement of Dust Collection Equipment
Estimated Improvement Status	Meeting the requirement of the Environmental Protection Act	Meeting the requirement of the Environmental Protection Act	Meeting the requirement of the Environmental Protection Act
Estimated Amount	5,100	5,600	6,000
Effect on Net Profit after Improvement	The preceding expenditure makes no remarkable effect on the company's net profit.	The preceding expenditure makes no remarkable effect on the company's net profit.	The preceding expenditure makes no remarkable effect on the company's net profit.
Effect on Competition Status	1. Increase the waste water disposal efficiency. 2. Reduce the repair and maintenance expenses for the waste water disposal equipment. 3. Meet the requirements of the environmental protection act. 4. Promote the corporate image. 5. Increase the corporate competitiveness.	1. Meet the requirements of the environmental protection act. 2. Reduce the formation of waste substance. 3. Promote the corporate image. 4. Reduce the production cost and increase the corporate competitiveness.	1. Meet the requirements of the environmental protection act. 2. Improve the operation environment. 3. Maintain the employees' health. 4. Raise work efficiency. 5. Promote the corporate image. 6. Increase the corporate competitiveness.

Management Rules Concerning the Environmental Policy, Goal and Object Management Projects

Objective: Establish and maintain the documented environment safety goal and the object collective management projects for the purpose of actualizing the environment safety policy in the organization.

Scope: It applies to establishment, amendment, retention, examination and related matters.

Energy Saving Measures:

1. Energy Saving & Carbon Reduction and Reduction of Greenhouse Gas
   - Conduct on an irregular basis the policy proclamation for the internal employees and strengthen their energy saving awareness.
   - In order to avoid the excessive waste of energy, install the real time power monitoring system and equipment point check list in respect of the energy use.
   - Replace originally-used T8 lamp tube by LED lamp, reduce the quantity of light tube and advocate the "switching off when leaving" in the area of site production plants.
   - Set the air conditioning temperature at 26°~28° and label the energy slogan in order to achieve the energy saving and carbon reduction purpose.
   - In order to upgrade the power factor, fully re-install the low-voltage capacitor to substantially reduce the power factor.
   - Replace the previously-used reciprocating air compressor by the spiral air compressor in order to reduce the energy consumption and carbon emission.
   - Induct the residual heat created during production into the embryo baking place in order to reduce the energy use and carbon emission.
   - Carry out the regular inspection of the air pollution equipment to avoid excessive energy consumption.
2. Water Saving Policy
   - Replace on an overall basis the water saving facilities in the plant, for example, the water saving toilet, the automatic sensing flusher, the water saving bubble head.
   - Recycle the waste water, make use of the dosing disposal through the filtering system and then recycle it for the site use so as to attain to the water saving purpose.
   - Replace the water pipe in the plant and conduct the regular inspection, reduce the loss of water during the conveying process and avoid the waste of water resources.
   - Utilize the recycled water in the plant in the living water, such as washing the toilet, etc.
3. Waste Substance Reduction
   - Recycle the organic dirt, get rid of the dosing treatment, but make use of the natural precipitation to achieve the dirt recycling purpose in order not only to reduce the volume of waste substance but decrease the dosing volume.
   - Exactly classify the garbage in the plant, reduce the volume of trash to be cleaned and delivered to the incinerator in order to attain to the waste reduction effect.
   - Promote the employees' knowledge of environmental protection and effective performance of waste reduction.

5.5. Labor Relations

(I) Existing Important Labor Agreements and Implementation

1. Employees' Welfare Measures:

(1) In respect of insurance:

In addition to the labor insurance and health insurance that this Company handles in accordance with the regulations, we also ensure the group insurance for the employees (life insurance, accident insurance, hospitalization medical insurance, critical disease insurance and critical burn injury insurance).

(2) In respect of health and safety:

A. The employee enjoys one public health examination per five years of work; those employees who are over 40 but under 65 can enjoy one public health examination once three years; the special operators can enjoy one public health check once a year. This Company values the employees' health check results, so with the employee's consent, we would actively assist the employees with abnormal check results or special conditions in their follow-up treatment or observation in order to ensure their health.

B. Position the medical personnel to help the employees upgrade their knowledge of heath management; for the subjects with the abnormal health check results, we would provide the related improvement, consultation, arrangement and reminder of re-check. WE would estimate their cardiovascular disease risks, based on the WHO cardiovascular

disease risk estimation chart associated with the abnormal health check report and conduct the further tracking and management.

C. Set up the qualified first aiders to deal with the first aid matters. In accordance with the statistics of the Ministry of Health and Welfare on the top ten causes of death for nationals, the heart disease ranks in top three causes of death. A great deal of death caused by the heart disease takes place in the form of sudden heartbeat stop, while the electric shock is exactly a way to enable the heart to restore the normal heartbeat. The literature points out that if the electric shock can be given within one minute to the persons of cases whose heartbeat stops due to the sudden cardiac arrhythmia and the first-aid success rate at this moment can reach as high as 90%; the success rate will decrease by 7~10% as per one minute delay. AED (Automated External Defibrillator) is a kind of instrument, which can automatically detect the patient's heart rhythm and pulse and administer the electric shock to enable the heart to restore the normal operation. Therefore, this Company installs the AED in the office building and teaches the employees on a comprehensive basis how to use it when a rescue rises up, and reduces the rate of death for out-of-hospital cardiac arrest.

D. This Company sets up a self-defense fire team in order to strengthen the employees' fire and disaster prevention awareness and prevent the occurrence of disasters, and we conduct the regular drill.

(3) In respect of travel: When the employees serve for full 18 years, the Company will subsidize* the domestic and overseas trips for them.

(4) In respect of activities: We sponsor the dodge ball and baseball style box games and activities for the purpose of reinforcing the employees' strength of unity, promoting their emotional exchange and activating the atmosphere in the organization.

(5) In respect of leave-taking: This Company offers the official holidays and annual special leaves; we provide the statistics for the colleagues to arrange a variety of activities in anticipation of attaining to the balance between work and living.

(6) Birthday, wedding and funeral: Each month, each unit of this Company will host the birthday celebration activities on an irregular basis, give the birthday coupon, and give gift money or consolation money to the employees for wedding, funeral, hospitalization and critical disasters.

(7) Severance Pay System.

(8) Year-end Bonus.

(9) Compensation for Employees.

(10) Set up the nursing room and the friendly parking space.

2. Educational Training and Further Study

(1) This Company conducted a total of 8 internal trainings in 2020 with total 36 class hours, in which 220 person participated; the external training hours amounted to 684.5 hours, in which 42 person times participated; the total training expenses was NT$276,953.

(2) The employees can apply for subsidy for their external training and domestic & overseas further study in accordance with the Company's educational training rules.

3. Retirement System

(1) This Company handles the retirement system pursuant to the Labor Standards Act and we allocate the labor retirement reserve into the account of the Supervisory Committee of Labor Retirement Reserve. We have enforced the labor pension regulations (new system) since July 1, 2005 to the effect as follows:

A. Those employees who take the office after (including) July 1, 2005 shall wholly adopt the "Labor Pension Act".

B. Those employees who take the office before (excluding) July 1, 2005 shall choose the pension system, as prescribed in the "Labor Pension Act" or the "Labor Standards Act" within 5 years effective July 1, 2005, depending on the actual individual needs. If the employees fail to make the choice at the expiry date, they shall continue to adopt the application of the pension regulations in the "Labor

Standards Act" effective the enforcement date.

C. In the event that the labor involves one of the following circumstances, he/she shall apply for retirement by him/herself:
   (A) Have worked for over 15 years and be over 55 years of age.
   (B) Have worked for over 25 years.
   (C) Have worked for over 10 years and be over 60 years of age.

D. Pension Payment Standards:
   For the old system, the pension payment will be handled in accordance with the "Labor Standards Act" in such a manner that two bases will be given for one full year of service as per the labor's years of service. In respect of the years of service for over 15 years, one base shall be given for one full year of service at the maximum 45 bases. The part of below half a year shall be counted as half a year.
   For the new system, the pension payment will be handled in accordance with the "Labor Pension Act" by allocating per month no less than 6% labor pension of the monthly salary into the individual pension account, established by the Labor Insurance Bureau of the Ministry of Labor. The labor can apply for pension (accumulated principal and return in the individual account). For those employees whose years of service for the allocation of pension are over 15 years, they shall apply for the monthly pension, while for those employees whose years of service for the allocation of pension are below 15 years, they shall apply for the pension in lump sum. For those employees who continue to work with the pension allocated after they receive the pension, they shall apply for the payment of the re-allocated pension in lump sum once a year. In addition, if the labor dies before applying for the pension payment, their pension can be received by their surviving family members or the appointed person in their will. Those employees who are below 60 years of age and lose the working ability shall apply for the pension payment in advance.

(2) Effective November 1986, this Company allocates the pension in proportion into the labor retirement reserve account in the Bank of Taiwan; as of the end of 2020, the balance of the pension fund is NT$684,717,000.

4. Work Ethics / Code of Conduct
   (1) This Company establishes the reward and punishment rules for the employees. We consider the motivation, means, purpose, extent of influence, usual behavior and the attitude after the event of the parties concerned to deal with the matters with discretion, depending on the Personnel Review Committee's decision.
   (2) The reward and punishment can be classified as reward: major merit, minor merit & commendation and punishment: dismissal, major demerit, minor demerit and warning.
5. Protection Measures for Work Environment and Employees' Personal Safety
   This Company conducts the outsourcing detection of the operation environment twice a year in order to maintain the employees' physical health.
6. Labor Agreement
   (1) This Company conducts the labor meetings in accordance with the labor meeting implementation rules in order to coordinate the labor relations and promote cooperation between the capital and labor.
   (2) When a labor dispute arises, the capital and labor should go on with coordination and reconciliation.

(II) During the most recent year up to the date of publication of the annual report, the loss the Company suffers from the labor disputes and disclose the estimated amount and countermeasures, which may occur for the present and in the future:

1. During the most recent year up to the date of publication of the annual report, the loss the Company suffers from the labor disputes: No material labor dispute arises.

2. Estimated amount and countermeasures, which may occur for the present and in the future: This Company usually values the employees' welfare, offers the excellent work environment and emphasizes the two-way communication with the employees and creates a harmonious relationship between the capital and labor, so the possibility for the occurrence of the loss from the labor dispute is quite slight in the future.

5.6. Important Contracts

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
Trademark Authorized Use Contract	Hostan Corporation	From January 1, 2017 to December 31, 2021	The trademark of "HCG", which this Company obtains the registration with the National Bureau of Standards with reference to No. 174736 of No. 76 Merchandise was used via authorization by our reinvested company, Hostan Corporation. For use of this trademark, Hostan Corporation shall pay this Company the royalty at NT$30 per selling unit. This royalty shall be paid on the 15th day of January, April, July and October of each year. Whenever Hostan Corporation pays the royalty, they should provide this Company with one written report, describing the sales conditions of the "product authorized to be manufactured" during the said period.`	1. Hocheng shall assign at any time in writing a representative to supervise and inspect the "product authorized to be manufactured", produced by Hostan Corporation and its way of production. 2. Any packing or advertisement shall be produced with Hocheng's agreement and improved subject to Hocheng's requirements till its agreement.
This Company authorizes the copper hardware category in	Yu Da (China) Co., Ltd.	From April 7, 2017 to April 6, 2027	The authorized place is Mainland China (except Taiwan, Hong Kong and Macau) (hereinafter referred to as Authorized Place).	(a) The term of operation for the authorized person's company expires and the shareholders of the authorized person do

Mainland China to Yu Da (China) Co., Ltd.			Unless otherwise agreed in writing by the authorizer, the authorized person or the third party who is permitted to use the authorized trademark by the authorizer shall not directly or indirectly export, sell and distribute or transport the authorized merchandise to the territory or country other than the Authorized Place. Except the above-mentioned areas, the authorized person cannot still be restricted by the territory to sell the product to other companies subordinated with Hocheng Holding Corp.	not agree to apply for extending the operation term or the assessing authority does not approve the application for extending the operation term. (b) The authorized person incurs material loss and is incapable of repaying his/her mature debt. (c) Either party of this contract is announced bankrupt, or enters into the proceeding of bankruptcy, dissolution or liquidation or is incapable of repaying the mature debt. (d) Either party involves a material breaching behavior and fails to make correction with the written notice. (e) Either party is entitled to propose the termination of the contract; if with the written agreement of the other contracting party, he/she can terminate the contract. (f) When the authorizer violates the agreement in this Contract, both parties agree to manage it pursuant to the essence as set forth in Article 12.2 of this Contract. When the conditions of termination as specified in (b), (c) & (d), the exercise of the compensation claim for breach of contract by the other party shall not be interrupted.

				12.2 Continuance of Contract If the authorized person does not involve any material contract-breaching behavior, the authorizer and the authorized person should automatically renewed the contract for ten years after the term of authorization in this Contract expires, so is the later date. If the authorizer does not renew the contract, he/she has to purchase the business and channels that the authorized person has established. Both parties agree that a mutually-accepted evaluation institution of the subcontractor can conduct the value appraisal. If both parties' disagreement with the appraised value is so huge that no agreement can be reached, it should be referred to arbitration. During this period, both parties shall continue to fulfill the contract till it is executed subject to arbitration results.

5.7. Litigation or non-litigation events: None.

VI. FINANCIAL OVERVIEW

6.1 Information of Condensed Balance Sheet and Consolidated Income Statement for the Most Recent Five Years; CPAs' names and their audit opinions should be specified.

(1) Information of Condensed Balance Sheet and Income Statement

Consolidated Condensed Balance Sheet – Adopting the International Financial Reporting Standards

Unit: NT$ Thousands

Item \ Year		Financial Information for the Most Recent Five Years (Note 1)					Financial Information in the Current Year up to March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		5,555,013	5,332,983	4,945,882	4,682,802	4,818,266	4,530,731
Property, Plant and Equipment (Note 2)		4,287,457	4,212,597	4,265,038	4,301,102	3,846,594	3,679,169
Intangible assets		46,740	56,830	53,074	51,855	45,075	43,483
Other assets (Note 2)		1,655,303	1,605,057	1,522,255	1,877,759	2,028,726	2,335,642
Total assets		11,544,513	11,207,467	10,786,249	10,913,518	10,738,661	10,589,025
Current liabilities	Before distribution	4,848,094	3,649,082	3,712,070	3,712,624	3,632,989	3,375,124
	After distribution	4,848,094	3,680,609	3,786,041	3,712,624	Note 6	Note 6
Non-current liabilities		982,882	1,721,794	1,532,127	1,415,384	1,154,090	1,128,267
Total liabilities	Before distribution	5,830,976	5,370,876	5,244,197	5,207,008	4,787,079	4,503,391
	After distribution	5,830,976	5,402,403	5,318,168	5,207,008	Note 6	Note 6
Equity attributable to shareholders of the parent		5,611,503	5,745,141	5,462,045	5,636,873	5,888,286	6,024,773
Capital stock		3,698,536	3,698,536	3,698,536	3,698,536	3,698,536	3,698,536
Capital surplus		13,079	13,079	13,079	13,079	13,293	13,480
Retained earnings	Before distribution	1,538,680	1,693,484	1,645,991	1,627,397	1,759,275	1,749,404
	After distribution	1,538,680	1,661,957	1,572,020	1,627,397	Note 6	Note 6
Other equity interest		377,790	356,624	121,021	314,443	433,764	579,935
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(16,582)	(16,582)
Non-controlling interest		102,034	91,450	80,007	69,637	63,296	60,861
Total equity	Before distribution	5,713,737	5,836,591	5,542,052	5,706,510	5,951,582	6,085,634
	After distribution	5,713,737	5,805,064	5,468,081	5,706,510	Note 6	Note 6

Note 1: The financial information for each of the preceding years has been certified by the CPAs and that as of March 31, 2021 has been reviewed by the CPAs.

Note 2: If the asset revaluation had ever been conducted in the current year, the date of conduction and the reevaluated and appreciated value should be specified.

Note 3: Up to the date of publication of the annual report, if the listed companies or those companies, the stock of which has been traded in the securities dealer's business department, have the latest CPA audited, certified or reviewed financial information, it should be disclosed as well.

Note 4: For the above-said figure after distribution, please fill up according to the resolution of the shareholders meeting in the next year.

Note 5: If the competent authority notifies the companies to correct or re-prepare the financial information on its own, the preparation should be made in the corrected or reorganized figures with the notes taken on its conditions and reason.

Note 6: The earnings distribution case in 2020 has not been resolved by the shareholders meeting.

Consolidated Condensed Income Statement – Adopting the International Financial Reporting Standards

Unit: Except for the earnings per share in NT$ 1, others in NT$ thousands

Year / Item	Financial Information for the Most Recent Five Years (Note 1)					Financial Information in the Current Year up to March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	5,921,066	5,709,369	5,466,174	5,526,252	5,102,207	1,185,829
Gross profit	1,496,402	1,538,543	1,303,457	1,388,507	1,254,786	287,948
Income & loss from operations	(57,919)	146,094	2,011	78,837	185	(6,040)
Non-operating revenue & expenses	413,707	100,621	(3,768)	10,861	129,033	(3,040)
Income before tax	355,788	246,715	(1,757)	(89,698)	129,218	(9,080)
Income from continuing operation for this term	355,788	246,715	(1,757	89,698	129,218	(9,080)
Loss on discontinuing operation						
Income (loss) for this term	291,283	159,885	(77,232)	35,942)	79,404	(14,861)
Other comprehensive income & loss for this term (net amount after tax)	(143,959)	(36,420)	(115,726)	202,569	165,542	149,908
Total amount of comprehensive income & loss for this term	147,324	123,465	(192,958)	238,511	244,946	135,047
Income attributable to shareholders of the parent	296,619	167,992	(65,536)	47,916	86,793	(12,278)
Income attributable to non-controlling interest	(5,336)	(8,107)	(11,696)	(11,974)	(7,389)	(2,583)
Total amount of comprehensive income & loss attributable to shareholders of the parent	153,927	133,638	(181,661)	248,799	251,199	137,482
Total amount of comprehensive income & loss attributable to non-controlling interest	(6,603)	(10,173)	(11,297)	(10,288)	(6,253)	(2,435)
Earnings per share	0.81	0.46	(0.18)	0.13	0.24	(0.03)

Note 1: The financial information for each of the preceding years has been all audited and certified by the CPAs.

Note 2: The financial information as of March 31, 2021 has been reviewed by the CPAs.

Note 3: For the above-said figure after distribution, please fill up according to the resolution of the shareholders meeting in the next year.

Note 4: If the competent authority notifies the companies to correct or re-prepare the financial information on its own, the preparation should be made in the corrected or reorganized figures with the notes taken on its conditions and reason.

Parent Company Only Condensed Balance Sheet – Adopting the International Financial Reporting Standards

Unit: NT$ Thousands

Item \ Year		Financial Information for the Most Recent Five Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		2,654,488	2,673,857	2,652,071	2,552,170	2,471,400
Property, Plant and Equipment		1,140,249	1,147,143	1,224,857	1,233,299	1,216,013
Intangible assets		38,000	40,077	36,864	32,618	27,951
Other assets		5,335,881	5,272,406	4,845,559	5,267,283	5,150,089
Total assets		9,168,618	9,133,483	8,759,351	9,085,370	8,865,453
Current liabilities	Before distribution	3,304,351	2.342,349	2,395,750	2,280,028	2,069,914
	After distribution	3,304,351	2,373,876	2,469,721	2,280,028	Note 2
Non-current liabilities		252,764	1,045,993	901,556	1,168,469	907,253
Total liabilities	Before distribution	3,557,115	3,388,342	3,297,306	3,448,497	2,977,167
	After distribution	3,557,115	3,419,869	3,371,277	3,448,497	Note 2
Equity attributable to shareholders of the parent		5,611,503	5,745,141	5,462,045	5,636,873	5,888,286
Capital stock		3,698,536	3,698,536	3,698,536	3,698,536	3,698,536
Capital surplus		13,079	13,079	13,079	13,079	13,293
Retained earnings	Before distribution	1,538,680	1,693,484	1,645,991	1,627,397	1,759,275
	After distribution	1,358,680	1,661,957	1,572,020	1,627,397	Note 2
Other equity interest		377,790	356,624	121,021	314,443	433,764
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(16,582)
Non-controlling interest						
Total equity	Before distribution	5,611,503	5,745,141	5,462,045	5,636,873	5,888,286
	After distribution	5,611,503	5,713,614	5,388,074	5,636,873	Note 2

Note 1: The financial information for each of the preceding years has been all audited and certified by the CPAs.
Note 2: The earnings distribution case in 2020 has not been resolved by the shareholders meeting.
Note 3: If the asset revaluation had ever been conducted in the current year, the date of conduction and the reevaluated and appreciated value should be specified.
Note 4: For the above-said figure after distribution, please fill up according to the resolution of the shareholders meeting in the next year.
Note 5: If the competent authority notifies the companies to correct or re-prepare the financial information on its own, the preparation should be made in the corrected or reorganized figures with the notes taken on its conditions and reason.

Parent Company Only Condensed Income Statement – Adopting the International Financial Reporting Standards

Unit: NT$ thousands

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	3,686,061	3,505,091	3,440,254	3,444,399	3,548,446
Gross profit	875,154	928,425	864,543	895,722	1,003,942
Income & loss from operations	10,043	134,948	121,667	125,316	246,394
Non-operating revenue & expenses	308,729	84,312	(132,649)	(57,331)	(126,615)
Income before tax	318,772	219,260	(10,982)	67,985	119,779
Income from continuing operation for this term	318,772	219,260	(10,982)	67,985	119,779
Loss on discontinuing operation					
Income (loss) for this term	296,619	167,992	(65,536)	47,916	86,793
Other comprehensive income & loss for this term (net amount after tax)	(142,692)	(34,354)	(116,125)	200,883	164,406
Total amount of comprehensive income & loss for this term	153,927	133,638	(181,661)	248,799	251,199
Income attributable to shareholders of the parent	296,619	167,992	(65,536)	47,916	86,793
Income attributable to non-controlling interest	0	0	0	0	0
Total amount of comprehensive income & loss attributable to shareholders of the parent	153,927	133,638	(181,661)	248,799	251,199
Total amount of comprehensive income & loss attributable to non-controlling interest	0	0	0	0	0
Earnings per share	0.81	0.46	(0.18)	0.13	0.24

Note 1: The financial information for the preceding years has been audited and certified by the CPAs.

Note 2: This Company has adopted the IFRSs since 2013, so there will be no ROC GAAP information effective 2013; for the financial information for the years from 2016 to 2020, please refer to the information as shown in the above list.

(2) NAMES OF CPAs AND THEIR AUDIT OPINIONS FOR THE MOST RECENT FIVE YEARS

Year	CPAs	Audit Opinions
2016	Hsu, Shu-Min & Lin, Wan-Wan	Unqualified Opinion
2017	Hsu, Shu-Min & Chiang, Chung-Yi	Unqualified Opinion
2018	Chiang, Chung-Yi & Yang, Liu-Feng	Unqualified Opinion
2019	Chiang, Chung-Yi & Chiang, Hsiao-Ling	Unqualified Opinion
2020	Chiang, Chung-Yi & Chiang, Hsiao-Ling	Unqualified Opinion

6.2. Financial analysis after adopted international accounting standards

Consolidated financial analysis-adopted international accounting standards

Year (note 1) / Items of analysis (note 3)		Financial analysis of the last five years					Financial information of the current year as of March 31, 2021 (note 2)
		2016	2017	2018	2019	2020	
Financial structure	Debt to asset ratio (%)	50.51	47.92	48.62	47.71	44.58	42.53
	Long term capital to property, plant and equipment ratio (%)	142.58	166.36	154.53	152.95	173.11	184.26
Liquidity	Current ratio (%)	114.58	146.15	133.24	123.50	132.63	134.24
	Quick ratio (%)	75.27	92.86	77.74	67.81	86.93	85.95
	Interest coverage ratio (%)	5.63	4.25	0.98	2.12	2.76	0.4
Operating capacity	Receivables turnover (times)	3.05	3.06	3.28	3.75	3.88	3.68
	Average cash recovery day	119.67	119.28	111.28	97.33	94.07	99
	Inventory turnover (times)	2.32	2.21	2.13	2.05	2.12	2.30
	Payable turnover rate (times)	5.50	5.60	5.68	5.67	6.05	6.36
	Days sales outstanding	157.33	165.16	171.36	178.04	172.16	159
	Property, plant and equipment turnover rate (times)	1.38	1.36	1.28	1.28	1.33	1.29
	Total asset turnover (times)	0.51	0.51	0.51	0.51	0.48	0.45
Profitability	Return on assets (%)	3.11	1.96	(0.15)	0.92	1.28	(0.03)
	Return on equity (%)	5.13	2.77	(1.36)	0.64	1.36	(0.25)
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	9.62	6.67	(0.05)	2.43	3.49	(0.25)
	Net profit ratio (%)	4.92	2.80	(1.41)	0.65	1.56	(1.25)
	Earnings per share (dollar)	0.81	0.46	(0.18)	0.13	0.24	(0.03)
Cash flow	Cash flow ratio (%)	(6.51)	10.81	5.38	8.67	17.82	1.89
	Cash flow adequacy ratio (%)	79.81	140.94	116.93	115.02	168.61	218.92
	Cash reinvestment ratio (%)	(2.65)	3.09	1.61	2.64	5.25	0.50
Leverage	Operating leverage	(28.71)	12.21	793.89	21.22	10,160.76	(59.14)
	Financial leverage	0.43	2.08	(0.03)	(79.63)	0.00	0.28

Please explain change reasons of various financial ratios of the last two years. (If the variation of increase or decrease did not reach 20%, analysis cannot be made.)

1. Quick ratio: as the inventory net significantly decreased, compared with the last year, and current assets slightly increased, it caused the quick ratio to increase.
2. Interest coverage ratio: as lands of subsidiaries were levied, and profit on exchange created by fluctuation in exchange increased, compared with the last year, it led non-operating income and expenses to significantly increase, and caused profit before tax to substantially increase, so the interest coverage ratio rose, compared with the same period of last year.
3. Return on assets: operating net profit of year 2020 decreased, and compared with year 2019, however, as lands of subsidiaries were levied, and fluctuation in exchange influenced, it caused non-operating income to significantly increase, so the return on assets substantially rose, compared with the same period of last year.
4. Return on equity: operating net profit of year 2020 decreased, and compared with year 2019, however, as lands of subsidiaries were levied, and fluctuation in exchange influenced, it caused non-operating income to significantly increase, so the return on equity substantially rose, compared with the same period of last year.
5. Ratio of pre-tax net profit to paid-up capital: operating net profit of year 2020 decreased, and compared with year 2019, however, as lands of subsidiaries were levied, and fluctuation in exchange influenced, it caused non-operating income to significantly increase, so the ratio of pre-tax net profit to paid-up capital rose, compared with the same period of last year.
6. Net profit ratio: due to influence of COVID-19, it caused the operating revenue to decrease, compared with the same period of last year, but as lands of subsidiaries were levied, and fluctuation in exchange influenced, it led non-operating income to significantly increase, so the net profit ratio substantially rose, compared with the same period of last year.
7. Earnings per share: operating net profit of year 2020 decreased, and compared with year 2019, however, as lands of subsidiaries were levied, and fluctuation in exchange influenced, it caused non-operating income to significantly increase, so the earnings per share rose, compared with the same period of last year.
8. Cash flow ratio: net cash flow from operating activities increased, and compared with last year, the cash flow ratio of year 2020 increased.
9. Cash flow adequacy ratio: as net cash flow from operating activities of the last five years increased, it caused the cash flow adequacy ratio of year 2020 to rise, and compared with last year.
10. Cash reinvestment ratio: as the net cash flow from operating activities increased, compared with last year, and under the circumstance of other factors without significant discrepancy, it caused the cash reinvestment ratio of year 2020 to rise.
11. Operating leverage: due to influence of COVID-19, it caused operating revenue and operating costs to relatively decrease, however, expenses continuously incurred, it led the operating net profit to significantly decrease, and compared with the same period of last year, the operating leverage substantially rose, and compared with the same period of last year.
12. Financial leverage: as net cash flow significantly decreased, and the interest expense slightly reduced, compared with year 2019, it caused the financial leverage to increase, and compared with the same period of last year.

Note 1: Financial information of each year mentioned above was audited and certificated by CPAs.

Note 2: As of the date of publication of the annual report, when listed companies or the companies with stocks traded on the Taipei Exchange have financial information of the most recent year audited, certificated or reviewed by CPAs, the information shall be consolidated to analyze.

Note 3: In the end of the annual report table, the calculation formula shall be listed as follows:

1. Financial structure
   (1) Debt to asset ratio = total amount of debt / total assets.
   (2) Long term capital to property, plant and equipment ratio = (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) Interest coverage ratio = net profit before income tax and interest expense / interest expense.
3. Operating capacity
   (1) Receivable (including trade receivables and notes receivables arising from operating activities) turnover rate = net sales / each period average receivables (including trade receivables and notes receivables arising from operating activities) balance.
   (2) Average cash recovery day = 365 / receivable turnover rate.
   (3) Inventory turnover rate = cost of sales / average inventory.
   (4) Payable (including accounts payable and notes payable arising from operating activities) turnover rate = cost of sales / each period average payables (including accounts payable and notes payable arising from operating activities) balance.
   (5) Days sales outstanding = 365 / inventory turnover rate.
   (6) Property, plant and equipment turnover rate = net sales / net property, plant and equipment.
   (7) Total asset turnover rate = net sales / average total assets.
4. Profitability
   (1) Return on assets = (post-tax profit or loss + interest expense x (1 — rate)) / average total assets.
   (2) Return on equity = post-tax profit or loss / average total equity.
   (3) Net profit rate = post-tax profit or loss / net sales.
   (4) Earnings per share = (interests attributable to parent company owner — Preferred Shares dividends) / weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow rate = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities of the last five years / (capital expenditure + increase in inventory + cash dividends) of the last 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). (Note 5)
6. Leverage:
   (1) Operating leverage = (operating revenues — variable operating costs and expenses) / operating income. (Note 6)
   (2) Financial leverage = operating income / (operating income — interest expense).

Note 4: The calculation formula of earnings per share mentioned above, the following matters shall be particularly noticed when the Company measured:

1. Use weighted average number of ordinary shares as standards, instead of basing on the number of issued shares in the end of the year.

2. When a company has capital increase or treasury stock trading, shall consider to calculate weighted average number of shares within the circulation period.
3. When a company has surplus to increase capitalization or capital surplus to increase capitalization, and as earnings per share of the past year and half of the year were calculated, the company shall retrospectively adjust by the ratio of increase capitalization, and it's not necessary to consider the issued period of increase capitalization.
4. If preferred shares are unconvertible accumulated preferred shares, the dividends of the current year (whether distribute or not) shall be deducted from net profit after tax, or added net loss after tax. If preferred shares are non-accumulative, under the circumstance of existing net profit after tax, preferred shares dividends shall be deducted from net profit after tax; if the balance is a loss, it shall not be adjusted.

Note 5: When cash flow analysis was measured, the following mattering shall be particularly noticed:

1. Net cash flow from operating activities means the number of net cash inflow from operating activities in the statements of cash flows.
2. Capital expenditure means the number of cash outflow of capital investment each year.
3. Inventory increase number was only counted, when the ending balance is more than the beginning balance, if year-end inventory decreased, it shall be calculated by zero.
4. Cash dividends include cash dividends of common shares and preferred shares.
5. Gross property, plant and equipment means the deduction of total amount of property, plant and equipment before accumulated depreciation.

Note 6: An issuer shall divide various operating costs and operating expenses into fixing and variation, if evaluation and subjective judgment are involved, rationality shall be noticed, and consistency shall be retained.

Note 7: When the Company's share has no denomination or the denomination per share is not NT$ 10, for the calculation of related paid-in capital ratio mentioned above, interest rate attributable to parent company owner in the balance sheet shall be used to calculate.

Individual financial analysis-adopted international accounting standards

Items of analysis (note 2) \ Year (note 1)		Financial analysis of the last five years				
		2016	2017	2018	2019	2020
Financial structure	Debt to asset ratio (%)	38.80	37.10	37.64	37.96	33.58
	Long term capital to property, plant and equipment ratio (%)	498.21	575.79	507.98	521.37	534.57
Liquidity	Current ratio (%)	80.33	114.15	110.70	111.94	119.4
	Quick ratio (%)	50.55	68.10	62.03	57.84	68.01
	Interest coverage ratio (%)	9.47	6.87	0.70	2.60	4.39
Operating capacity	Receivables turnover (times)	2.73	2.63	2.84	3.16	3.72
	Average cash recovery day	133.70	138.78	128.52	115.51	98.12
	Inventory turnover (times)	2.79	2.58	2.36	2.19	2.31
	Payable turnover rate (times)	4.94	5.96	5.84	6.02	7.37
	Days sales outstanding	130.82	141.47	154.66	166.67	158.01
	Property, plant and equipment turnover rate (times)	3.23	3.06	2.81	2.79	2.92
	Total asset turnover (times)	0.40	0.38	0.39	0.38	0.40
Profitability	Return on assets (%)	3.62	2.17	(0.40)	0.92	1.28
	Return on equity (%)	5.32	2.96	(1.17)	0.86	1.51
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	8.62	5.93	(0.30)	1.84	3.24
	Net profit ratio (%)	8.05	4.79	(1.90)	1.39	2.45
	Earnings per share (dollar)	0.81	0.46	(0.18)	0.13	0.24
Cash flow	Cash flow ratio (%)	(6.57)	7.06	7.68	12.84	30.73
	Cash flow adequacy ratio (%)	59.21	77.73	56.10	74.46	124.97
	Cash reinvestment ratio (%)	(2.76)	1.88	2.18	3.41	7.33
Leverage	Operating leverage	79.47	6.68	7.32	8.73	4.98
	Financial leverage	(0.36)	1.38	1.43	1.51	1.17

Please explain change reasons of various financial ratios of the last two years. (If the variation of increase or decrease did not reach 20%, analysis cannot be made.)

1. Interest coverage ratio: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit before tax substantially to rise, so the interest coverage ratio increased, compared with last year.
2. Payable turnover rate: as average payables significantly decreased in 2020, compared with year 2019, and cost of sales has no significant difference, it caused the payable turnover rate (times) to increase, compared with last year.
3. Return on assets: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit after tax substantially to rise, so the return on assets increased, compared with the same period of last year.
4. Return on equity: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit after tax substantially to rise, so the return on equity increased, compared with the same period of last year.
5. Ratio of Pre-tax net profit to paid-up capital: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit before tax substantially to rise, so the ratio of Pre-tax net profit to paid-up capital increased, compared with the same period of last year.
6. Net profit ratio: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit after tax substantially to rise, so the net profit ratio increased, compared with the same period of last year.
7. Earnings per share: as the Company's high gross margin products significantly increased in 2020, compared with year 2019, and fluctuation in exchange influenced, it caused net profit after tax substantially to rise, so the earnings per share increased, compared with the same period of last year.
8. Cash flow ratio: as net cash flow from operating activities significantly increased, and compared with last year, the cash flow ratio of year 2020 increased.
9. Cash flow adequacy ratio: as net cash flow from operating activities significantly increased, compared with last year, and cash dividends of the last five years decreased, compared with the same period of past year, and it caused the cash adequacy ratio of year 2020 to rise.
10. Cash reinvestment ratio: as net cash flow from operating activities increased, compared with last year, and under the circumstance of other factors without significant discrepancy, it caused the cash reinvestment ratio of year 2020 to increase.
11. Operating leverage: as the Company's high gross margin products significantly increased in 2020, and compared with year 2019, it caused operating income to relatively rise, so the operating leverage decreased, compared with the same period of last year.
12. Financial leverage: as the Company's high gross margin products significantly increased in 2020, and compared with year 2019, it caused operating income to relatively rise after interest expense was deducted, so the financial leverage decreased, compared with the same period of last year.

The Company has adopted International Financial Reporting Standards (IFRSs) from 2013, and there's no information on ROC GAAP providing from 2013.

6.3. The audit committee review report of the most recent annual financial report

The Audit Committee reviews the 2020 final accounts report

HOCHENG Corporation
Audit Committee Review Report

The board of directors prepared the 2020 business report, financial statements, and earnings distribution proposals, among which the financial statements (individual and consolidated financial statements) have been checked by KPMG accounting firm and an audit report will be issued. The above-mentioned business report, financial statement and earnings distribution proposal have been checked by the Audit Committee and found that there are no discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, the report has been prepared for verification.

The company's 2021 shareholders meeting

Convener of the Audit Committee: Wang, Cheng-Wei

2021/5/13

6.4. Consolidated financial statements for the latest year audited by CPAs

Representation Letter

The entities that are required to be included in the combined financial statements of Hocheng Corporation as of and for the year ended December 31, 2020 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "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, Hocheng Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Hocheng Corporation
Chairman: CHIU LI CHIEN
Date: March 23, 2021

Consolidated financial report and independent' auditor's report of the year.

Independent Auditors' Report

To the Board of Directors of Hocheng Corporation:

Opinion

We have audited the consolidated financial statements of Hocheng Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hocheng Corporation and its subsidiaries as of December 31, 2020 and 2019, 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 Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, 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 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. Account receivable valuation

   Refer to note 4(g) for accounting policy of trade receivable valuation, note 5(a) for accounting assumption, judgments and estimation uncertainty of trade receivables and note 6(d) for the disclosure of the valuation of trade receivables to the consolidated financial statements.

Description of key audit matter:

The Group's sales and accounts receivable mainly concentrated in Taiwan, China, and Philippines. The valuation of allowance for doubtful account involves a subjective judgment of the management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included assessing whether the impairment of accounts receivable is under established accounting policies of Hocheng Corporation and its significant subsidiaries; obtaining an aging analysis form and analyzing the aging of accounts receivable overdue and the accuracy of the sample review of the aging analysis forms; performing a test of details of past due receivables is significant; understanding the rationale for any identified substantial overdue and assessing the adequacy of the Company's recognition; evaluating whether the disclosure of receivable aging and changes of allowance for accounts receivable is appropriated for the management of the Group.

2. Valuation of inventories

Refer to note 4(h) and note 5 (b)for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in note 6(f) of the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Hocheng Corporation and its major subsidiaries are mainly sold to consumers through distributors and big-box stores. The Group faces competition from its competitors with homogeneous products and low-price strategies. The risk of inventory costing might exceed its net realizable value because of obsolete products or inconsistent with consumers' preferences.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included understanding of the accounting policies that the Group recognized the impairment of inventories; inspecting whether the inventory valuation is recognized according to Group's inventory policies, including sampling procedures and testing and calculating the relevant documents; evaluating the adequacy of the Company's disclosures of provision to write down slow-moving or obsolete inventories.

Other Matter

In the Group's consolidated financial statements, we did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. The financial statements of those certain subsidiaries reflect total assets constituting 13% and 19% of consolidated total assets at December 31, 2020 and 2019, and total operating revenues constituting 4% and 13% of consolidated total operating revenues for the years then ended.

Hocheng Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 determine that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 Hsiao-Ling Chiang and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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)

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,054,849	10	802,627	7
1110	Current financial assets at fair value through profit or loss (note 6(b))	251,969	2	277,393	3
1151	Notes receivable (notes 6(d) and 7)	360,489	3	332,475	3
1170	Accounts receivable, net (notes 6(d) and 7)	902,817	8	1,035,310	10
1200	Other receivables, net (note 6(e))	10,549	-	32,013	-
1210	Other receivables-related parties (notes 6(e) and 7)	5,217	-	6,526	-
1220	Current income tax assets	12,564	-	12,642	-
130X	Inventories, net (note 6(f))	1,584,093	15	2,048,022	19
1460	Non-current assets held for sale, net (Note 6(g))	494,673	5	-	-
1470	Other current assets	141,046	1	135,794	1
		4,818,266	44	4,682,802	43
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,142,720	11	985,347	9
1550	Investments accounted for using equity method (note 6(h))	51,901	-	51,128	-
1600	Property, plant and equipment (notes 6(i) and 8)	3,846,594	36	4,301,102	40
1755	Right-of-use assets (note 6(j) and 8)	138,313	1	159,811	1
1760	Investment property (note 6(k))	493,160	5	498,884	5
1780	Intangible assets	45,075	-	51,855	-
1840	Deferred tax assets (note 6(s))	70,148	1	73,278	1
1920	Refundable deposits (note 8)	99,809	1	72,095	1
1990	Other non-current assets-others (note 8)	32,675	1	37,216	-
		5,920,395	56	6,230,716	57
	Total assets	**$ 10,738,661**	**100**	**10,913,518**	**100**

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(l) and 8)	$ 1,538,108	14	1,675,458	15
2110	Short-term notes and bills payable (notes 6(m))	115,000	1	295,000	3
2150	Notes payable	87,461	1	203,959	2
2160	Notes payable to related parties (note 7)	41,059	-	42,412	-
2171	Accounts payable	429,493	5	434,725	4
2180	Accounts payable to related parties (note 7)	15,036	-	18,301	-
2200	Other payables	539,377	5	437,962	5
2230	Current income tax liabilities	29,226	-	13,460	-
2250	Current provisions (note 6(p))	21,605	-	30,244	-
2260	Liabilities related to non-current assets classified as held for sale (note 6(g))	494,751	5	-	-
2280	Current lease liabilities (note 6(o))	29,987	-	28,579	-
2300	Other current liabilities	110,831	1	120,041	1
2320	Long-term liabilities, current portion (notes 6(n) and 8)	181,055	2	491,483	5
		3,632,989	34	3,791,624	35
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(n) and 8)	707,334	7	871,955	8
2570	Deferred tax liabilities (note 6(s))	291,690	3	345,004	3
2580	Non-current lease liabilities (note 6(o))	81,356	1	101,490	1
2640	Net defined benefit liability, non-current (note 6(r))	50,895	-	73,771	1
2645	Guarantee deposits	18,347	-	18,697	-
2600	Other non-current liabilities	4,468	-	4,467	-
		1,154,090	11	1,415,384	13
	Total liabilities	4,787,079	45	5,207,008	48
	Equity attributable to owners of the Company (note 6(t)):				
3100	Share capital	3,698,536	34	3,698,536	34
3200	Capital surplus	13,293	-	13,079	-
3300	Retained earnings	1,759,275	16	1,627,397	15
3400	Other equity interest	433,764	4	314,443	3
3500	Treasury shares	(16,582)	-	(16,582)	-
	Total equity attributable to owners of parent	5,888,286	54	5,636,873	52
36XX	**Non-controlling interests**	63,296	1	69,637	-
	Total equity	5,951,582	55	5,706,510	52
	Total liabilities and equity	**$ 10,738,661**	**100**	**10,913,518**	**100**

See accompanying notes to consolidated financial statements.

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

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenues (note 6(v))**	$ 5,102,207	100	5,526,252	100
5000	**Operating costs (note 6(f))**	3,847,421	75	4,137,745	75
5950	**Gross profit from operations**	1,254,786	25	1,388,507	25
	Operating expenses:				
6100	Selling expenses	715,884	14	788,895	14
6200	Administrative expenses	405,247	8	354,470	6
6300	Research and development expenses	136,010	3	149,114	3
6450	Expected credit impairment (gain) loss	(2,540)	-	17,191	-
6300	**Total operating expenses**	1,254,601	25	1,309,670	23
6900	**Operating profit**	185	-	78,837	2
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	4,606	-	9,744	-
7010	Other income (note 6(x))	125,223	3	96,480	2
7020	Other gains and losses (note 6(x))	71,865	1	(16,063)	-
7050	Finance costs (note 6(x))	(73,314)	(1)	(79,827)	(2)
7370	Share of profit of associates and joint ventures accounted for using equity method (note 6(h))	653	-	527	-
	Total non-operating income and expenses	129,033	3	10,861	-
	Profit before income tax	129,218	3	89,698	2
7950	**Less: Income tax expenses**	49,814	1	53,756	1
	Profit	79,404	2	35,942	1
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit	(5,982)	-	6,887	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	188,855	3	211,778	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,022)	-	(522)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	184,895	3	219,187	3
8360	**Components of other comprehensive income (loss)that will not be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(22,051)	-	(18,480)	-
8370	Share of other comprehensive income of associates and joint ventures under the equity method	2,698	-	1,862	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(19,353)	-	(16,618)	-
8300	**Other comprehensive income (after tax)**	165,542	3	202,569	3
8500	**Total comprehensive income for the period**	**$ 244,946**	**5**	**238,511**	**4**
	Profit (loss) attributable to:				
8610	Owners of parent	$ 86,793	2	47,916	1
8620	Non-controlling interests	(7,389)	-	(11,974)	-
		$ 79,404	**2**	**35,942**	**1**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 251,199	5	248,799	4
8720	Non-controlling interests	(6,253)	-	(10,288)	-
		$ 244,946	**5**	238,511	4
	Earnings per share (note 6(u))				
9750	**Basic earnings per share (NT dollars)**	**$ 0.24**		**0.13**	
9850	**Diluted earnings per share(NT dollars)**	**$ 0.24**		**0.13**	

See accompanying notes to consolidated financial statements.

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

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share capital		Retained earnings			Other Equity Items					
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total Equity Attributable to Owners of Parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 3,698,536	13,079	843,052	458,116	344,823	46,359	74,662	(16,582)	5,462,045	80,007	5,542,052
Profit for the year ended December 31, 2019	-	-	-	-	47,916	-	-	-	47,916	(11,974)	35,942
Other comprehensive income, net of tax	-	-	-	-	6,401	(16,857)	211,339	-	200,883	1,686	202,569
Total comprehensive income for the period	-	-	-	-	54,317	(16,857)	211,339	-	248,799	(10,288)	238,511
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)	(82)	(74,053)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	1,060	-	(1,060)	-	-	-	-
Balance at December 31, 2019	3,698,536	13,079	843,052	458,116	326,229	29,502	284,941	(16,582)	5,636,873	69,637	5,706,510
Profit for the year ended December 31, 2020	-	-	-	-	86,793	-	-	-	86,793	(7,389)	79,404
Other comprehensive income, net of tax	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406	1,136	165,542
Comprehensive income for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199	(6,253)	244,946
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	4,792	-	(4,792)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	-	-	-	(88)	(88)
Other changes in capital surplus	-	214	-	-	-	-	-	-	214	-	214
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	49,998	-	(49,998)	-	-	-	-
Balance at December 31, 2020	**$ 3,698,536**	**13,293**	**847,844**	**458,116**	**453,315**	**10,164**	**423,600**	**(16,582)**	**5,888,286**	**63,296**	**5,951,582**

See accompanying notes to consolidated financial statements.

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

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	$ 129,218	89,698
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	245,698	252,041
Amortization expense	8,694	8,187
Expected credit (gain) loss	(2,540)	17,191
Net profit on financial assets or liabilities at fair value through profit or loss	(12,089)	(8,874)
Interest expense	73,314	79,827
Interest income	(36,721)	(23,819)
Dividend income	(52,165)	(40,768)
Share of profit (loss) of associates and joint ventures under the equity method	(653)	(527)
Gains on disposal of property, plant and equipment	(73,957)	(2,526)
Loss (gain) from disposal of right-of-use assets	(67)	(52)
Reversal of allowance for sales discounts	(8,639)	(7,851)
Total adjustments to reconcile profit (loss)	140,875	272,829
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(28,014)	185,848
Trade receivable, net	132,493	11,164
Other receivable	22,773	(1,443)
Inventories	309,621	(50,433)
Other current assets	(5,173)	5,915
Total changes in operating assets	431,700	151,051
Changes in operating liabilities:		
Notes payable	(117,851)	(40,264)
Accounts payable	(8,497)	(20,477)
Other payable	101,415	(8,024)
Other current liabilities	1,408	3,156
Decrease in net defined benefit liability	(16,894)	(36,435)
Total changes in operating liabilities	(40,419)	(102,044)
Total changes in operating assets and liabilities	391,281	49,007
Total adjustments	532,156	321,836
Cash inflows generated from operations	661,374	411,534
Interest received	36,721	23,819
Dividends received	52,165	40,768
Interest paid	(73,314)	(79,827)
Income taxes paid	(29,480)	(67,582)
Net cash flows from operating activities	647,466	328,712

See accompanying notes to consolidated financial statements.

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

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows(continued)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(94,533)	(95,731)
Proceeds from disposal of financial assets at fair value through other comprehensive income	148,484	71,157
Acquisition of financial assets at fair value through profit or loss	(187,384)	(205,038)
Proceeds from disposal of financial assets at fair value through profit or loss	194,556	283,232
Acquisition of property, plant and equipment	(98,459)	(261,799)
Proceeds from disposal of property, plant and equipment	83,941	4,175
Increase in refundable deposits	(27,714)	(11,710)
Acquisition of intangible assets	(1,755)	(7,314)
Decrease in other non-current assets	6,261	3,466
Net cash flows used in investing activities	23,397	(219,562)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	51,373	(345,179)
Increase (decrease) in short-term notes and bills payable	(180,000)	130,000
Increase in long-term borrowings	8,809	314,445
Repayments of long-term borrowings	(215,593)	(130,287)
Decrease increase in guarantee deposits	(350)	496
Payments of lease liabilities	(30,506)	(36,651)
Cash dividends paid	(88)	(74,053)
Net cash flows used in financing activities	(366,355)	(141,229)
Effect of exchange rate changes on cash and cash equivalents	(52,286)	(13,973)
Net increase (decrease) in cash and cash equivalents	252,222	(46,052)
Cash and cash equivalents at beginning of period	802,627	848,679
Cash and cash equivalents at end of period	**$ 1,054,849**	**802,627**

See accompanying notes to consolidated financial statements.

(1) Company history

Hocheng Corporation (the "Company") was incorporated in 1961 under the approval of Ministry of Economic Affair, Republic of China ("ROC"). The address of its registered office is 1F, No.398, Xingshan Rd., Neihu Dist., Taipei City 114, Taiwan. The consolidated financial statements of the Company as of December 31, 2020 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The Group's main business activities are residential equipment such as bathtubs, toilets, kitchen equipment, manufacture, sale and purchase of copper pipe equipment and construction of national housing.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2021.

(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. ("FSC")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, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(Continued)

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"	The amendments clarify that the 'costs of fulfilling a contract' comprises the costs that relate directly to the contract as follows: ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

● Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

● IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"

● Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"

● Annual Improvements to IFRS Standards 2018-2020

● Amendments to IFRS 3 "Reference to the Conceptual Framework"

● Amendments to IAS 1 "Disclosure of Accounting Policies"

● Amendments to IAS 8 "Definition of Accounting Estimates"

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as below. Except for the explanation of Note 3, 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

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (assets) are recognized as the fair value of the plan assets less the present value of the defined obligation, which is limited as explained in Note 4(q).

(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 Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(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.

(Continued)

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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 interests 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 included in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

Name of investor	Subsidiary	Principal activity	Shareholding		Description
			December 31, 2020	December 31, 2019	
The Company	Hostan Corporation	Engaged in manufacture and sale of various products such as water heaters, gas stoves, oil excretes, and computer toilets as well as construction of residential building by commission, lease and sale of commercial buildings	100.00%	100.00%	
〃	Ritiboon International Limited	Investment business	100.00%	100.00%	
〃	Hohong Co., Ltd.	Invested in production, securities, construction, tourism and trading	99.50%	99.50%	
〃	Hoceng Service Co., Ltd.	Operated a wide range of installations, maintenance, and import and export of bathroom, kitchen appliances and other parts	70.00%	70.00%	
〃	Holong Ceramic Co., Ltd.	Engaged in manufacture, sale and purchase of ceramics, pottery, and ceramic tiles as well as the construction of national housing	67.92%	67.92%	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Land lease	40.00%	40.00%	Due to the Company have control over the financial and business operation of the company, it has been treated as a subsidiary of the Company.
〃	Hocheng Group holding Corp.	Investment business	100.00%	100.00%	

(Continued)

Name of investor	Subsidiary	Principal activity	Shareholding December 31, 2020	Shareholding December 31, 2019	Description
Hocheng Group holding Corp.	Hocheng (China) Corporation	Engaged in the production and sale of sanitary appliances for supply pipe	100.00%	100.00%	
〃	UPEX	Trading business	100.00%	100.00%	
〃	Hoceng Philippines Corporation	Engaged in the production and sale of sanitary appliances for supply pipe	100.00%	100.00%	
Hohong Co., Ltd.	Swatton International Corp.	General investment	100.00%	100.00%	
Hocheng (China) Corporation	Hocheng Shanghai Corporation	Sale of bathroom equipment	100.00%	100.00%	

(iii) Subsidiaries excluded from the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2020	Shareholding December 31, 2019	Notes
Subsidiaries excluded from the consolidated financial statements:	Lazuli International Co., Ltd.	Engaged in installation and import of furniture, cooking utensils	100.00%	100.00%	Established in March 2006. The Group has control over the company, which has a capital of $1,000 thousand as of December 31, 2020, and 2019, representing 0.03% of the Group's capital. Since the products are similar to the Company, in order to avoid overlapping of the market, it was suspended from business in March 2008 and dissolved by resolution of the Board on June 12, 2012. The liquidation process is still in progress. However, the amount is not material; it did not consolidate into the consolidated financial statements.
Hocheng Group holding Corp.	Triple S Holdings Corporation	Investment business	40.00%	40.00%	Established in 2004, Hocheng Group holding Corp. held 40% of shares, and the right to allocate a surplus to the company was 88%. Hocheng Group holding Corp. has substantial control over the company's surplus distribution rights. However, the amount is not material; it did not consolidate into the consolidated financial statements.

(Continued)

(d) Foreign currency

(i) Foreign currency transaction

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 (“the reporting date”), 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 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.

3) qualifying cash flow hedges to the extent the hedge 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, joint control, or significant influence 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 any 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 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.

(Continued)

(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.

(i) It is expected to be settled in its 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 date; or

(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 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 is 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. Time deposits with maturities within a year or less 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.

(Continued)

(g) Financial assets

Trade receivables 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 an accounts 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 and FVTPL. 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
- 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 initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument by instrument basis.

(Continued)

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designates a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) 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, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract 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 365 days past due.

(Continued)

Lifetime ECL are the ECL 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-month 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 ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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. ECL 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 and debt securities at FVOCI 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. An 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 365 days 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 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. 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 amount due.

(Continued)

5) 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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is 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 or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

5) 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.

(Continued)

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.

6) 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 offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the 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 represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(i) Non-current assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or join 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 identified on acquisition, net of 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 the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

(Continued)

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 exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associates.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) 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 the future economic benefits associated with the expenditure will flow to the Group.

(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.

(Continued)

Land is not depreciated.

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

1)	Land Improvements:	5~15 years
2)	Buildings:	5~50 years
3)	Machinery and equipment:	2~20 years
4)	Transportation equipment:	3~8 years
5)	Office equipment:	3~15 years
6)	Other equipment:	2~35 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(m) Leases

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

(Continued)

- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) 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.

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.

(Continued)

The lease liability is subsequently 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 of lease period 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 the difference in profit or loss for 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 balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of computer equipment and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group 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 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, 2021; 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.

(Continued)

(iii) 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 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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-ease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(n) 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 the 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 that are acquired by the Group and have the 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 expenditures, 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, from the date that they are available for use.

(Continued)

The estimated useful lives of current and comparative years are as follows:

Computer software cost	2~15 years

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

(o) Impairment of non-derivative 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 from other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to cash-generating units ("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.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(Continued)

(q) Revenue recognition

(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

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. For domestic shipments, transfer occurs upon loading the goods delivered to the customer's premises.

2) Services

The Group offers the merchandise installation services to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3) Lease income

The rental income arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The revenues generated from the sub-lease of the property are recognized as non-operating income and expenses under lease income.

4) 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.

(Continued)

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Group's net obligation in respect of the 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.

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.

(iii) Short-term employee benefits

Short-term employee benefit obligations 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.

(Continued)

(s) Income tax

Income taxes comprise both 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 shall be 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 reflects uncertainty related to income taxes, if any. 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 for financial reporting purposes 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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(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 asset is 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

(Continued)

(t) Earnings per share

The Group disclose the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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 dilutive potential ordinary shares, such as employee compensation.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur 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 judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements causes no significant effects.

Information about assumptions or estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of trade 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(d).

(Continued)

(b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid technological changes, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and petty cash	$ 6,898	5,093
Checking account deposits	2,924	4,355
Demand deposits	904,162	536,432
Time deposits	140,865	256,747
Cash and cash equivalents in the consolidated statement of cash flows	**$ 1,054,849**	**802,627**

Please refer to note 6(y) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets at fair value through profit or loss

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificates–open end fund	$ 249,969	260,529
Publicly listed or OTC stocks	2,000	-
Financial products	-	16,864
Total	**$ 251,969**	**277,393**

As of December 31, 2020 and 2019, the financial assets at fair value through profit or loss of the Group had not been pledged as collateral.

(Continued)

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Listed common shares	$ 1,063,190	914,312
Unlisted common shares	79,530	71,035
Total	**$ 1,142,720**	**985,347**

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

During the years ended December 31, 2020 and 2019, the dividends of $52,165 thousand and $40,768 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the year ended, were recognized.

Due to changes of investment strategy in 2020 and 2019, the Group has sold its financial assets at fair value through other comprehensive income. The financial assets had sold a fair value of $111,092 thousand and $68,273 thousand and the Group realized a gain of $49,998 thousand and $1,060 thousand, respectively, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(ii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(y).

(iii) As of December 31, 2020 and 2019, the financial assets had not pledged as collateral.

(d) Notes and accounts receivables

	December 31, 2020	December 31, 2019
Notes receivable	$ 360,489	332,475
Accounts receivable	963,092	1,100,322
Less: Loss allowance	(60,275)	(65,012)
	$ 1,263,306	**1,367,785**

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, notes and accounts receivables 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.

(Continued)

The loss allowance provisions in Taiwan and other countries were determined as follows:

	December 31, 2020		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 1,052,625	0%~0.1%	1,061
1 to 30 days past due	30,188	0%~1%	394
31 to 120 days past due	18,665	0%~4%	727
121 to 365 days past due	8,831	0%~30%	2,663
More than one year past due	28,823	100%	28,823
	$ 1,139,132		**33,668**

	December 31, 2019		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 1,112,452	0%~0.05%	572
1 to 30 days past due	49,574	0%~4%	1,864
31 to 120 days past due	41,061	0%~5%	2,205
121 to 365 days past due	23,834	0%~11%	2,524
More than one year past due	25,941	100%	25,941
	$ 1,252,862		**33,106**

The loss allowance provisions in China were determined as follows:

	December 31, 2020		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 121,149	0%~2%	2,422
1 to 90 days past due	23,802	0%~11%	2,714
91 to 180 days past due	16,701	0%~19%	3,166
181 to 365 days past due	6,497	0%~31%	2,004
More than one year past due	16,301	100%	16,301
	$ 184,450		**26,607**

(Continued)

	December 31, 2019		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 135,367	0%~1%	1,635
1 to 90 days past due	13,246	0%~18%	2,328
91 to 180 days past due	9,091	0%~63%	5,712
181 to 365 days past due	7,217	100%	7,217
More than one year past due	15,014	100%	15,014
	$ 179,935		**31,906**

The movements in the allowance for notes and accounts receivables were as follows:

	For the years ended December 31	
	2020	2019
Balance at January 1	$ 65,012	55,597
Impairment losses recognized	4,999	13,098
Amounts written off	(7,854)	(2,101)
Impairment losses reversed	(2,355)	(590)
Foreign exchange gains (losses)	473	(992)
Balance at December 31	**$ 60,275**	**65,012**

(e) Other receivables

	December 31, 2020	December 31, 2019
Other	$ 45,518	68,400
Less: Loss allowance	(29,752)	(29,861)
	$ 15,766	**38,539**

(f) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 211,372	265,787
Supplies	25,084	23,699
Work in progress	165,108	231,989
Finished goods	845,888	1,099,055
Merchandise	322,187	410,967
In-transit inventory	14,454	16,525
	$ 1,584,093	**2,048,022**

(Continued)

For the years ended December 31, 2020 and 2019, the cost of goods sold and expenses amounted to $3,847,421 thousand and $4,137,745 thousand, respectively. The write-down of inventories to net realizable value amounted to $14,478 thousand and $4,288 thousand, for the years ended December 31, 2020 and 2019, respectively. The write-downs and reversals are included in cost of sales.

As of December 31, 2020 and 2019, none of the Group's inventories was pledged as collateral.

(g) Non-current assets held for sale

The Board approved Holong Ceramic Co., Ltd. in June 2016 to dispose of the company's plant or the plan of seeking a partner. The subsidiary entered a letter of intent with the non-related parties in December 2020 to sell its real estate in Hukou Township, Hsinchu County. The total contract price amounted to $2,364,892 thousand and collected $20,000 thousand of deposits in advance.

Holong Ceramic Co., Ltd. has commenced disposal-related matters and is expected to complete the settlement by 2021. Accordingly, the Group has transferred the inventory, property, plant and equipment, and equipment of the production department to non-current assets held for sale. The total amount was $494,673 thousand. The long-term and short-term borrowings, advance collected deposits, and deferred income tax liabilities (provision for land value increment tax) of real estate and plant are considered the same disposal group. The total amount transferred to the liabilities was $494,751 thousand. The relevant information is as follows:

	December 31, 2020
Non-current assets held for sale, net	
Inventories	$ 154,308
Property, plant and equipment	340,365
	$ 494,673
Liabilities directly associated with non-current assets held for sale	
Short-term borrowings	$ 150,000
Advanced received (Guarantee)	20,000
Long-term borrowings	270,000
Deferred income tax liabilities (provision for land value increment tax)	54,751
	$ 494,751

In addition, no impairment loss is incurred after measuring at the lower of carrying amount and fair value less costs to sell.

(Continued)

(h) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2020	December 31, 2019
Carrying amount of individually insignificant associates' equity	$ 51,901	51,128

	For the years ended December 31	
	2020	2019
Attributable to the Group:		
Profit from continuing operation	$ 653	527
Other comprehensive income	2,800	1,920
Comprehensive income	$ 3,453	2,447

The Group did not provide any investments accounted for using the equity method as collateral for its loans.

(i) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Facilities	Other equipment	Construction in progress and testing equipments	Total
Costs:									
Balance at January 1, 2020	$ 2,686,760	60,214	2,485,940	3,146,721	124,030	466,368	861,194	132,251	9,963,478
Additions	9,132	-	8,686	40,106	9,601	10,313	20,579	42	98,459
Disposal	-	-	(14,371)	(53,427)	(4,609)	(6,813)	(7,717)	-	(86,937)
Reclassified to non-current assets held for sale	(267,635)	(476)	(228,684)	(74,825)	-	(2,015)	(8,845)	-	(582,480)
Effects of reclassification and changes in foreign exchange rates	(3,672)	93	165,561	12,991	(785)	(15,896)	460	(132,293)	26,459
Balance at December 31, 2020	$ 2,424,585	59,831	2,417,132	3,071,566	128,237	451,957	865,671	-	9,418,979
Balance at January 1, 2019	$ 2,642,664	59,705	2,499,321	3,154,314	123,228	454,748	817,219	34,752	9,785,951
Additions	44,922	-	8,682	29,080	3,853	20,791	38,989	115,467	261,784
Disposal	-	-	-	(20,533)	(2,771)	(3,863)	(10,034)	-	(37,201)
Effects of reclassification and changes in foreign exchange rates	(826)	509	(22,063)	(16,140)	(280)	(5,308)	15,020	(17,968)	(47,056)
Balance at December 31, 2019	$ 2,686,760	60,214	2,485,940	3,146,721	124,030	466,368	861,194	132,251	9,963,478
Depreciation:									
Balance at January 1, 2020	$ -	38,420	1,674,097	2,799,450	93,360	378,365	678,684	-	5,662,376
Additions	-	1,729	65,714	65,100	10,070	22,324	42,198	-	207,135
Disposal	-	-	(9,617)	(52,112)	(4,090)	(6,151)	(4,983)	-	(76,953)
Reclassified to non-current assets held for sale	-	(451)	(169,985)	(62,156)	-	(1,949)	(7,574)	-	(242,115)
Effects of reclassification and changes in foreign exchange rates	-	49	24,305	15,564	(699)	(17,603)	326	-	21,942
Balance at December 31, 2020	$ -	39,747	1,584,514	2,765,846	98,641	374,986	708,651	-	5,572,385

(Continued)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Facilities	Other equipment	Construction in progress and testing equipments	Total
Balance at January 1, 2019	$ -	36,335	1,625,763	2,761,912	85,637	362,473	648,793	-	5,520,913
Additions	-	1,819	64,041	72,029	10,757	23,571	37,753	-	209,970
Disposal	-	-	-	(19,796)	(2,769)	(3,175)	(9,771)	-	(35,511)
Effects of reclassification and changes in foreign exchange rates	-	266	(15,707)	(14,695)	(265)	(4,504)	1,909	-	(32,996)
Balance at December 31, 2019	$ -	38,420	1,674,097	2,799,450	93,360	378,365	678,684	-	5,662,376
Carrying amount:									
Balance at December 31, 2020	$ 2,424,585	20,084	832,618	305,720	29,596	76,971	157,020	-	3,846,594
Balance at January 1, 2019	$ 2,642,664	23,370	873,558	392,402	37,591	92,275	168,426	34,752	4,265,038
Balance at December 31, 2019	$ 2,686,760	21,794	811,843	347,271	30,670	88,003	182,510	132,251	4,301,102

As of December 31, 2020 and 2019, the Group's real estate of Yingge factory and office amounted to $96,195 thousand and $96,701 thousand, respectively. The real estate has not yet transferred the account in the name of the Group because it is the agricultural land. For the years ended December 31, 2020 and 2019, the real estate had temporarily registered under Chiu Li Chien and Chiu Hong Yu with trust. The Group signed a deed of real estate trust with the registrants, setting out their rights obligations and having pledged their trust assets to the Group.

As of December 31, 2020 and 2019, the property, plant and equipment of the Group had been pledged as collateral for long-term and short-term loans and line of credit; please refer to note 8.

(j) Right-of-use assets

The Group leases assets including land, buildings, machinery, and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings	Vehicles	Others	Total
Cost:					
Balance at January 1, 2020	$ 62,885	140,429	11,649	8,501	223,464
Additions	-	14,788	2,097	-	16,885
Disposal	(1,818)	(16,984)	(892)	(3,595)	(23,289)
Effects of changes in foreign exchange rates	994	263	-	-	1,257
Balance at December 31, 2020	$ 62,061	138,496	12,854	4,906	218,317
Balance at January 1, 2019	$ 65,101	142,975	6,740	8,501	223,317
Disposal	-	(10,777)	(1,027)	-	(11,804)
Effects of changes in foreign exchange rates	(2,395)	(873)	-	-	(3,268)
Balance at December 31, 2019	$ 62,885	140,429	11,649	8,501	223,464

(Continued)

	Land	Buildings	Vehicles	Others	Total
Depreciation：					
Balance at January 1, 2020	$ 30,749	27,456	4,153	1,295	63,653
Depreciation for the year	1,391	26,268	4,438	742	32,839
Disposal	(845)	(14,421)	(892)	(856)	(17,014)
Effects of changes in foreign exchange rates	520	6	-	-	526
Balance at December 31, 2020	**$ 31,815**	**39,309**	**7,699**	**1,181**	**80,004**
Balance at January 1, 2019	$ 30,483	-	-	-	30,483
Depreciation for the year	1,452	29,671	5,180	1,295	37,598
Disposal	-	(1,868)	(1,027)	-	(2,895)
Effects of changes in foreign exchange rates	(1,186)	(347)	-	-	(1,533)
Balance at December 31, 2019	**$ 30,749**	**27,456**	**4,153**	**1,295**	**63,653**
Carrying amount:					
Balance at January 1, 2020	**$ 32,136**	**112,973**	**7,496**	**7,206**	**159,811**
Balance at December 31, 2020	**$ 30,246**	**99,187**	**5,155**	**3,725**	**138,313**
Balance at January 1, 2019	**$ 34,618**	**142,975**	**6,740**	**8,501**	**192,834**
Balance at December 31, 2019	**$ 32,136**	**112,973**	**7,496**	**7,206**	**159,811**

The Group leases offices, warehouses, transportation equipment and other equipment under operating leases, please refer to note 6(q)

(k) Investment property

Investment property comprises land and office buildings that are leased to third parties under operating leases as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 1 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts, but some leases require the lessee to reimburse the insurance costs of the Group. When this is the case, the amounts of insurance costs are determined annually.

(Continued)

The movements in the investment property are as follows:

	Land and improvements	Buildings	Total
Cost:			
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 466,138**	**261,842**	**727,980**
Balance at December 31, 2019 (Same as Balance on January 1)	**$ 466,138**	**261,842**	**727,980**
Depreciation:			
Balance at January 1, 2020	$ 5,285	223,811	229,096
Depreciation for the year	-	5,724	5,724
Balance at December 31, 2020	**$ 5,285**	**229,535**	**234,820**
Balance at January 1, 2019	$ 5,285	218,055	223,340
Depreciation for the year	-	5,756	5,756
Balance at December 31, 2019	**$ 5,285**	**223,811**	**229,096**
Carrying amounts:			
Balance at January 1, 2020	**$ 460,853**	**38,031**	**498,884**
Balance at December 31, 2020	**$ 460,853**	**32,307**	**493,160**
Balance at January 1, 2019	**$ 460,853**	**43,787**	**504,640**
Balance at December 31, 2019	**$ 460,853**	**38,031**	**498,884**
Fair value:			
Balance at December 31, 2020			**$ 1,344,811**
Balance at December 31, 2019			**$ 1,229,001**

Investment properties comprise a number of commercial properties that are leased to third parties. Please refer to note 6(q) for other related information (including rental income and direct operating expenses).

The fair value of investment property as disclosed in the financial statements is based on the valuation of the market value.

As of December 31, 2020 and 2019, the investment property of the Group had been pledged as collateral for long-term and short-term borrowings and line of credit; please refer to note 8.

(Continued)

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Unsecured letters of credit	$ 26,032	58,734
Unsecured bank loans	895,456	947,857
Secured bank loans	616,620	668,867
Total	**$ 1,538,108**	**1,675,458**
Unused short-term credit lines	**$ 1,201,133**	**1,386,987**
Range of interest rates	**0.8%~6%**	**1.30%~6.85%**

For the collateral for short-term borrowings, please refer to note 8.

(m) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2020		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.39%	**$ 115,000**

	December 31, 2019		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.43%~1.45%	**$ 295,000**

(n) Long-term borrowings

(i) Collateral of bank loans

The details were as follows:

	December 31, 2020			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.385%	2021.6.26	$ 28,571
Secured bank loans	TWD	1.615%~1.65%	2025.10.19	764,633
Secured bank loans	RMB	5.5%	2024.1.24	95,185
				888,389
Less: Current portion				(181,055)
Total				**$ 707,334**
Unused long-term credit lines				**$ 301,676**

(Continued)

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.58%~1.7%	2020.11.14	$ 85,715
Secured bank loans	TWD	1.87%~1.9%	2024.10.19	1,186,000
Secured bank loans	RMB	5.7%	2024.12.24	78,730
Secured bank loans	PESO	5.25%	2020.10.20	12,993
				1,363,438
Less: Current portion				(491,483)
Total				**$ 871,955**
Unused long-term credit lines				**$ 94,838**

For information on the Group's interest risk, foreign currency risk and liquidity risk, please refer to note 6(y). For the information of loan between related parties please refer to note 7.

For the collateral for long-term borrowings, please refer to note 8.

(o) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Current	**$ 29,987**	**28,579**
Non-current	**$ 81,356**	**101,490**

Please refer to Note 6(y) for the maturity analysis.

The amounts recognized in profit or loss was as follows:

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	**$ 2,346**	**2,428**
Expenses relating to short-term leases	**$ 199**	**202**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 666**	**612**
COVID-19-related rent concessions (recognized as deduction of rent expenses)	**$ 32**	**-**

(Continued)

The amounts recognized in the statements of cash flows for the Group was as follows:

	For the years ended December 31	
	2020	2019
Total cash outflow for leases	**$ 32,852**	**39,079**

(i) Real estate leases

As of December 31, 2020 and 2019, the Group leases land and buildings for its office space and factories. The leases of office space typically run for 1 to 5 years.

(ii) Other leases

The Group leases transportation equipment and other equipment, with lease terms of 2 to 5 years.

(p) Provisions

	Allowance for provisions
Balance at January 1, 2020	$ 30,244
Provisions made during the year	9,217
Provisions used during the year	(13,373)
Provisions reversed during the year	(4,483)
Balance at December 31, 2020	**$ 21,605**
Balance at January 1, 2019	$ 38,095
Provisions made during the year	7,231
Provisions used during the year	(10,655)
Provisions reversed during the year	(4,427)
Balance at December 31, 2019	**$ 30,244**

The Group assesses allowances for provisions based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of operating revenue in the same period in which sales are made.

(q) Operating lease

The Group leases out investment properties. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(k) for the regarding information on investment properties.

(Continued)

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	$ 13,100	24,571
1 to 5 years	15,052	39,467
More than 5 years	10,757	12,985
Total undiscounted lease payments	**$ 38,909**	**77,023**

For the years ended December 31, 2020 and 2019, the rental revenue from investment properties amounted to $1,728 thousand and $2,400 thousand, respectively.

(r) Employee Benefits

(i) Defined benefit plans

The reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	$ 905,837	911,174
Fair value of plan assets	(854,942)	(837,182)
Net defined benefit liabilities	**$ 50,895**	**73,992**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon 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.

1) Composition of plan

The Group set aside 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. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two year time deposits with the interest rates offered by local banks.

The Group's labor pension reserve account balance amounted to $854,942 thousand as of December 31, 2020. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund.

(Continued)

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2020 and 2019, the movements in the present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2020	2019
Defined benefit obligations at January 1	$ 911,174	966,885
Current service costs and interest cost	16,699	21,732
Remeasurement loss (gain):		
─Actuarial loss (gain) arising from demographic assumptions	-	1,527
─Actuarial loss (gain) arising from financial assumptions	24,913	35,795
─Experience adjustments	9,324	(17,117)
Past service credit	1,350	(4,211)
Effect of movements in exchange rates	59	66
Benefits paid	(57,682)	(93,503)
Defined benefit obligations at December 31	**$ 905,837**	**911,174**

3) Movements in the fair value of the plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31	
	2020	2019
Fair value of plan assets at January 1	$ 837,182	849,792
Interest income	6,666	9,657
Remeasurement gain (loss) :		
─Return on plan assets excluding interest income	28,361	29,361
Contributions paid by the employer	40,368	43,957
Effect of movements in exchange rates	47	291
Benefits paid	(57,682)	(95,876)
Fair value of plan assets at December 31	**$ 854,942**	**837,182**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31	
	2020	2019
Current service costs	$ 8,857	10,934
Past service costs	1,644	7,157
Net interest of net liabilities for defined benefit obligations	1,176	1,141
	$ 11,677	**19,232**

(Continued)

	For the years ended December 31	
	2020	2019
Operating costs	$ 6,309	10,151
Selling expenses	2,482	3,629
Administrative expenses	2,167	4,519
Research and development expenses	719	933
	$ 11,677	**19,232**

5) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.38%~3.65%	0.63%~4.87%
Future salary increase rate	1.00%~5.00%	1.00%~5.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is $43,439 thousand.

The weighted average lifetime of the defined benefits plans is 7.6~16 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for December 31, 2020 and 2019 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%~1.00%	Decreased 0.25%~1.00%
December 31, 2020		
Discount rate	$ (22,359)	23,855
Future salary increase rate	23,553	(22,245)

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(22,527)	23,877
Future salary increase rate	23,628	(22,434)

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the 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 cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to $26,353 thousand and $26,675 thousand, respectively. Except for the aforementioned companies, other foreign subsidiaries recognized pension expenses of $1,836 thousand and $16,036 thousand for the defined contribution plans based on their respective local government regulations for the years ended December 31, 2020 and 2019.

(s) Income Taxes

(i) Income tax expenses:

	For the years ended December 31	
	2020	**2019**
Current tax expense:		
Current period	43,453	39,323
Adjustment for prior years	(228)	9,125
	43,225	48,448
Deferred tax expense:		
Origination and reversal of temporary differences	6,589	5,308
Recognition of previously unrecognized tax losses	-	-
	6,589	5,308
Income tax expenses from continuing operations	**49,814**	**53,756**

	For the years ended December 31	
	2020	**2019**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	**$ 2,022**	**522**

(Continued)

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows.

	For the years ended December 31	
	2020	2019
Profit excluding income tax	**$ 129,218**	**89,698**
Income tax using the Company's domestic tax rate	$ 25,844	17,939
Effect of tax rates in foreign jurisdiction	(44,822)	(16,535)
Income basic tax	766	185
Not attributable to temporary difference	2,760	8,359
Tax incentives	(4,525)	(789)
Change in unrecognized temporary differences	89,763	58,263
Change in provision in prior periods	(23,046)	(14,113)
Additional tax on undistributed earnings	3,074	447
Total	**$ 49,814**	**53,756**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 4,839**	**8,701**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 175,099	119,187
Aggregate amount of temporary differences related to investments in subsidiaries	287,714	253,347
	$ 462,813	**372,534**

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five to ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(Continued)

As of December 31, 2020, the information of the Group's (domestic subsidiaries) unused tax losses for which no deferred tax assets were recognized are as follows

Year of loss	Recognized unused tax losses	Unrecognized unused tax losses	Expiry date
2011	$ -	14,078	2021
2012	-	11,112	2022
2013	-	12,498	2023
2015	-	28,664	2025
2016	-	33,828	2026
2017	-	35,248	2027
2018	-	26,015	2028
2019	15,563	35,504	2029
2020	31,171	-	
	$ 46,734	**196,947**	

As of December 31, 2020, the information of the Group's (foreign subsidiaries) unused tax losses for which no deferred tax assets were recognized are as follows

Year of loss	Unrecognized unused tax losses	Expiry date
2017	$ 50,900	2022
2018	157,445	2023
2019	131,840	2024
2020	202,652	2025
	$ 542,837	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Defined Benefit Plans	Land value increment tax reserve	Others	Total
Deferred tax liabilities:				
Balance at January 1, 2020	$ 1,891	331,325	11,788	345,004
Debit (credit) on income statement	632	-	11	643
Debit (credit) on other comprehensive income	794	-	-	794
Reclassification to non-current assets held for sale	-	(54,751)	-	(54,751)
Balance at December 31, 2020	**$ 3,317**	**276,574**	**11,799**	**291,690**

(Continued)

	Defined Benefit Plans	Land value increment tax reserve	Others	Total
Balance at January 1, 2019	$ 429	331,325	11,788	343,542
Debit (credit) on income statement	623	-	-	623
Debit (credit) on other comprehensive income	839	-	-	839
Balance at December 31, 2019	**$ 1,891**	**331,325**	**11,788**	**345,004**

	Defined Benefit Plans	Impairment of losses	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2020	$ 24,318	18,061	30,899	73,278
(Debit) credit on income statement	(5,641)	592	(897)	(5,946)
(Debit) credit on other comprehensive income	2,816	-	-	2,816
Balance at December 31, 2020	**$ 21,493**	**18,653**	**30,002**	**70,148**
Balance at January 1, 2019	$ 28,760	16,569	31,273	76,602
(Debit) credit on income statement	(5,803)	1,492	(374)	(4,685)
(Debit) credit on other comprehensive income	1,361	-	-	1,361
Balance at December 31, 2019	**$ 24,318**	**18,061**	**30,899**	**73,278**

(iii) Assessment of tax

The Company's income tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(t) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized shares both were 570,000 thousand shares with par value of $10 per share. The total value of authorized shares both amounted to $5,700,000 thousand. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares, and the issued shares were 369,854 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of shares outstanding for the years ended December 31, 2020 and 2019, is as follows:

(in thousands of shares)

	Ordinary Shares	
	For the years ended December 31	
	2020	2019
Balance on December 31 (same as Balance on January 1)	**369,854**	**369,854**

(Continued)

(i) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Treasury share transactions	$ 11,714	11,500
Changes in net equity of subsidiaries are recognized by equity method	304	304
Premium from merger	1,275	1,275
	$ 13,293	**13,079**

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 ordinary shares 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.

(ii) Retained earnings

The Company is into the traditional industry. The life cycle of the Company is in the growing stage. To consider the need of the Company for the future capital, long-term financial planning, and the need for cash inflow for shareholders, the distribution of the Company's earnings shall consider the net earnings of the current year at the priority, and 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve is likewise appropriated. A special reserve is contributed based on the Company's actual needs. The remainder, according to the stockholders' dividend distribution plan, is initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Board of Directors proposed the distribution of the shareholders' dividend and approved it at the shareholders' meeting, depending on the Company's operating conditions and funding requirements. The net earnings may first be distributed by way of the cash dividend. The distribution ratio for cash dividends should not be less than 10% of the total dividend distribution while distributed together by cash dividend and stock dividend.

When the accumulated legal capital reserve has equaled the Company's total capital, pursuant to a resolution by a shareholders' meeting, the Company discontinued contribution.

According to the R.O.C. Company Act, the Company shall distribute the legal reserve and capital reserve as stock and cash dividends. The Board of Directors proposed the distribution and approved it at the shareholders' meeting.

(Continued)

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

When first applying the IFRS approved by the FSC, the Company chose to adopt the exemption in IFRS1 "First-time adoption of International Financial Reporting Standards". The unrealized revaluation increment under the shareholder's equity increased $658,175 thousand in retained earnings by following the rule. Pursuant to the regulations of Financial Supervisory Commission No.1010012865 issued on April 6, 2012, a same amount of special reserves should be stated. When the relevant assets are used, disposed, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special reserve both amounted to $458,116 thousand.

3) Earnings distribution

The Company's shareholders meeting resolved appropriation of earnings of 2018 on June 28, 2019. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31, 2018	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	$ 0.20	**73,971**

On June 29, 2020, the Company's Board of Directors resolved not to appropriate the 2019 earnings.

(iii) Treasury shares

The details of the Company's share held by the subsidiaries are as follows:

Between Holder	Share (Thousands of shares)	Account	December 31, 2020 Costs	December 31, 2020 Market price	December 31, 2019 Costs	December 31, 2019 Market price
Hostan Corporation	1,191	Current financial assets at fair value through profit or loss	$ 10,823	12,143	10,823	9,905
Hohong Co., Ltd.	543	Non-current financial assets at fair value through other comprehensive income	5,759	5,541	5,759	4,520

(Continued)

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Non-controlling interests
Balance at January 1, 2020	$ 29,502	284,941	69,637
Exchange differences on foreign operations	(19,338)	-	(15)
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	-	188,657	198
Disposal of equity investments measured at fair value through other comprehensive income	-	(49,998)	-
Non-controlling interests	-	-	(7,389)
Other	-	-	865
Balance at December 31, 2020	**$ 10,164**	**423,600**	**63,296**

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Non-controlling interests
Balance at January 1, 2019	$ 46,359	74,662	80,007
Exchange differences on translation of net assets of foreign operations	(16,857)	-	239
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	211,339	439
Disposal of equity investments at fair value through other comprehensive income	-	(1,060)	-
Non-controlling interests	-	-	(11,974)
Other	-	-	926
Balance at December 31, 2019	**$ 29,502**	**284,941**	**69,637**

(Continued)

(u) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2020	**2019**
Profit attributable to ordinary shareholders of the Company	**$ 86,793**	**47,916**

2) Weighted average number of ordinary shares (shares in thousands)

	For the years ended December 31	
	2020	**2019**
Issued ordinary shares at January 1	368,120	369,854
Effect of treasury shares held	(1,734)	(1,734)
Weighted average number of ordinary shares at December 31	**366,386**	**368,120**

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2020	**2019**
Profit attributable to ordinary shareholders of the Company (diluted)	**$ 86,793**	**47,916**

2) Weighted average number of ordinary shares (diluted)

	For the years ended December 31	
	2020	**2019**
Weighted average number of ordinary shares (basic)	368,120	368,120
Effect of employee share bonus	770	539
Weighted average number of ordinary shares (diluted) at December 31	**368,890**	**368,659**

(iii) Earnings per share

	For the years ended December 31	
	2020	**2019**
Basic earnings per share	**$ 0.24**	**0.13**
Diluted earnings per share	**$ 0.24**	**0.13**

(Continued)

(v) Revenue from contracts with customers

(i) Details of revenue

	For the years ended December 31, 2020				
	Taiwan Division	China Division	Philippine Division	Other Department	Total
Primary geographical markets:					
Taiwan	$ 3,958,220	-	-	-	3,958,220
China	788	456,514	-	4,685	461,987
Philippine	-	-	646,754	-	646,754
United States	-	11,276	-	4,484	15,760
Other countries	17,604	-	-	1,882	19,486
Total	**$ 3,976,612**	**467,790**	**646,754**	**11,051**	**5,102,207**
Major products/service lines:					
Porcelain	$ 1,246,959	324,458	313,468	10,258	1,895,143
Copper ware	763,910	60,100	166,131	570	990,711
Toilet cover	564,068	6,741	35,698	20	606,527
Fine pottery	351,609	-	-	-	351,609
Other	1,050,066	76,491	131,457	203	1,258,217
Total	**$ 3,976,612**	**467,790**	**646,754**	**11,051**	**5,102,207**

	For the years ended December 31, 2019				
	Taiwan Division	China Division	Philippine Division	Other Department	Total
Primary geographical markets:					
Taiwan	$ 3,841,462	-	-	-	3,841,462
China	-	648,068	-	50,150	698,218
Philippine	-	-	986,572	-	986,572
Total	**$ 3,841,462**	**648,068**	**986,572**	**50,150**	**5,526,252**
Major products/service lines:					
Porcelain	$ 1,238,576	419,886	500,063	35,318	2,193,843
Copper ware	845,385	148,271	262,071	11,474	1,267,201
Toilet cover	570,623	9,491	62,494	523	643,131
Fine pottery	185,284	-	-	-	185,284
Other	1,001,594	70,420	161,944	2,835	1,236,793
Total	**$ 3,841,462**	**648,068**	**986,572**	**50,150**	**5,526,252**

(Continued)

(w) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute 5% to 8% of the profit as employee remuneration and a maximum of 3% as directors' and supervisors' 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 Company estimated its remuneration to employees amounting to $7,898 thousand and $4,482 thousand and directors' and supervisors' remuneration amounting to $3,949 thousand and $2,241 thousand for years ended December 31, 2020 and 2019, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. 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 2019.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2020	2019
Interest income from bank deposits	**$ 4,606**	**9,744**

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2020	2019
Rent income	$ 44,100	27,704
Dividend income	52,165	40,768
Royalty income and other income	28,958	28,008
	$ 125,223	**96,480**

(Continued)

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2020	2019
Foreign exchange gains (losses)	$ 11,077	(5,735)
Gains on disposals of investments	12,089	8,874
Net gains on disposals of property, plant and equipment	73,957	2,526
Others	(25,258)	(21,728)
	$ 71,865	**(16,063)**

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest expense	**$ 73,314**	**79,827**

(y) Financial instruments

(i) Credit risks

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in several distributors. In order to reduce the credit risk on these accounts receivable, the Group continues to evaluate the financial status of these customers and request for collaterals when necessary. The Group still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts. As of December 31, 2020 and 2019, 47% and 45% , respectively, of notes receivables as well as 27% and 23%, respectively, of accounts receivables were concentrated on 5 specific customers. Thus, credit risk is significantly centralized.

(Continued)

(ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Carrying amount	Within 6 months	6 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Secured bank loans	$ 1,476,438	1,521,592	326,127	450,126	27,106	718,233	-
Unsecured bank loans	950,059	968,472	887,910	80,562	-	-	-
Short-term notes payables	115,000	115,076	115,076	-	-	-	-
Notes payable	128,520	128,520	128,520	-	-	-	-
Accounts payable	444,529	444,529	444,529	-	-	-	-
Other payables	539,377	539,377	539,377	-	-	-	-
Lease liabilities	111,343	116,147	16,266	15,621	25,733	42,088	16,439
	$ 3,765,266	**3,833,713**	**2,457,805**	**546,309**	**52,839**	**760,321**	**16,439**
December 31, 2019							
Non-derivative financial liabilities							
Secured bank loans	$ 1,946,590	2,047,172	292,253	846,373	17,651	890,895	-
Unsecured bank loans	1,092,306	1,098,449	892,453	177,204	28,792	-	-
Short-term notes payables	295,000	295,128	295,128	-	-	-	-
Notes payable	246,371	246,371	246,371	-	-	-	-
Accounts payable	453,026	453,026	453,026	-	-	-	-
Other payables	437,962	437,962	437,962	-	-	-	-
Lease liabilities	130,069	136,282	16,497	14,035	25,128	57,607	23,015
	$ 4,601,324	**4,714,390**	**2,633,690**	**1,037,612**	**71,571**	**948,502**	**23,015**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Currency risks

1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk is as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 4,327	28.480	123,233	2,554	29.980	76,569
CNY	3,690	4.377	16,151	12,415	4.305	53,447

(Continued)

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD	4,513	28.480	128,530	5,054	29.980	151,519

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, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. As December 31, 2020 and 2019, a strengthening (weakening) of 1% of the NTD against the USD and CNY, would have increased (decreased) the net profit after tax by $87 thousand and $(172) thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis performed on the same basis for 2019.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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.

The Group's interest rate risk arises from time deposits and loans bearing floating interest rates. If the interest rate increases/decreases by 1%, the Group's profit before income tax will decrease/increase by $13,766 thousand and $12,162 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors that remain constant.

(Continued)

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. 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, 2020				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 251,969	251,969	-	-	251,969
Financial assets at fair value through other comprehensive income					
Listed companies shares	1,063,190	1,063,190	-	-	1,063,190
Unlisted common shares	79,530	-	-	79,530	79,530
Subtotal	1,142,720	1,063,190	-	79,530	1,142,720
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,054,849	-	-	-	-
Notes and accounts receivable	1,263,306	-	-	-	-
Other receivables	15,766	-	-	-	-
Refundable deposits	99,809	-	-	-	-
Subtotal	2,433,730	-	-	-	-
Total	**$ 3,828,419**	**1,315,159**	**-**	**79,530**	**1,394,689**
Financial liabilities measured at amortized cost:					
Notes and accounts payable	$ 573,049	-	-	-	-
Other payables	539,377	-	-	-	-
Lease liabilities	111,343	-	-	-	-
Guarantee deposits	18,347	-	-	-	-
Total	**$ 1,242,116**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2019				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 277,393	260,529	16,864	-	277,393
Financial assets at fair value through other comprehensive income					
Listed companies shares	914,312	914,312	-	-	914,312
Unlisted common shares	71,035	-	-	71,035	71,035
Subtotal	985,347	914,312	-	71,035	985,347
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 802,627	-	-	-	-
Notes and accounts receivable	1,367,785	-	-	-	-
Other receivables	38,539	-	-	-	-
Refundable deposits	72,095	-	-	-	-
Subtotal	2,281,046	-	-	-	-
Total	**$ 3,543,786**	**1,174,841**	**16,864**	**71,035**	**1,262,740**
Financial liabilities measured at amortized cost:					
Bank loans	$ 3,333,896	-	-	-	-
Notes and accounts payable	699,397	-	-	-	-
Other payables	437,962	-	-	-	-
Lease liabilities	130,069	-	-	-	-
Guarantee deposits	18,697	-	-	-	-
Total	**$ 4,620,021**	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

(Continued)

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. The market for the said financial instrument shall be seem as inactive should the aforementioned requirements have not been met. In general, a market with small trading volume or wide bid-ask spreads is an indication of an inactive market.

If the financial instruments possessed by the Group has quoted market prices in active markets, the fair value was as follows:

Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.

3) Transfers between Level 1 and Level 2

There were no level transfers in 2020 and 2019.

4) The reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instrument	
Balance at January 1, 2020	$	71,035
Total gains and losses recognized:		
In other comprehensive income		7,558
Purchased		937
Balance at December 31, 2020	**$**	**79,530**
Balance at January 1, 2019	$	67,131
Total gains and losses recognized:		
In other comprehensive income		4,915
Purchased		71
Issued		(1,082)
Balance at December 31, 2019	**$**	**71,035**

(Continued)

For the years ended December 31, 2020 and 2019, total gains and losses included in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income" were as follows:

	2020	2019
Total gains and losses recognized:		
In other comprehensive income, and presented in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income"	$ 7,558	4,915

5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – equity investments, and financial assets measured at fair value through other comprehensive income – equity investments.

Most of the Group's financial assets in Level 3 have only one significant unobservable input, while its equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	●Market multiplier (December 31, 2020 and 2019: 2.42 and 2.08) ●Market liquidity discount rate (December 31, 2020 and 2019: 20%)	●The higher the price-book ratio multiple and the premium of control, the higher the fair value ●The higher the market liquidity discount rate, the lower the fair value
Financial assets at fair value through other comprehensive income	Net asset value method	●Net asset value	Not applicable

(Continued)

(z) Financial risk management

(i) Overview

The Group has exposure to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks being faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's board of directors oversees how management monitors compliance with the 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's board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk means the potential loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

(Continued)

1) Accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country.

The consolidated company has the allowance account setup to reflect the estimated losses of the accounts receivable. The allowance account mainly includes specific loss related to individual significant exposure and the combined loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for combined loss is determined in accordance with the historical payment statistics of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

3) Guarantees

The Group's endorsement policy is limited to endorsement of subsidiaries or associates with business relationship. Please refer to notes 13 for details of endorsements and guarantees provided by the Group as of December 31, 2020 and 2019.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables). The Group also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment return.

(Continued)

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 Dollars (TWD), Chinese Yuan (CNY) and Philippine Peso (PHP). The currencies used in these transactions are the TWD, CNY, and PHP.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily TWD, CNY, and PHP.

2) Interest rate risk

The Group manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

(aa) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the investors, creditors, the market faith, and the future operation. Capital consists of ordinary shares, capital surplus, retained earnings, other equity interest and non-controlling interests of the Group. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 4,787,079	5,207,008
Less: Cash and cash equivalents	(1,054,849)	(802,627)
Net debt	**$ 3,732,230**	**4,404,381**
Total equity	**$ 5,951,582**	**5,706,510**
Debt-to-equity ratio at December 31	**62.71%**	**77.18%**

As of December 31, 2020, the Group had not changed its capital management method.

(Continued)

(ab) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

	January 1, 2020	Cash flows	Non-Cash changes: Reclassification	Non-Cash changes: Foreign exchange movement	December 31, 2020
Short-term borrowings	$ 1,675,458	51,373	(150,000)	(38,723)	1,538,108
Long-term borrowings	1,363,438	(206,784)	(270,000)	1,735	888,389
Lease liabilities	130,069	(32,852)	-	14,126	111,343
Short-term notes and bills payable	295,000	(180,000)	-	-	115,000
Guarantee deposits	18,697	(350)	-	-	18,347
Total liabilities from financing activities	**$ 3,482,662**	**(368,613)**	**(420,000)**	**(22,862)**	**2,671,187**

	January 1, 2019	Cash flows	Non-Cash changes: Foreign exchange movement	December 31, 2019
Short-term borrowings	$ 2,047,161	(345,179)	(26,524)	1,675,458
Long-term borrowings	1,167,677	184,158	11,603	1,363,438
Lease liabilities	159,044	(39,079)	10,104	130,069
Short-term notes and bills payable	165,000	130,000	-	295,000
Guarantee deposits	18,201	496	-	18,697
Total liabilities from financing activities	**$ 3,557,083**	**(69,604)**	**(4,817)**	**3,482,662**

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is both the parent company and the ultimate controlling party of the Group.

(Continued)

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Triple S Holdings Corporation	Hocheng Group holding Corp. 's investee accounted under the equity method (associate)
Yuhong Co., Ltd.	Substantial related party (Other Related party)
Yuhong (SuZhou) Co., Ltd.	Substantial related party (Other Related party)
Cerabo international CO., LTD.	Substantial related party (Other Related party)
Hoceng Cultural & Educational Foundation	Other Related party

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31	
	2020	2019
Other Related party	$ 473	85
Associates	-	35
	$ 473	**120**

The selling price of the Group to other related parties is based on the transfer price. The credit term is not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	For the years ended December 31	
	2020	2019
Other Related party	**$ 152,734**	**159,538**

The purchasing price of the Group to other related parties is paid at the transfer price. The price and payment terms are not significantly different from those offered by other vendors.

(Continued)

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Notes receivable	Other Related party	$ 28	-
Accounts receivable	Other Related party	648	693
Other receivables	Associates	4,909	5,102
Other receivables	Other Related party	308	1,424
		$ 5,893	**7,219**

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Notes payable	Other Related party	$ 41,059	42,412
Accounts payable	Other Related party	15,036	18,301
Other payables	Other Related party	33	3
		$ 56,128	**60,716**

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$ 71,409	73,964
Post-employment benefits	3,266	3,197
	$ 74,675	**77,161**

The Group provides 10 company cars with carrying amount of $21,027 and $21,196, respectively, for key management personnel use in 2020 and 2019.

(Continued)

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Property, plant and equipment－ Land and buildings	Short-term and long-term borrowings	$ 2,537,358	2,497,405
Property, plant and equipment－ Machinery and equipment	Long-term borrowings	50,969	66,020
Right-of-use assets-Land	Short-term and long-term borrowings	27,653	29,344
Investment property-Land and buildings	Short-term and long-term borrowings	425,346	430,832
Other non-current assets-others	Short-term and long-term borrowings	391	1,859
Refundable deposits	Deposit for housing lease and construction	99,809	72,095
		$ 3,141,526	**3,097,555**

(9) Significant Commitments and Contingencies:

(a) Promissory notes issued for engineering and product warranty, and subject guarantee were as follows:

	December 31, 2020	December 31, 2019
Promissory notes issued for engineering and product warranty, and subject guarantee	**$ 14,612**	**19,250**

(b) The related information of a letter of intent for the sale of real estate, please refer to note6(g)

(10) Losses due to major disasters: None

(Continued)

(11) Subsequent events:

The Board of Directors of Holong Ceramic Co., Ltd. approved to sell of the real estate to a non-related party with a total contract amounted to $2,364,892 thousand on March 22, 2021. The letter of intent for the sale of real estate was signed by the parties.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows.

By function / By item	For the year ended December 31					
	2020			2019		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	523,251	510,787	1,034,038	593,260	510,976	1,104,236
Labor and health insurance	50,571	44,162	94,733	56,207	46,986	103,193
Pension	18,706	21,159	39,865	29,943	32,000	61,943
Others (Note 1)	126,645	58,525	185,170	21,889	16,527	38,416
Depreciation (Note 2)	128,366	111,608	239,974	136,467	109,818	246,285
Amortization	1,017	7,677	8,694	313	7,874	8,187

Note 1: Hocheng (China) Corporation has responded to the epidemic challenge because of the global outbreak. The company has adjusted its management strategy and ceased production since August 1, 2020, and reduced its labor by phases. According to the provisions of the Labor Contract Law of the people's Republic of China, the estimation of compensation for the cancellation of the labor contract amounted to $141,312 thousand.

Note 2: The depreciation expenses excluding the depreciation of investment property in 2020 and 2019 amounted to $5,724 thousand and $5,756 thousand, respectively.

(b) Hocheng (China) Corporation has responded to the epidemic challenge because of the global outbreak. The company has adjusted its management strategy and ceased production since August 1, 2020. The company reduced its labor by phases to minimize the loss, improve the business performance, and increase shareholders' equity of the parent company.

(Continued)

(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 for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Hostan Corporation	Hocheng Corporation	Accounts receivable due from related parties	Yes	35,000	35,000	35,000	1.06%	2	-	Operation requirements	-		-	401,725	803,449
2	Ritiboon International Limited	Hocheng (China) Corporation	〃	Yes	103,215	99,680	99,680	0.80%	2	-	Operation requirements	-		-	200,277	400,554
3	Hocheng Group holding Corp.	Hocheng (China) Corporation	〃	Yes	38,395	36,884	36,884	0.8%~1.5%	2	-	Operation requirements	-		-	144,402	288,804

Note 1: 1. A business associate.
2. Company that needs short-term financing.

Note 2: The limit amount of loans to a company shall not exceed 20% of the net worth of the lending company.

Note 3: The total amount of loans shall not exceed 40% of the net worth of the lending company.

Note 4: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor or/ endorse	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements during the period	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated (Note 4)	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship (Note 1)										
0	Hocheng Corporation	Hocheng Philippines Corporation	3	5,888,286	301,405	283,229	106,041	-	4.81%	5,888,286	Y		
0	〃	Hocheng (China) Corporation	3	5,888,286	397,312	170,880	113,920	-	2.90%	5,888,286	Y		Y
0	〃	Holong Ceramic Co., Ltd.	2	5,888,286	385,640	365,640	285,264	-	6.21%	5,888,286	Y		
1	Hostan Corporation	Hocheng Corporation	3	2,008,623	1,110,000	1,110,000	910,000	1,110,000	18.85%	2,008,623		Y	
2	Hoceng Service Co., Ltd	Hostan Corporation	1	93,618	5,840	5,840	5,840	-	0.10%	93,618			

Note 1: The relationship between the endorser/guarantor and the guaranteed party:
1. Having business relationship.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer in order to undertake a construction project.

Note 2: The endorsement and guarantee amount made by the Company, Hostan Corporation, and Hoceng Service Co., Ltd. shall not exceed 100% of the net value.

Note 3: The maximum amount of endorsement and guarantees of the Company is the net value of the financial statements.

Note 4: For non-public entities, the ratio is calculated based on the net value of the parent company.

Note 5: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(Continued)

(iii) Securities held as balance sheet date (excluding investment subsidiaries, associates and joint:

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)		
The Company	Cathay Financial Holdings Limited	-	Non-current financial assets at fair value through other comprehensive income	600,603	25,375	- %	25,376	- %	
	China Development Financial Holdings Limited	-	〃	452,067	4,204	- %	4,204	- %	
	Taishin Financial Holding Co., Ltd.	-	〃	487,958	6,465	- %	6,465	- %	
	United Microelectronics Corporation	-	〃	800,000	37,720	0.01%	37,720	0.01%	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	6,575,315	291,944	2.42%	291,944	2.42%	
	Capital Securities Corporation	-	〃	16,835,824	228,125	0.78%	228,125	0.78%	
	Pegatron Corporation	-	〃	75,000	5,048	- %	5,048	- %	
	Taishin Financial Holding Co., Ltd. Preferred stock E	-	〃	16,280	856	- %	856	- %	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	915	- %	915	- %	
	Mega Financial Holding Company Ltd.	-	〃	1,300,000	38,740	0.01%	38,740	0.01%	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	773	- %	773	- %	
	Taishin Financial Holding Co., Ltd. Preferred stock E II	-	〃	9,753	501	- %	501	- %	
	CTBC Financial Holding Co., Ltd.	-	〃	500,000	9,850	- %	9,850	- %	
	Core Pacific City Co., Ltd.	-	〃	7,476,000	68,405	0.49%	68,405	0.49%	
	Union Securities Investment Trust Co., Ltd.	-	〃	95,250	1,411	- %	1,411	- %	
	Power chip Technology Corporation	-	〃	25,288	579	- %	579	- %	
	Power chip Semiconductor Manufacturing Corp.	-	〃	46,310	2,310	- %	2,310	- %	
Hohong Co., Ltd.	Formosa Plastics Corporation	-	〃	30,000	2,892	- %	2,892	- %	
	Kian Shen Corporation	-	〃	30,000	2,046	0.04%	2,046	0.04%	
	Basso Industry Corp.	-	〃	90,000	3,749	- %	3,749	- %	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,000	1,405	0.02%	1,405	0.02%	
	Hocheng Corporation	Subsidiary to parent	〃	543,274	5,541	0.15%	5,541	0.15%	
	King Slide Works Co., Ltd.	-	〃	10,000	2,970	0.05%	2,970	0.05%	
	Sheh Kai Precision Co., Ltd.	-	〃	40,000	1,258	0.09%	1,258	0.09%	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	3,070	0.04%	3,070	0.04%	
	Turvo International Co.,Ltd..	-	〃	70,000	5,859	0.12%	5,859	0.12%	
	Compeq Manufacturing Co., Ltd.	-	〃	50,000	2,175	- %	2,175	- %	
	Hong Hai precision industrial co., ltd	-	〃	58,480	5,380	- %	5,380	- %	
	Yageo Corporation	-	〃	5,000	2,590	- %	2,590	- %	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)		
Hohong Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited	-	Non-current financial assets at fair value through other comprehensive income	31,365	16,623	- %	16,623	- %	
	Qisda Corporation	-	〃	150,000	4,343	0.01%	4,343	0.01%	
	Foxconn Technology Co., Ltd.	-	〃	10,000	534	- %	534	- %	
	Elite Material Co., Ltd.	-	〃	20,000	3,140	- %	3,140	- %	
	Walsin Technology Corporation	-	〃	10,000	2,305	- %	2,305	- %	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	200,590	8,164	- %	8,164	- %	
	Wan Hai Lines Ltd.	-	〃	30,000	1,587	- %	1,587	- %	
	TTFB Company Limited	-	〃	20,000	4,690	0.09%	4,690	0.09%	
	China Life Insurance Co., Ltd.	-	〃	159,000	3,530	- %	3,530	- %	
	Cathay Financial Holding Co., Ltd.	-	〃	140,000	5,915	- %	5,915	- %	
	Taishin Financial Holding Co., Ltd.	-	〃	323,181	4,282	- %	4,282	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	10,783	567	- %	567	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	-	〃	6,459	332	- %	332	- %	
	Shin Kong Financial Holding Co., Ltd.	-	〃	300,000	2,643	- %	2,643	- %	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	-	〃	3,824	162	- %	162	- %	
	The Eslite Spectrum Corporation	-	〃	16,000	1,270	- %	1,270	- %	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,256	- %	1,256	- %	
	Getac Technology Corporation.	-	〃	80,000	3,912	- %	3,912	- %	
	TXC Corporation	-	〃	20,000	1,498	0.01%	1,498	0.01%	
	Tripod Technology Corporation	-	〃	90,000	10,665	- %	10,665	- %	
	Ardentec Corporation	-	〃	100,205	3,873	0.02%	3,873	0.02%	
	Topco Scientific Co., Ltd.	-	〃	8,538	587	- %	587	- %	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	3,150	- %	3,150	- %	
	Elite Advanced Laser Corporation	-	〃	6,600	460	- %	460	- %	
	Universal Microwave Technology, Inc.	-	〃	20,000	1,432	- %	1,432	- %	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,318	0.02%	1,318	0.02%	
	Shih Her Technologies Inc.	-	〃	120,000	6,048	0.21%	6,048	0.21%	
	Materials Analysis Technology Inc.	-	〃	14,000	1,186	0.02%	1,186	0.02%	
	TSC Auto ID Technology Co., Ltd.	-	〃	8,000	1,560	- %	1,560	- %	
	CyberPower Systems, Inc.	-	〃	10,000	888	- %	888	- %	
	Bizlink Holding Inc.	-	〃	10,000	2,435	0.01%	2,435	0.01%	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)		
Hohong Co., Ltd.	Advanced Semiconductor Engineering,Inc.	-	Non-current financial assets at fair value through other comprehensive income	70,000	5,691	- %	5,691	- %	
	FineTek Co., Ltd.	-	〃	33,000	2,498	- %	2,498	- %	
	Yusin Holding Corp.	-	〃	16,803	1,055	0.04%	1,055	0.04%	
	Global Tek Fabrication Co., Ltd.	-	〃	60,000	3,480	- %	3,480	- %	
	San Fu Chemical Co., Ltd.	-	〃	5,440	354	- %	354	- %	
	Primax Electronics Ltd.	-	〃	75,000	3,656	- %	3,656	- %	
	Nuvoton Technology Corporation	-	〃	36,432	1,729	- %	1,729	- %	
	Pegatron Corporation	-	〃	70,000	4,711	- %	4,711	- %	
	GCS Holdings, Inc.	-	〃	23,000	1,155	- %	1,155	- %	
	Sinher Technology Inc.	-	〃	70,000	3,283	0.09%	3,283	0.09%	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,612	0.01%	2,612	0.01%	
	Sino-American Silicon Products Inc.	-	〃	50,000	8,875	- %	8,875	- %	
	Chailease Holding Company Limited	-	〃	54,588	9,171	- %	9,171	- %	
	Chailease Holding Company Limited Class A Preferred Shares	-	〃	9,085	905	- %	905	- %	
	The Shanghai Commercial & Savings Bank, Ltd.	-	〃	40,000	1,644	- %	1,644	- %	
	SYSAGE Technology Co., Ltd.	-	〃	25,000	1,096	0.01%	1,096	0.01%	
	Chipbond Technology Corporation	-	〃	30,000	1,992	- %	1,992	- %	
	Powertech Technology Inc.	-	〃	65,000	6,169	0.01%	6,169	0.01%	
	Lanner Electronics Inc.	-	〃	50,000	3,450	- %	3,450	- %	
	Amazing Microelectronic Corp.	-	〃	21,871	2,395	0.02%	2,395	0.02%	
	GEM Services, Inc.	-	〃	54,450	3,713	0.04%	3,713	0.04%	
	Taiwan Takisawa Technology Co., Ltd.	-	〃	80,000	2,092	0.11%	2,092	0.11%	
	Nova Technology Corp.	-	〃	17,000	2,372	- %	2,372	- %	
	Taiwan Chinsan Electronic Industrial Co., Ltd.	-	〃	5,150	228	- %	228	- %	
	Ruby Tech Corporation	-	〃	100,600	3,028	0.19%	3,028	0.19%	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,476	0.02%	1,476	0.02%	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	2,124,000	94,306	- %	94,306	- %	
	Cleanaway Company Limited	-	〃	10,000	1,640	- %	1,640	- %	
	Taisun Int’ l (Holding) Corp.	-	〃	10,000	1,220	- %	1,220	- %	
	Xxentria Technology Materials Co., Ltd.	-	〃	20,000	1,212	- %	1,212	- %	
	Pou Chen Corporation	-	〃	180,000	5,652	0.01%	5,652	0.01%	
	Taiwan Fu Hsing Industrial Co.,Ltd.	-	〃	80,000	3,588	0.04%	3,588	0.04%	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)		
Hohong Co., Ltd.	Ruentex Development Co.,Ltd.	-	Non-current financial assets at fair value through other comprehensive income	75,600	3,092	- %	3,092	- %	
	Macauto Industrial Co., Ltd.	-	〃	30,000	2,739	0.04%	2,739	0.04%	
	Powerchip Technology Corporation	-	〃	60,368	1,298	- %	1,298	- %	
	Powerchip Semiconductor Manufacturing Corporation	-	〃	110,556	5,528	- %	5,528	- %	
	D-NET International Corporation	-	Current financial assets at fair value through profit or loss	10,025	-	- %	-	- %	
	Syntronix Corporation	-	〃	1,150	-	- %	-	- %	
	AbGenomics International,Inc.	-	〃	20,000	-	- %	-	- %	
	UPAMC James Bond Money Market Fund	-	〃	168,449	2,837	- %	2,837	- %	
	Yuanta De-Li Money Market Fund	-	〃	122,037	2,006	- %	2,006	- %	
	Yunata De-Bao Money Market Fund	-	〃	289,731	3,509	- %	3,509	- %	
	Franklin Templeton Sinoam Money Market Fund	-	〃	241,101	2,514	- %	2,514	- %	
	Capital Money Market Fund	-	〃	123,218	2,004	- %	2,004	- %	
Ritiboon International Limited	JPMorgan Funds–China Fund–JPM China A (dist)–USD	-	〃	5,614	19,552	- %	19,552	- %	
	PYXIS	-	〃	65,000,000	-	- %	-	- %	
	Asia Technology	-	〃	1,400	-	- %	-	- %	
Hostan Corporation	Hocheng Corporation	Subsidiary to parent	〃	1,190,538	12,143	0.33%	12,143	0.33%	
	Capital Money Market Fund	-	〃	11,225,763	182,592	- %	182,592	- %	
	Nomura Taiwan Money Market Fund	-	〃	923,951	15,193	- %	15,193	- %	
	TCI Co., Ltd.	-	〃	10,000	2,000	- %	2,000	- %	
Swatton International Corp.	PFBC	-	Non-current financial assets at fair value through other comprehensive income	50,000	71,869	- %	71,869	- %	
	Nexteer Automotive Group Ltd.	-	〃	50,000	1,530	- %	1,530	- %	
	HKT Trust and HKT Ltd.	-	〃	100,000	3,695	- %	3,695	- %	
	CK Hutchison Holdings Ltd.	-	〃	20,000	3,974	- %	3,974	- %	
	Fit Hon Teng Ltd.	-	〃	95,000	939	- %	939	- %	
	AMAZON	-	〃	50	4,638	- %	4,638	- %	
	MS LIQUID-USD LIQ -QUALIF ACC Fund	-	Current financial assets at fair value through profit or loss	6,519	19,762	- %	19,762	- %	

Note 1: The Company's stocks possessed by subsidiaries have been deducted from the book value. The stocks are disposed as treasury stocks.

Note 2: The securities quoted in an active market presented at the closing price on the last day of the accounting period. The securities without public quotes used the net value per share of the investee.

(Continued)

(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 TWD100 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		Accounts and notes 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)	
Hocheng Corporation	Yuhong Co., Ltd.	Other Related party	Purchase	150,019	9.02%	Three months	-	No comparable transactions as the goods were specific.	(14,218)	(4.69)%	
〃	Hostan Corporation	Subsidiary	〃	129,598	7.80%	Three months	-	〃	(39,729)	(13.10)%	
Hostan Corporation	Hocheng Corporation	〃	Sale	129,818	26.67%	Three months	-	〃	53,295	43.40%	

(viii) Receivable from related parties exceeding the lower of $100,000 thousand or 20% of the Company's paid-in capital: None

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of counterparty	Counterparty	Nature of relationship	Transactions details			
				Account	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Hocheng Corporation	Hoceng Service Co., Ltd.	1	Sales revenue	64,613	Transfer pricing	1%
0	〃	Hostan Corporation	1	Total cost of sales	129,598	Transfer pricing	3%

Note 1: The numbering is as follows:
1. 0 represents the Company.
2. Subsidiaries are numbered from 1.

Note 2: Relationship is classified into three types:
1. The Company to subsidiary.
2. Subsidiary to the Company.
3. Subsidiary to subsidiary.

Note 3: The transaction amounts that less than 1% of the consolidated net revenue or total assets were not disclosed.

Note 4: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(Continued)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020			Highest shareholding in the interim or contribution status	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
Hocheng Corporation	Hostan Corporation	Taiwan	oil excretes、gas stoves and water heaters	1,605,702	1,605,702	100,595,839	100.00%	1,994,958	100.00%	5,478	2,807	(Note 1,2)
	Ritiboon International Limited	British V	Investment Holding	2,410,366	2,410,366	78,646,373	100.00%	1,007,380	100.00%	(171,684)	(165,365)	(Note 2)
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	31,525,907	99.50%	564,122	99.50%	9,479	9,432	(Note 1)
	Hoceng Service Co., Ltd.	Taiwan	Interior design, sale, installment, and repairment of bathroom stove equipment and its components	6,000	6,000	600,000	40.00%	18,248	40.00%	3,476	1,439	(Note 2)
	Holong Ceramic Co., Ltd.	Taiwan	Manufacture and sale of tiles	660,305	660,305	7,088,332	67.92%	19,443	67.92%	(31,143)	(21,128)	(Note 2)
Hocheng Corporation	Lazuli International Co., Ltd.	Taiwan	Furniture, bedding, kitchen utensils, fixtures and wholesale trade	1,000	1,000	100,000	100.00%	-	100.00%	-	-	(Note 3)
	O+ Design International Corporation	Cayman Islands	Investment	26,521	26,521	1,098,569	32.40%	-	32.40%	-	-	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Philippines	Land lease	29,040	29,040	11,474,571	40.00%	67,937	40.00%	4,161	3,120	(Note 2)
	Hocheng Group Holding Corp.	Cayman Islands	Investment Holding	1,392,323	1,392,323	60,000,000	100.00%	795,482	100.00%	(186,084)	(186,084)	
	HCG North American,LLC	United States	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	49.00%	-	-	
Hostan Corporation	Hoceng Service Co., Ltd.	Taiwan	Sale of bathroom stove equipment and its components	4,500	4,500	450,000	30.00%	28,085	30.00%	3,476	1,043	(Note 2)
Hohong Co., Ltd.	Swatton International Corp.	British V	Investment Holding	41,590	41,590	13,004	100.00%	153,408	100.00%	4,106	4,106	
Hocheng Group Holding Corp.	HOCHENG PHILIPPINES CORPORATION	Philippines	Production and sale of plumbing products	395,155	395,155	407,843,872	100.00%	507,191	100.00%	18,245	17,547	(Note 2)
	Triple S Holdings Corp.	Philippines	Investment Holding	46,086	46,086	8,040,000	40.00%	51,848	40.00%	653	653	
Hocheng Philippines Corporaiton	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	35.00%	-	-	

Note 1: The Company's shares held by subsidiaries were deemed to be treasury shares; therefore, the Company recognized the profit or loss on subsidiaries' investment, excluding those that had the Company's shares.

Note 2: The difference between recognized profit or loss from investment and investee is unrealized gain or loss.

Note 3: Lazuli International Co., Ltd. is still in the process of dissolution; the Company has written down the investment to $0 from the long-term investment.

Note 4: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest shareholding in the interim or contribution status	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Hocheng (China) Corporation	Production and sale of plumbing products	953,760	(2)	894,627	-	-	894,627	(148,807)	100.00%	100.00%	(148,807)	96,345	-
UPEX	Sale of bathroom equipment	29,805	(2)	5,961	-	-	5,961	4,944	100.00%	100.00%	4,944	21,543	-
Hocheng (China) Corporation		-	(2)	-	-	-	-	-	-%	-%	-	-	-
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(2)	-	-	-	-	(12,662)	100.00%	100.00%	(12,662)	(8,568)	-

(Continued)

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
The Company	900,588	928,336	3,532,972

Note 1: Three types of investment method are as follows:
(a) Direct investment in Mainland China.
(b) Investing in the mainland through companies in another country(all investors are Ritiboon International Limited)
(c) Others

Note 2: Calculated by equity according to investee's financial statement audited by CPA.

Note 3： The limit amount is 60% of the net value.

Note 4: Amounts are listed in New Taiwan Dollars.

Note 5: The difference between the paid-in capital and the amount export from Taiwan is that Hocheng (China) Corporation had the capital increase from retained earning of USD 2,000 thousand in 2009.

Note 6: The difference between the paid-in capital and the amount export from Taiwan is that Ritiboon International Limited directly invested in Hocheng Group Holding Corp.; therefore, invested in UPEX with USD 800 thousand indirectly.

Note 7: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2020, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Major Shareholder's Name / **Shareholding**	**Shares**	**Percentage**
Dorkay Investment Company Ltd.	21,929,421	5.92%

Information about the substantial shareholders of this form is provided by the General Insurance Company on the last business day of December 2020. The total number of ordinary shares and special shares in which the calculation of shareholders' holding company has completed the unincorporated delivery (including treasury shares) is more than 5%. As to the number of shares recorded in the Company's financial reports that are not physically registered as delivered by the Company, the basis of the calculation may vary.

(Continued)

(14) Segment information:

(a) General information

The Group has four reportable departments: Taiwan business department, investment department, China business department, and Philippine business department. The Taiwan business department is engaged in the manufacture and sale of domestic equipment such as bathtubs, toilets, kitchen equipment, and copper pipe equipment. The investment department is engaged in investment in production, securities, construction, tourism and trading. The China business department is engaged in the production of sanitary ware, metal, plastic accessories, and other building and decorative ceramics in China. The Philippine business department is engaged in producing and selling products such as plumbing products in the Philippines.

The Group's reported segments consist of strategic business units which provide essentially different products and services. They offer different products and services, and are managed separately because they require different technological and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.
Other operating segments of the Group are primarily engaged in the business of land leasing and trading in overseas. For the years ended December 31, 2020 and 2019, the above departments did not meet the quantitative thresholds.

(b) Information about reportable segments and their measurement and reconciliations

The reportable amount is the same as the report used by the chief operating decision maker. All of the Group's operating department's accounting policies are no material difference from the ones described in note 2 "Significant accounting policies". Reportable segment profit or loss is based on operating profit or loss before taxation, and as the base of performance evaluation.
The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

The operating segment accounting policies are similar to the ones described in note 4 "Significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third party transactions. They are measured at market price.

The Group's operating segment information and the reconciliations were as follows:

For the year ended December 31, 2020	Taiwan Division	Investment department	Philippine Division	China Division	Other departments	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	$ 3,976,612	-	646,754	467,790	11,051	-	5,102,207
Intersegment sales	315,647	-	7,172	52,948	19,506	(395,273)	-
Total revenue	**$ 4,292,259**	**-**	**653,926**	**520,738**	**30,557**	**(395,273)**	**5,102,207**
Interest expense	$ 43,369	3	14,912	22,750	289	(8,009)	73,314
Depreciation and amortization	202,240	1,393	57,417	43,104	1,463	(51,225)	254,392
Share of profit (loss) of subsidiaries, associates, and joint ventures under the equity method	(171,772)	4,106	-	12,662	(368,439)	524,096	653
Reportable segment profit or loss	**$ 94,862**	**15,758**	**25,745**	**(202,652)**	**(354,213)**	**549,718**	**129,218**

For the year ended December 31, 2019	Taiwan Division	Investment department	Philippine Division	China Division	Other departments	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	$ 3,841,462	-	986,572	648,068	50,150	-	5,526,252
Intersegment sales	315,655	-	30,585	103,157	24,736	(474,133)	-
Total revenue	**$ 4,157,117**	**-**	**1,017,157**	**751,225**	**74,886**	**(474,133)**	**5,526,252**
Interest expense	$ 50,808	4	15,964	16,400	982	(4,331)	79,827
Depreciation and amortization	205,645	1,419	62,357	42,253	1,576	(53,022)	260,228
Share of profit (loss) of subsidiaries, associates, and joint ventures under the equity method	(93,619)	3,837	-	-	(153,192)	243,501	527
Reportable segment profit or loss	**$ 9,409**	**17,102**	**93,343**	**(148,807)**	**(137,498)**	**256,149**	**89,698**

(c) Geographic information

In presenting the 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.

Geographical information	For the years ended December 31 2020	2019
Revenue from the external customers:		
Taiwan	$ 3,976,612	3,841,462
China	478,841	698,218
Philippine	646,754	986,572
Total	**$ 5,102,207**	**5,526,252**

Geographical information		December 31, 2020	December 31, 2019
Non-current assets:			
Taiwan	$	3,724,985	4,143,244
China		480,022	498,356
Philippine		350,419	405,409
Total	**$**	**4,555,426**	**5,047,009**

Non current assets include property, plant and equipment, Right of use assets, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, and other financial assets.

(d) Major customers

For the years ended December 31, 2020 and 2019, the revenue from each customer does not exceed 10% of the Group's revenue.

6.5. The parent company only financial report and independent' auditor's report of the year.

Independent Auditors' Report

To the Board of Directors of Hocheng Corporation:

Opinion

We have audited the financial statements of Hocheng Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, 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 Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, 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. Valuation of inventories

   Refer to note 4(g) and note 5(a) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information of estimation of the valuation of inventory are disclosed in note 6(e) of the financial statements.

   Description of key audit matter:

   Inventories are measured at the lower of cost or net realizable value at the reporting date. Hocheng Corporation is mainly sold to consumers through distributors and big-box stores. The Company faces competition from its competitors with homogeneous products and low-price strategies. The risk of inventory costing might exceed its net realizable value because of obsolete products or inconsistent with consumers' preferences.

How the matter was addressed in our audit:

Our and other audit procedures for the above key audit matters included understanding of the accounting policies that the Company recognized the impairment of inventories; inspecting whether the inventory valuation is recognized according to Company's inventory policies, including sampling procedures and testing and calculating the relevant documents; evaluating the adequacy of the Company's disclosures of provision to write down slow-moving or obsolete inventories.

2. Assessment of investment under the equity method

Regarding the accounting policies for the investment assessment under the equity method, refer to note 4(h) and (i) to the Parent Company Only Financial Statements; for the shareholding in the profit of the affiliated companies and joint ventures under the equity method, please see note 6(f) to the Parent Company Only Financial Statements.

Description of the key audit matter:

The recognized investment amount under the equity method totaled $3,604,151 thousand, occupying 41% of Hocheng Company's total assets. Therefore, the investment under the equity method is listed as a matter we need to highly focus on when auditing.

How the matter was addressed in our audit:

The audit process we perform for the above key audit matter includes: provide audit instructions to and communicate with the audit staff of other component entities; acquire the financial statements of the component entities, perform a check calculation for the correctness of the recognized investment amount under the equity method and attributable period, and assess whether the management has properly disclosed the investment under the equity method.

Other Matter

In the Company's financial statements, we did not audit the financial statements of certain companies which are assessed under the equity method. Those financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to those companies, is based solely on the reports of the other auditors. The financial statements of those certain companies reflect total assets constituting 8% and 10% of total assets at December 31, 2020 and 2019, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting (180)% and (236)% of total profit before tax for the years then ended, respectively.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 determine that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 auditor's 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 Hsiao-Ling Chiang and Chung-Yi Chiang.

KPMG

Taipei, Taiwan (Republic of China)
March 29, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its 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)

HOCHENG CORPORATION

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 420,388	5	240,909	3
1151	Notes receivable (note6(c)and 7)	320,934	4	294,987	3
1170	Accounts receivable, net (notes 6(c) and 7)	587,264	7	695,320	8
1200	Other receivables, net (notes 6(d) and 7)	5,839	-	4,554	-
1210	Other receivables－related parties (notes 6(d) and 7)	24,450	-	25,204	-
130X	Inventories, net (notes 6(e) and 7)	1,010,879	11	1,193,035	13
1470	Other current assets	101,646	1	98,161	1
		2,471,400	28	2,552,170	28
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	723,222	8	619,868	7
1550	Investments accounted for using equity method, net (note 6(f))	3,604,151	41	3,778,180	42
1600	Property, plant and equipment (note 6(g) and 8)	1,216,013	14	1,233,299	14
1755	Right-of-use assets (note 6(h))	274,118	3	332,085	4
1760	Investment property, net(note 6(i)and 7)	439,789	5	445,493	5
1780	Intangible assets (note 6(j))	27,951	-	32,618	-
1840	Deferred tax assets (note 6(r))	28,671	-	36,190	-
1920	Refundable deposits paid (note 8)	64,071	1	34,376	-
1990	Other non-current assets, others (note 8)	16,067	-	21,091	-
		6,394,053	72	6,533,200	72
	Total assets	**$ 8,865,453**	**100**	**9,085,370**	**100**

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(k))	$ 1,043,210	12	1,005,252	11
2110	Short-term notes and bills payable (notes 6(l))	115,000	1	295,000	3
2150	Notes payable	20,540	-	132,587	1
2160	Notes payable to related parties (note 7)	41,059	-	88,579	1
2171	Accounts payable	185,825	2	125,311	1
2180	Accounts payable to related parties (note 7)	55,739	1	40,454	-
2200	Other payables	227,806	3	209,359	2
2220	Other payables to related parties (note 7)	53,708	1	44,022	1
2250	Current provisions (note 6(o))	19,113	-	30,244	-
2280	Current lease liabilities (note 6(n))	54,176	1	53,959	1
2300	Other current liabilities	72,683	1	52,771	1
2320	Long-term liabilities, current portion (note 6(m))	181,055	2	202,490	2
		2,069,914	24	2,280,028	24
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(m))	612,149	7	793,225	9
2570	Deferred tax liabilities (note 6(r))	14,389	-	14,389	-
2580	Non-current lease liabilities (note 6(n))	224,586	3	280,903	3
2640	Net defined benefit liability, non-current (note 6(q))	37,894	-	61,397	1
2645	Guarantee deposits	18,235	-	18,555	-
		907,253	10	1,168,469	13
	Total liabilities	2,977,167	34	3,448,497	37
	Equity (note 6(s)):				
3100	Share capital	3,698,536	41	3,698,536	41
3200	Capital surplus	13,293	-	13,079	-
3300	Retained earnings	1,759,275	20	1,627,397	18
3400	Other equity interest	433,764	5	314,443	4
3500	Treasury shares	(16,582)	-	(16,582)	-
	Total equity	5,888,286	66	5,636,873	63
	Total liabilities and equity	**$ 8,865,453**	**100**	**9,085,370**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(u))**	$ 3,548,446	100	3,444,399	100
5000	**Operating costs (note 6(e))**	2,543,923	72	2,552,129	74
5900	**Gross profit from operations before adjustment**	1,004,523	28	892,270	26
5910	Less: Unrealized profit (loss) from sales	5,034	-	4,453	-
5920	Add: Realized profit (loss) on from sales	4,453	-	7,905	-
5950	**Gross profit from operations**	1,003,942	28	895,722	26
	Operating expenses:				
6100	Selling expenses	491,048	14	501,194	15
6200	Administrative expenses	152,717	4	153,006	4
6300	Research and development expenses	111,633	3	114,695	3
6450	Expected credit impairment loss	2,150	-	1,511	-
6300	**Total operating expenses**	757,548	21	770,406	22
6900	**Operating profit**	246,394	7	125,316	4
	Non-operating income and expenses:				
7100	Interest income (note 6(w))	378	-	824	-
7010	Other income (note 6(w) and 7)	89,097	2	93,919	3
7020	Other gains and losses, net (note 6(w))	(7,977)	-	(14,964)	-
7050	Finance costs (note 6(w))	(35,298)	(1)	(42,465)	(2)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(f))	(172,815)	(5)	(94,645)	(3)
	Total non-operating income and expenses	(126,615)	(4)	(57,331)	(2)
7900	**Profit before income tax**	119,779	3	67,985	2
7950	**Less: Income tax expenses (note 6(r))**	32,986	1	20,069	1
	Profit	86,793	2	47,916	1
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit	(2,224)	-	19,747	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	149,479	4	124,458	4
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	34,229	1	72,761	2
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,260)	-	(774)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	183,744	5	217,740	6
8360	**Components of other comprehensive income (loss)that will not be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(19,338)	-	(16,857)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(19,338)	-	(16,857)	-
8300	**Other comprehensive income (after tax)**	164,406	5	200,883	6
8500	**Total comprehensive income for the period**	**$ 251,199**	**7**	**248,799**	**7**
	Earnings per share (note 6(t))				
9750	**Basic earnings per share (NT dollars)**	**$**	**0.24**		**0.13**
9850	**Diluted earnings per share(NT dollars)**	**$**	**0.24**		**0.13**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other Equity Items			
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
Balance at January 1, 2019	$ 3,698,536	13,079	843,052	458,116	344,823	46,359	74,662	(16,582)	5,462,045
Profit for the year ended December 31, 2019	-	-	-	-	47,916	-	-	-	47,916
Other comprehensive income, net of tax	-	-	-	-	6,401	(16,857)	211,339	-	200,883
Total comprehensive income for the period	-	-	-	-	54,317	(16,857)	211,339	-	248,799
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	1,060	-	(1,060)	-	-
Balance at December 31, 2019	3,698,536	13,079	843,052	458,116	326,229	29,502	284,941	(16,582)	5,636,873
Profit for the year ended December 31, 2020	-	-	-	-	86,793	-	-	-	86,793
Other comprehensive income, net of tax	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406
Comprehensive income for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199
Legal reserve	-	-	4,792	-	(4,792)	-	-	-	-
Change in other capital surplus	-	214	-	-	-	-	-	-	214
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	49,998	-	(49,998)	-	-
Balance at December 31, 2020	**$ 3,698,536**	**13,293**	**847,844**	**458,116**	**453,315**	**10,164**	**423,600**	**(16,582)**	**5,888,286**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Profit before income tax	$ 119,779	67,985
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	152,793	154,866
Amortization expense	5,375	5,409
Expected credit loss	2,150	1,511
Interest expense	35,298	42,465
Interest income	(378)	(824)
Dividend income	(36,651)	(26,171)
Share of profit (loss) of associates and joint ventures under the equity method	172,815	94,645
Gains on disposal of property, plant and equipment	(688)	(726)
Loss (gain) on disposal of investment properties	(24)	(52)
Unrealized gain (loss) from inter-affiliate accounts	581	(3,452)
Reversal of allowance for sales discounts	(11,131)	(7,851)
Total adjustments to reconcile profit (loss)	320,140	259,820
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(25,947)	194,725
Trade receivable, net	105,906	(8,540)
Other receivable	(531)	1,818
Inventories	182,156	(58,804)
Other current assets	(3,485)	(22,316)
Total changes in operating assets	258,099	106,883
Changes in operating liabilities:		
Notes payable	(159,567)	(38,131)
Accounts payable	75,799	(35,415)
Other payable	29,376	(15,298)
Other current liabilities	7,066	808
Decrease in net defined benefit liability	(25,727)	(27,968)
Total changes in operating liabilities	(73,053)	(116,004)
Total changes in operating assets and liabilities	185,046	(9,121)
Total adjustments	505,186	250,699
Cash inflows generated from operations	624,965	318,684
Interest received	378	824
Dividends received	53,990	41,934
Interest paid	(31,169)	(42,465)
Income taxes paid	(12,176)	(26,149)
Net cash flows from operating activities	635,988	292,828

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(29,124)	(14,237)
Proceeds from disposal of financial assets at fair value through other comprehensive income	75,250	21,415
Acquisition of property, plant and equipment	(74,792)	(111,038)
Proceeds from disposal of property, plant and equipment	930	990
Increase in refundable deposits	(29,695)	(25,732)
Acquisition of intangible assets	(708)	(1,163)
Decrease in other non-current assets	4,317	1,004
Net cash flows used in investing activities	(53,822)	(128,761)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	37,958	(305,910)
(Decrease) increase in short-term notes and bills payable	(180,000)	130,000
Increase in long-term borrowings	-	235,715
Repayments of long-term borrowings	(202,511)	(100,000)
Payments of lease liabilities	(320)	500
Other non-current liabilities	(57,814)	(54,469)
Cash dividends paid	-	(73,971)
Net cash flows used in financing activities	(402,687)	(168,135)
Net increase (decrease) in cash and cash equivalents	179,479	(4,068)
Cash and cash equivalents at beginning of period	240,909	244,977
Cash and cash equivalents at end of period	**$ 420,388**	**240,909**

See accompanying notes to parent company only financial statements.

(1) Company history

Hocheng Corporation (the "Company") was incorporated in 1961 under the approval of Ministry of Economic Affair, Republic of China ("ROC"). The address of its registered office is 1F, No.398, Xingshan Rd., Neihu Dist., Taipei City 114, Taiwan. The Company's main business activities are residential equipment such as bathtubs, toilets, kitchen equipment, manufacture, sale and purchase of copper pipe equipment and construction of national housing.

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

The accompanying financial statements were authorized for issue by the Board of Directors on March 23,2021.

(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. ("FSC") 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, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform －Phase 2"

(Continued)

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"	The amendments clarify that the 'costs of fulfilling a contract' comprises the costs that relate directly to the contract as follows: ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

● Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
● IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
● Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
● Annual Improvements to IFRS Standards 2018-2020
● Amendments to IFRS 3 "Reference to the Conceptual Framework"
● Amendments to IAS 1 "Disclosure of Accounting Policies"
● Amendments to IAS 8 "Definition of Accounting Estimates"

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These 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

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities (assets) are recognized as the fair value of the plan assets less the present value of the defined obligation, which is limited as explained in Note 4(q).

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ("the reporting date"), 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 comprehensive income;

(Continued)

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

3) qualifying cash flow hedges to the extent the hedge 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, joint control, or significant influence 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 any 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 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 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.

(i) It is expected to be settled in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(Continued)

(iii) It is due to be settled within twelve months after the reporting date; or

(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 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 is 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. Time deposits with maturities within a year or less 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 assets

Trade receivables 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 an accounts 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 and FVTPL. 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.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. 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.

(Continued)

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 initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) 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, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

(Continued)

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.

Lifetime ECL are the ECL 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-month 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 ECLs is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

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 365 days past due.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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. ECL 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 and debt securities at FVOCI 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. An 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 365 days past due;

(Continued)

- 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 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. 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 amount due.

4) 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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is 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 or FVTPL.

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.

(Continued)

4) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

5) 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.

6) 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 offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the 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 represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or join 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 identified on acquisition, net of any accumulated impairment losses.

(Continued)

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Company's shareholding percentage in the associate, the Company recognizes equity changes attributable to the Company by its shareholding percentage as capital surplus.

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 exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of its associates.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under the equity method in the financial statements. Under the equity method, the net income, other comprehensive income and equity in the financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries, but not result in the loss of control, are recognized as equity transaction.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

(k) 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 the 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 the current and comparative years are as follows:

1)	Land Improvements:	5~15 years
2)	Buildings:	5~50 years
3)	Machinery and equipment:	2~20 years
4)	Transportation equipment:	4~8 years
5)	Office equipment:	3~15 years
6)	Other equipment:	2~35 years

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

(l) Leases

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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.

(Continued)

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 subsequently 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 of lease period 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 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 the difference in profit or loss for 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 balance sheets.

(Continued)

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of computer equipment and other equipment that have a lease term of 12 months or less and leases of low-value assets. 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, 2021; 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.

(iii) 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 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.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-ease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(m) 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.

(Continued)

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 the 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 that are acquired by the Company and have the 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 expenditures, 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, from the date that they are available for use.

The estimated useful lives of current and comparative years are as follows:

Computer software cost	2~15 years

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

(n) Impairment of non-derivative 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.

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 from other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to cash-generating units (“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.

(Continued)

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.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Revenue recognition

(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 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.

The Company's obligation to provide a refund for faulty goods under the standard warranty terms is recognized as provision for warranty.

A receivable is recognized when the goods are delivered as this point in time that the Company has a right to an amount of consideration that is unconditional.

2) Lease income

The rental income arising from investment property is recognized in accordance with the straight-line method over the lease period; also, the given lease incentives is deemed as part of the overall rent income and it is credited to the rent income in accordance with the straight-line method over the lease period. The revenues generated from the sub-lease of the property are recognized as non-operating income and expenses under lease income.

(Continued)

3) 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.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(ii) Defined benefit plans

The Company's net obligation in respect of the 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 benefit obligations 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.

(Continued)

(r) Income tax

Income taxes comprise both 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 shall be 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 reflects uncertainty related to income taxes, if any. 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 for financial reporting purposes 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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(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.

Deferred tax asset is 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

(Continued)

(s) Earnings per share

The Company disclose the Company’ s basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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 dilutive potential ordinary shares, such as employee compensation.

(t) Operating segments

The Company had department information disclosed in the consolidated financial statements; therefore, the department information was not disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these 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 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. 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 judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements causes no significant effects.

Information about assumptions or estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid technological changes, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the valuation of inventories.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and petty cash	$ 3,655	3,721
Checking account deposits	1,746	1,713
Demand deposits	414,987	235,475
Cash and cash equivalents in the statement of cash flows	**$ 420,388**	**240,909**

Please refer to note 6(x) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Listed common shares	$ 650,518	553,068
Unlisted common shares	72,704	66,800
Total	**$ 723,222**	**619,868**

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

During the years ended December 31, 2020 and 2019, the dividends of $36,651 thousand and $26,171 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the year ended, were recognized.

Due to changes of investment strategy in 2020 and 2019, the Company has sold its financial assets at fair value through other comprehensive income. The financial assets had sold a fair value of $57,899 thousand and $21,415 thousand and the Company realized a gain of $34,898 thousand and $(6,404) thousand, respectively, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(ii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(x).

(iii) As of December 31, 2020 and 2019, the financial assets were not pledged as collateral.

(Continued)

(c) Notes and accounts receivables

	December 31, 2020	December 31, 2019
Notes receivable- from operating activities	$ 320,934	294,987
Accounts receivable– measured as amortized cost	590,779	698,835
Less: Loss allowance	(3,515)	(3,515)
	$ 908,198	**990,307**

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, notes and accounts receivables 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 provisions in Taiwan and other countries were determined as follows:

	December 31, 2020		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 904,335	0%~0.09%	845
31 to 120 days past due	2,004	0%~14.45%	290
121 to 365 days past due	2,508	0%~17.64%	442
More than one year past due	2,417	0%~61.61%	1,489
	449	0%~100%	449
	$ 911,713		**3,515**

	December 31, 2019		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 965,228	0%~0.03%	252
1 to 30 days past due	8,029	0%~5%	376
31 to 120 days past due	18,611	0%~5%	968
121 to 365 days past due	43	0%~19%	8
More than one year past due	1,911	100%	1,911
	$ 993,822		**3,515**

(Continued)

The movements in the allowance for notes and accounts receivables were as follows:

	For the years ended December 31	
	2020	2019
Balance at January 1	$ 3,515	4,743
Impairment losses recognized	2,510	1,511
Amounts written off	(2,510)	(2,739)
Balance at December 31	**$ 3,515**	**3,515**

(d) Other receivables

	December 31, 2020	December 31, 2019
Other	$ 37,376	36,845
Less: Loss allowance	(7,087)	(7,087)
	$ 30,289	**29,758**

(e) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 138,429	154,732
Supplies	8,383	8,673
Work in progress	109,164	146,629
Finished goods	504,012	571,620
Merchandise	236,436	294,856
In-transit inventory	14,455	16,525
	$ 1,010,879	**1,193,035**

For the years ended December 31, 2020 and 2019, the cost of goods sold and expenses amounted to $2,543,923 thousand and $2,552,129 thousand, respectively.

As of December 31, 2020 and 2019, none of the Company's inventories was pledged as collateral.

(Continued)

(f) Investments accounted for using the equity method

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2020	December 31, 2019
Subsidiary	$ 3,604,151	3,778,180

Please refer to the 2020 consolidated financial report.

Affiliates

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	For the years ended December 31	
	2020	2019
Attributable to the Company:		
Loss from continuing operation	$ (1,251)	(1,309)

As of December 31 2020 and 2019, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(g) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Facilities	Other equipment	Total
Costs:								
Balance at January 1, 2020	$ 673,416	20,637	279,878	1,575,430	72,408	150,727	686,383	3,458,879
Additions	9,133	-	1,358	35,967	4,723	1,650	21,896	74,727
Disposal	-	-	-	(42,227)	(1,727)	(1,432)	(1,108)	(46,494)
Balance at December 31, 2020	$ 682,549	20,637	281,236	1,569,170	75,404	150,945	707,171	3,487,112
Balance at January 1, 2019	$ 628,494	20,637	274,673	1,569,785	71,725	148,861	671,055	3,385,230
Additions	44,922	-	5,205	20,198	2,840	2,011	25,363	100,539
Disposal	-	-	-	(14,553)	(2,157)	(145)	(10,035)	(26,890)
Balance at December 31, 2019	$ 673,416	20,637	279,878	1,575,430	72,408	150,727	686,383	3,458,879
Depreciation:								
Balance at January 1, 2020	$ -	16,394	122,291	1,393,646	52,036	118,386	522,827	2,225,580
Balance on January 1, 2020	-	1,072	8,196	34,395	6,117	7,946	34,045	91,771
處　分	-	-	-	(42,206)	(1,657)	(1,432)	(957)	(46,252)
Balance at December 31, 2020	$ -	17,466	130,487	1,385,835	56,496	124,900	555,915	2,271,099
Balance at January 1, 2019	$ -	15,244	114,550	1,375,298	47,451	109,629	498,201	2,160,373
Additions	-	1,150	7,741	32,901	6,742	8,902	34,397	91,833
Disposal	-	-	-	(14,553)	(2,157)	(145)	(9,771)	(26,626)
Balance at December 31, 2019	$ -	16,394	122,291	1,393,646	52,036	118,386	522,827	2,225,580

(Continued)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Facilities	Other equipment	Total
Carrying amount:								
Balance at December 31, 2020	$ 682,549	3,171	150,749	183,335	18,908	26,045	151,256	1,216,013
Balance at January 1, 2019	$ 628,494	5,393	160,123	194,487	24,274	39,232	172,854	1,224,857
Balance at December 31, 2019	$ 673,416	4,243	157,587	181,784	20,372	32,341	163,556	1,233,299

As of December 31, 2020 and 2019, the Company's real estate of Yingge factory and office amounted to $96,195 thousand and $96,701 thousand, respectively. The real estate has not yet transferred the account in the name of the Company because it is the agricultural land. For the years ended December 31, 2020 and 2019, the real estate had temporarily registered under Chiu Li Chien and Chiu Hong Yu with trust. The Company signed a deed of real estate trust with the registrants, setting out their rights obligations and having pledged their trust assets to the Company.

As of December 31, 2020 and 2019, the property, plant and equipment of the Company had been pledged as collateral for long-term and short-term loans and line of credit; please refer to note 8.

(h) Right-of-use assets

The Company leases assets including land, buildings, machinery, and transportation equipment. Information about leases for which the Company as a lessee is presented below:

	Land	Buildings	Vehicles	Others	Total
Cost:					
Balance at January 1, 2020	$ 1,011	376,404	2,063	8,468	387,946
Additions	-	90	-	-	90
Disposal	-	-	-	(3,595)	(3,595)
Balance at December 31, 2020	**$ 1,011**	**376,494**	**2,063**	**4,873**	**384,441**
Balance at January 1, 2019	$ 833	351,332	-	4,675	356,840
Additions	178	35,418	2,063	3,793	41,452
Disposal	-	(10,346)	-	-	(10,346)
Balance at December 31, 2019	**$ 1,011**	**376,404**	**2,063**	**8,468**	**387,946**
Depreciation：					
Balance at January 1, 2020	$ 169	53,709	688	1,295	55,861
Depreciation for the year	169	53,719	688	742	55,318
Disposal	-	-	-	(856)	(856)
Balance at December 31, 2020	**$ 338**	**107,428**	**1,376**	**1,181**	**110,323**
Balance at January 1, 2019	$ -	-	-	-	-
Depreciation for the year	169	55,146	688	1,295	57,298
Disposal	-	(1,437)	-	-	(1,437)
Balance at December 31, 2019	**$ 169**	**53,709**	**688**	**1,295**	**55,861**
Carrying amount:					
Balance at December 31, 2020	**$ 673**	**269,066**	**687**	**3,692**	**274,118**
Balance at December 31, 2019	**$ 842**	**322,695**	**1,375**	**7,173**	**332,085**
Balance at January 1, 2019	**$ 833**	**351,332**	**-**	**4,675**	**356,840**

(Continued)

The Company leases offices, warehouses, transportation equipment and other equipment under operating leases, please refer to note 6(p)

(i) Investment property

	Land and improvements	Buildings	Total
Cost:			
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 408,284**	**258,550**	**666,834**
Balance at December 31, 2019 (Same as Balance on January 1)	**$ 408,284**	**258,550**	**666,834**
Depreciation:			
Balance at January 1, 2020	$ -	221,341	221,341
Depreciation for the year	-	5,704	5,704
Balance at December 31, 2020	**$ -**	**227,045**	**227,045**
Balance at January 1, 2019	$ -	215,606	215,606
Depreciation for the year	-	5,735	5,735
Balance at December 31, 2019	**$ -**	**221,341**	**221,341**
Carrying amounts:			
Balance at December 31, 2020	**$ 408,284**	**31,505**	**439,789**
Balance at January 1, 2019	**$ 408,284**	**42,944**	**451,228**
Balance at December 31, 2019	**$ 408,284**	**37,209**	**445,493**
Fair value:			
Balance at December 31, 2020			**$ 991,056**
Balance at December 31, 2019			**$ 1,081,587**

Investment properties comprise a number of commercial properties that are leased to third parties. Please refer to note 6(p) for other related information (including rental income and direct operating expenses).

The fair value of investment property as disclosed in the financial statements is based on the valuation of the market value.

As of December 31, 2020 and 2019, the investment property of the Company had been pledged as collateral for long-term and short-term borrowings and line of credit; please refer to note 8.

(Continued)

(j) Intangible assets

		Software
Cost:		
Balance at January 1, 2020	$	68,988
Additions		708
Balance at January 1, 2020	**$**	**69,696**
Balance at January 1, 2019	$	67,825
Additions		1,163
Balance at December 31, 2019	**$**	**68,988**
Accumulated amortization		
Balance at January 1, 2020	$	36,370
Amortization for the year		5,375
Balance at January 1, 2020	**$**	**41,745**
Balance at January 1, 2019	$	30,961
Amortization for the year		5,409
Balance at December 31, 2019	**$**	**36,370**
Carrying value		
Balance at January 1, 2020	**$**	**27,951**
Balance at January 1, 2019	**$**	**36,864**
Balance at January 1, 2019	**$**	**32,618**

(i) Amortization

The amortization of intangible assets is included in the statement of comprehensive income:

	For the years ended December 31	
	2020	**2019**
Cost of sales	**$ 122**	**43**
Operating expenses	**$ 5,253**	**5,366**

(ii) pledge

As of December 31, 2020, and 2019, none of the Company's intangible assets was pledged as collateral.

(Continued)

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Unsecured letters of credit	$ 3,210	15,252
Unsecured bank loans	690,000	680,000
Secured bank loans	350,000	310,000
Total	**$ 1,043,210**	**1,005,252**
Unused short-term credit lines	**$ 946,790**	**964,748**
Range of interest rates	**1.07%~1.38%**	**1.29%~4.11%**

For the collateral for short-term borrowings, please refer to note 8.

(l) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

	December 31, 2020		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.39%	**$ 115,000**

	December 31, 2019		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.43%~1.45%	**$ 295,000**

(m) Long-term borrowings

The details were as follows:

	December 31, 2020			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.38%	2021.06.25	$ 28,571
Secured bank loans	TWD	1.62%~1.65%	2024.10.19	764,633
				793,204
Less: Current portion				(181,055)
Unused long-term credit lines				**$ 612,149**
Unused long-term credit lines				**$ 256,796**

(Continued)

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.58%	2021.06.25	$ 85,715
Secured bank loans	TWD	1.70%~1.87%	2024.10.19	910,000
				995,715
Less: Current portion				(202,490)
Unused long-term credit lines				**$ 793,225**
Unused long-term credit lines				**$ 54,285**

For information on the Company's interest risk, foreign currency risk and liquidity risk, please refer to note 6(x). For the information of loan between related parties please refer to note 7.

For the collateral for long-term borrowings, please refer to note 8.

(n) Lease liabilities

The carrying amount of lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Current	**$ 54,176**	**53,959**
Non-current	**$ 224,586**	**280,903**

Please refer to Note 6(x) for the maturity analysis.

The amounts recognized in profit or loss was as follows:

	For the years ended December 31	
	2020	2019
Interest on lease liabilities	**$ 4,388**	**5,290**
Expenses relating to short-term leases	**$ 199**	**202**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 666**	**612**
COVID-19-related rent concessions (recognized as deduction of rent expenses)	**$ 32**	**-**

The amounts recognized in the statements of cash flows for the Company was as follows:

	For the years ended December 31	
	2020	2019
Total cash outflow for leases	**$ 63,035**	**60,573**

(Continued)

(i) Real estate leases

As of December 31, 2020 and 2019, the Company leases land and buildings for its office space and factories. The leases of office space typically run for 1 to 5 years.

(ii) Other leases

The Company leases machinery and equipment and other equipment, with lease terms of 2 to 5 years. These leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

	Allowance for provisions
Balance at January 1, 2020	$ 30,244
Provisions made during the year	6,725
Provisions used during the year	(13,373)
Provisions reversed during the year	(4,483)
Balance at December 31, 2020	**$ 19,113**
Balance at January 1, 2019	$ 38,095
Provisions made during the year	7,231
Provisions used during the year	(10,655)
Provisions reversed during the year	(4,427)
Balance at December 31, 2019	**$ 30,244**

The Company assesses allowances for provisions based on historical experience, management's judgment and other known reasons. Such allowances are recognized as a deduction of operating revenue in the same period in which sales are made.

(p) Operating lease

The Company leases out investment properties. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(k) for the regarding information on investment properties.

(Continued)

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	$ 7,952	13,351
1 to 5 years	12,339	15,550
More than 5 years	10,757	12,985
Total undiscounted lease payments	**$ 31,048**	**41,886**

For the years ended December 31, 2020 and 2019, the rental revenue from investment properties amounted to $3,866 thousand and $4,500 thousand, respectively.

(q) Employee Benefits

(i) Defined benefit plans

The reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	$ 726,203	739,942
Fair value of plan assets	(688,309)	(678,545)
Net defined benefit liabilities	**$ 37,894**	**61,397**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon 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.

1) Composition of plan

The Company set aside 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. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two year time deposits with the interest rates offered by local banks.

The Company's labor pension reserve account balance amounted to $688,309 thousand as of December 31, 2020. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2020 and 2019, the movements in the present value of the defined benefit obligations for the Company were as follows:

	For the years ended December 31	
	2020	2019
Defined benefit obligations at January 1	$ 739,942	792,849
Current service costs and interest cost	9,405	15,291
Remeasurement loss (gain):		
─Actuarial loss (gain) arising from demographic assumptions	-	39
─Experience adjustments	12,383	(17,841)
─Actuarial loss (gain) arising from financial assumptions	13,734	22,204
Past service credit	1,644	-
Benefits paid	(50,905)	(72,600)
Defined benefit obligations at December 31	**$ 726,203**	**739,942**

3) Movements in the fair value of the plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31	
	2020	2019
Fair value of plan assets at January 1	$ 678,545	683,737
Interest income	4,316	6,862
Remeasurement gain (loss):		
─Return on plan assets (excluding interest income)	23,893	24,149
Contributions paid by the employer	32,460	36,397
Benefits paid	(50,905)	(72,600)
Fair value of plan assets at December 31	**$ 688,309**	**678,545**

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31	
	2020	2019
Current service costs	$ 4,815	7,612
Past service costs	1,643	-
Net interest of net liabilities for defined benefit obligations	275	817
	$ 6,733	**8,429**
Operating costs	$ 3,238	4,099
Selling expenses	2,107	2,595
Administrative expenses	670	823
Research and development expenses	718	912
	$ 6,733	**8,429**

5) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.375%	0.625%
Future salary increase rate	1.000%	1.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is $35,000 thousand.

The weighted average lifetime of the defined benefits plans is 7.6 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for December 31, 2020 and 2019 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	$ (13,734)	14,130
Future salary increase rate	13,786	(13,469)

(Continued)

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(14,914)	15,362
Future salary increase rate	15,019	(14,652)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the 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.

Based on their respective local government regulations, the cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to $19,683 thousand and $20,203 thousand, respectively.

(r) Income Taxes

(i) Income tax expenses:

The components of income tax expense for 2020 and 2019 were as follows:

	For the years ended December 31	
	2020	2019
Current tax expense:		
Current period	$ 25,336	4,368
Adjustment for prior years	(314)	8,846
	25,022	13,214
Deferred tax expense:		
Origination and reversal of temporary differences	7,964	6,855
Income tax expenses from continuing operations	**$ 32,986**	**20,069**

(Continued)

The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	For the years ended December 31	
	2020	2019
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	$ 2,346	774

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows.

	For the years ended December 31	
	2020	2019
Profit excluding income tax	$ 119,779	67,985
Income tax using the Company's domestic tax rate	$ 23,956	13,597
Not attributable to temporary difference	(275)	7,600
Tax incentives	(4,329)	(789)
Change in unrecognized temporary differences	34,236	13,888
Change in provision in prior periods	(23,131)	(14,227)
Additional tax on undistributed earnings	2,529	-
Total	$ 32,986	20,069

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2020 and 2019, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	December 31, 2020	December 31, 2019
Aggregate amount of temporary differences related to investments in subsidiaries	$ 4,940	8,701

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 12,158	12,158
Aggregate amount of temporary differences related to investments in subsidiaries	287,684	253,347
	$ 299,842	265,505

(Continued)

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	unrealized revaluation increments	Others	Total
Deferred tax liabilities:			
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 13,868**	**521**	**14,389**
Balance at December 31, 2019 (Same as Balance on January 1)	**$ 13,868**	**521**	**14,389**

	Defined Benefit Plans	Others	Total
Deferred Tax Assets:			
Balance at January 1, 2020	$ 12,282	23,908	36,190
(Debit) credit on income statement	(5,145)	(2,819)	(7,964)
(Debit) credit on other comprehensive income	445	-	445
Balance at December 31, 2020	**$ 7,582**	**21,089**	**28,671**
Balance at January 1, 2019	$ 21,826	25,169	46,995
(Debit) credit on income statement	(5,594)	(1,261)	(6,855)
(Debit) credit on other comprehensive income	(3,950)	-	(3,950)
Balance at December 31, 2019	**$ 12,282**	**23,908**	**36,190**

(iii) Assessment of tax

The Company's income tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(s) Capital and other equity

As of December 31, 2020 and 2019, the number of authorized shares both were 570,000 thousand shares with par value of $10 per share. The total value of authorized shares both amounted to $5,700,000 thousand. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares, and the issued shares were 369,854 thousand shares. All issued shares were paid up upon issuance.

(Continued)

The reconciliation of shares outstanding for the years ended December 31, 2020 and 2019, is as follows:

(in thousands of shares)

	Ordinary Shares	
	For the years ended December 31	
	2020	2019
Balance on December 31 (same as Balance on January 1)	369,854	369,854

(i) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Treasury share transactions	$ 11,714	11,500
Changes in net equity of subsidiaries are recognized by equity method	304	304
Premium from merger	1,275	1,275
	$ 13,293	13,079

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 ordinary shares 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.

(ii) Retained earnings

The Company is into the traditional industry. The life cycle of the Company is in the growing stage. To consider the need of the Company for the future capital, long-term financial planning, and the need for cash inflow for shareholders, the distribution of the Company's earnings shall consider the net earnings of the current year at the priority, and 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve is likewise appropriated. A special reserve is contributed based on the Company's actual needs. The remainder, according to the stockholders' dividend distribution plan, is initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Board of Directors proposed the distribution of the shareholders' dividend and approved it at the shareholders' meeting, depending on the Company's operating conditions and funding requirements. The net earnings may first be distributed by way of the cash dividend. The distribution ratio for cash dividends should not be less than 10% of the total dividend distribution while distributed together by cash dividend and stock dividend.

When the accumulated legal capital reserve has equaled the Company's total capital, pursuant to a resolution by a shareholders' meeting, the Company discontinued contribution.

(Continued)

According to the R.O.C. Company Act, the Company shall distribute the legal reserve and capital reserve as stock and cash dividends. The Board of Directors proposed the distribution and approved it at the shareholders' meeting.

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

When first applying the IFRS approved by the FSC, the Company chose to adopt the exemption in IFRS1 "First-time adoption of International Financial Reporting Standards". The unrealized revaluation increment under the shareholder's equity increased $658,175 thousand in retained earnings by following the rule. Pursuant to the regulations of Financial Supervisory Commission No.1010012865 issued on April 6, 2012, a same amount of special reserves should be stated. When the relevant assets are used, disposed, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. As of December 31, 2020 and 2019, the carrying amount of special reserve both amounted to $458,116 thousand.

3) Earnings distribution

The Company's shareholders meeting resolved appropriation of earnings of 2018 on June 28, 2019. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31, 2018	
	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	$ 0.20	**73,971**

On June 29, 2020, the Company's Board of Directors resolved not to appropriate the 2019 earnings.

(iii) Treasury shares

The details of the Company's share held by the subsidiaries are as follows:

Between Holder	Share (Thousands of shares)	Account	December 31, 2020		December 31, 2019	
			Costs	Market price	Costs	Market price
Hostan Corporation	1,191	Current financial assets at fair value through profit or loss	$ 10,823	12,143	10,823	9,905
Hohong Co., Ltd.	543	Non-current financial assets at fair value through other comprehensive income	5,759	5,541	5,759	4,520

(Continued)

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	$ 29,502	284,941
Exchange differences on foreign operations	(19,338)	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	-	149,479
Disposal of equity investments measured at fair value through other comprehensive income	-	(49,998)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using the equity method	-	39,178
Balance at December 31, 2020	**$ 10,164**	**423,600**
Balance at January 1, 2019	$ 46,359	74,662
Exchange differences on translation of net assets of foreign operations	(16,857)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	124,458
Disposal of equity investments at fair value through other comprehensive income	-	(1,060)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using the equity method	-	86,881
Balance at December 31, 2019	**$ 29,502**	**284,941**

(Continued)

(t) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2020	2019
Profit attributable to ordinary shareholders of the Company	$ 86,793	47,916

2) Weighted average number of ordinary shares (shares in thousands)

	For the years ended December 31	
	2020	2019
Issued ordinary shares at January 1	368,120	369,854
Effect of treasury shares held	(1,734)	(1,734)
Weighted average number of ordinary shares at December 31	366,386	368,120

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	$ 86,793	47,916

2) Weighted average number of ordinary shares (diluted)

	For the years ended December 31	
	2020	2019
Weighted average number of ordinary shares (basic)	368,120	368,120
Effect of employee share bonus	770	539
Weighted average number of ordinary shares (diluted) at December 31	368,890	368,659

(iii) Earnings per share

	For the years ended December 31	
	2020	2019
Basic earnings per share	$ 0.24	0.13
Diluted earnings per share	$ 0.24	0.13

(Continued)

(u) Revenue from contracts with customers

(i) Details of revenue

	For the years ended December 31	
	2020	2019
Primary geographical markets		
Taiwan	$ 3,541,048	3,428,707
China	3,127	10,693
Philippine	4,271	4,999
	$ 3,548,446	**3,444,399**
Major products/services lines		
Porcelain	$ 1,244,616	1,238,939
Copper ware	763,298	844,052
Toilet cover	547,673	558,411
Fine pottery	351,609	185,284
Other	641,250	617,713
	$ 3,548,446	**3,444,399**

(v) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute 5% to 8% of the profit as employee remuneration and a maximum of 3% as directors' and supervisors' 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 Company estimated its remuneration to employees amounting to $7,898 thousand and $4,482 thousand and directors' and supervisors' remuneration amounting to $3,949 thousand and $2,241 thousand for years ended December 31, 2020 and 2019, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The differences between the amounts estimated and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019.

(Continued)

(w) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2020	2019
Interest income from bank deposits	$ 378	824

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2020	2019
Rent income	$ 15,439	15,331
Dividend income	36,651	26,171
Royalty income and other income	37,007	52,417
	$ 89,097	93,919

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2020	2019
Foreign exchange gains (Losses)	$ 3,587	(1,723)
Gains on disposals of property, plant and equipment	688	726
Depreciation of Investment Property	(5,704)	(5,735)
Others	(6,548)	(8,232)
	$ (7,977)	(14,964)

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2020	2019
Interest expense		
Bank loan	$ 35,298	42,465

(Continued)

(x) Financial instruments

(i) Credit risks

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Company are centralized in several distributors. In order to reduce the credit risk on these accounts receivable, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for bad debts, based on the result of management's evaluation of the overall amounts of bad debts. As of December 31, 2020 and 2019, 50% and 46% , respectively, of notes receivables as well as 35% and 30%, respectively, of accounts receivables were concentrated on 3 specific customers. Thus, credit risk is significantly centralized.

3) Credit risk from receivables

Refer to note6(c) for credit risk exposure of notes and accounts receivable.

(ii) Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Carrying amount	Within 6 months	6 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2020							
Non-derivative financial liabilities							
Secured bank loans	$ 1,114,633	1,155,686	187,636	328,711	21,871	617,468	-
Unsecured bank loans	721,781	722,632	722,632	-	-	-	-
Short-term notes payables	115,000	115,076	115,076	-	-	-	-
Notes payable	61,599	61,599	61,599	-	-	-	-
Accounts payable	241,564	241,564	241,564	-	-	-	-
Other payables	281,514	281,449	281,449	-	-	-	-
Lease liabilities	278,762	289,434	28,893	28,893	57,209	158,000	16,439
	$ 2,814,853	**2,867,440**	**1,638,849**	**357,604**	**79,080**	**775,468**	**16,439**

(Continued)

December 31, 2019	Carrying amount	Carrying amount	Within 6 months	6 12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Secured bank loans	$ 1,220,000	1,287,911	199,652	273,669	14,121	800,469	-
Unsecured bank loans	780,966	783,418	696,815	57,811	28,792	-	-
Short-term notes payables	295,000	295,128	295,128	-	-	-	-
Notes payable	221,166	221,166	221,166	-	-	-	-
Accounts payable	165,765	165,765	165,765	-	-	-	-
Other payables	253,381	253,381	253,381	-	-	-	-
Lease liabilities	334,862	349,998	29,132	29,241	58,443	171,407	61,775
	$ 3,271,140	**3,356,767**	**1,861,039**	**360,721**	**101,356**	**971,876**	**61,775**

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Currency risks

1) Exposure of foreign currency risk

The Company' s significant exposure to foreign currency risk is as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 376	28.480	12,702	602	29.980	18,051
CNY	8,812	4.377	38,570	17,811	4.305	76,678
Financial liabilities						
Monetary items						
USD	487	28.480	13,896	1,273	29.980	38,178

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 receivable, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. As December 31, 2020 and 2019, a strengthening (weakening) of 1% of the NTD against the USD and CNY, would have increased (decreased) the net profit after tax by $(11) thousand and $323 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis performed on the same basis for 2019.

(Continued)

3) Foreign exchange gain and loss on monetary items

For the years ended December 31, 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $3,587 thousand and $1,723 thousand, respectively

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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.

The Company's interest rate risk arises from time deposits and loans bearing floating interest rates. If the interest rate increases/decreases by 1%, the Company's profit before income tax will decrease/increase by $8,844 thousand and $9,939 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors that remain constant.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. 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:

	December 31, 2020				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed companies shares	$ 651,096	651,096	-	-	651,096
Unlisted common shares	72,126	-	-	72,126	72,126
Subtotal	723,222	651,096	-	72,126	723,222

(Continued)

	December 31, 2020				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 420,388	-	-	-	-
Notes and accounts receivable	908,198	-	-	-	-
Other receivables	30,289	-	-	-	-
Refundable deposits	64,071	-	-	-	-
Subtotal	1,422,946	-	-	-	-
Total	**$ 2,146,168**	**651,096**	**-**	**72,126**	**723,222**
Financial liabilities measured at amortized cost:					
Bank loans	$ 1,951,414	-	-	-	-
Notes and accounts payable	303,163	-	-	-	-
Other payables	281,514	-	-	-	-
Guarantee deposits	18,235	-	-	-	-
Total	**$ 2,554,326**	**-**	**-**	**-**	**-**

	December 31, 2019				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed companies shares	$ 553,068	553,068	-	-	553,068
Unlisted common shares	66,800	-	-	66,800	66,800
Subtotal	619,868	553,068	-	66,800	619,868
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 240,909	-	-	-	-
Notes and accounts receivable	990,307	-	-	-	-
Other receivables	29,758	-	-	-	-
Refundable deposits	34,376	-	-	-	-
Subtotal	1,295,350	-	-	-	-
Total	**$ 1,915,218**	**553,068**	**-**	**66,800**	**619,868**
Financial liabilities measured at amortized cost:					
Bank loans	$ 2,295,967	-	-	-	-
Notes and accounts payable	386,931	-	-	-	-
Other payables	253,381	-	-	-	-
Guarantee deposits	18,555	-	-	-	-
Total	**$ 2,954,834**	**-**	**-**	**-**	**-**

(Continued)

2) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. The market for the said financial instrument shall be seem as inactive should the aforementioned requirements have not been met. In general, a market with small trading volume or wide bid-ask spreads is an indication of an inactive market.

If the financial instruments possessed by the Company has quoted market prices in active markets, the fair value was as follows:

Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.

Except for the financial instrument in the active market stated above, the fair value of other financial instruments is determined in accordance with the generally accepted pricing models based on the cash flow discount analysis.

If the financial instrument possessed by the Company is in the inactive market, its fair value is listed by category and attribute below:

Equity instrument without quoted prices: The net asset value method is used to estimate the fair value. The main assumption for the net asset value method is using the net asset value per share as the measuring basis.

3) Transfers between Level 1 and Level 2

There were no level transfers in 2020 and 2019.

(Continued)

4) The reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instrument
Balance at January 1, 2020	$ 66,800
Total gains and losses recognized:	
In other comprehensive income	5,326
Balance at December 31, 2020	**$ 72,126**
Balance at January 1, 2019	$ 65,171
Total gains and losses recognized:	
In other comprehensive income	1,558
Purchased	71
Balance at December 31, 2019	**$ 66,800**

For the years ended December 31, 2020 and 2019, total gains and losses included in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income" were as follows:

	2020	2019
Total gains and losses recognized:		
In other comprehensive income, and presented in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income"	**$ 5,326**	**1,558**

5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – equity investment.

Most of the Company's financial assets in Level 3 have only one significant unobservable input, while its equity investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

(Continued)

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	● Market multiplier (December 31, 2020 and 2019: 2.42 and 2.08) ● Market liquidity discount rate (December 31, 2020 and 2019: 20%)	● The higher the price-book ratio multiple and the premium of control, the higher the fair value ● The higher the market liquidity discount rate, the lower the fair value
Financial assets at fair value through other comprehensive income	Net asset value method	● Net asset value	Not applicable

(y) Financial risk management

(i) Overview

The Company has exposure to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees how management monitors compliance with the 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 board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(Continued)

(iii) Credit risk

Credit risk means the potential loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country. For the years ended December 31, 2020 and 2019, the Company's three largest customers accounted for 23% and 19% of revenue, respectively. The credit risk of accounts receivable is significantly concentrated in Taiwan

The company has the allowance account setup to reflect the estimated losses of the accounts receivable. The allowance account mainly includes specific loss related to individual significant exposure and the combined loss of the similar assets cluster that has incurred but yet to be identified. The allowance account for combined loss is determined in accordance with the historical payment statistics of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Company do not have compliance issues and no significant credit risk.

3) Guarantees

The Company's endorsement policy is limited to endorsement of subsidiaries or associates with business relationship. Please refer to notes 13 for details of endorsements and guarantees provided by the Company as of December 31, 2020 and 2019.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables). The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(Continued)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to control the market risk exposure within the affordable range and to optimize return on investment return.

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, . The currencies used in these transactions is USD.

2) Interest rate risk

The Company manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

(z) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the investors, creditors, the market faith, and the future operation. Capital consists of ordinary shares, capital surplus, retained earnings, other equity interest and non-controlling interests of the Company. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 2,977,167	3,448,497
Less: Cash and cash equivalents	(420,388)	(240,909)
Net debt	**$ 2,556,779**	**3,207,588**
Total equity	**$ 5,888,286**	**5,636,873**
Debt-to-equity ratio at December 31	**43.42%**	**56.90%**

As of December 31, 2020, the Company had not changed its capital management method.

(Continued)

(aa) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2020 and 2019, were as follows:

	January 1, 2020	Cash flows	Non-Cash changes: Addition	Non-Cash changes: Disposal	December 31, 2020
Short-term borrowings	$ 1,005,252	37,958	-	-	1,043,210
Long-term borrowings	995,715	(202,511)	-	-	793,204
Lease liabilities	334,862	(57,814)	4,477	(2,763)	278,762
Short-term notes and bills payable	295,000	(180,000)	-	-	115,000
Guarantee deposits	18,555	(320)	-	-	18,235
Total liabilities from financing activities	**$ 2,649,384**	**(402,687)**	**4,477**	**(2,763)**	**2,248,411**

	January 1, 2019	Cash flows	Non-Cash changes: Addition	Non-Cash changes: Disposal	December 31, 2019
Short-term borrowings	$ 1,311,162	(305,910)	-	-	1,005,252
Long-term borrowings	860,000	135,715	-	-	995,715
Lease liabilities	356,840	(54,469)	41,452	(8,961)	334,862
Short-term notes and bills payable	165,000	130,000	-	-	295,000
Guarantee deposits	18,055	500	-	-	18,555
Total liabilities from financing activities	**$ 2,711,057**	**(94,164)**	**41,452**	**(8,961)**	**2,649,384**

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the financial statements:

Name of related party	Relationship with the Company
Hostan Corporation	Subsidiary of the Company
Hohong Co., Ltd.	〃
Swatton International Corp.	〃
Holong Ceram Co., Ltd.	〃
Hoceng Service Co., Ltd	〃

(Continued)

Name of related party	Relationship with the Company
Ritiboon International Limited	Subsidiary of the Company
Hocheng Philippines Property Holding, Inc.	〃
Hocheng Group Holding Corp.	〃
Hocheng (China) Corporation	〃
Hocheng Philippines Corporation	〃
Hocheng Shanghai Corporation	〃
Lazuli International Co., Ltd.	〃
Yuhong Co., Ltd.	Substantial related party
Triple S Holdings Corporation	Hocheng Group holding Corp.' s investee accounted under the equity method

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31	
	2020	2019
Subsidiary	$ 72,026	80,356
Other Related party	427	55
	$ 72,453	**80,411**

The selling price of the Company to subsidiaries and other related parties is based on the transfer price. The collection term is O/A 90 days. The credit term is not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31	
	2020	2019
Subsidiary	$ 177,397	234,906
Other Related party	150,019	151,180
	$ 327,416	**386,086**

The purchasing price of the Company to subsidiaries and other related parties is paid at the transfer price. The collection term is O/A 90 days. The price and payment terms are not significantly different from those offered by other vendors.

(Continued)

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Notes receivable	Subsidiary	$ 11,526	12,697
Notes receivable	Other Related party	28	-
Accounts receivable	Subsidiary	7,682	14,527
Other receivables-Rent and Royalty	Subsidiary		
	Hocheng (China) Corporation	22,423	23,230
	Other subsidiaries	1,977	1,893
	Associate	-	31
	Other Related party	50	50
		$ 43,686	**52,428**

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Notes payable	Subsidiary Hostan Corporation	$ -	46,166
	Other Related party Yuhong Co., Ltd.	41,059	42,413
Accounts payable	Subsidiary	41,521	25,621
	Other Related party	14,218	14,833
Other payables	Subsidiary	18,675	9,022
	Other Related party	33	-
		$ 115,506	**138,055**

(Continued)

(v) Borrowings from Related Parties

The borrowings from related parties were as follows:

	December 31, 2020	December 31, 2019
Subsidiary		
Hostan Corporation	$ 35,000	35,000

The Company's loaning of funds from the related party is with annual interest rate of 0.1%. Interest expense related to loans from subsidiaries in 2020 and 2019 was $255 thousand and $28 thousand, respectively, and the loans are unsecured loans.

(vi) Guarantee

1) Guarantees provided to related parties

As of December 31, 2020 and 2019, the Company had issued secured letters of credit for loans taken out by subsidiaries. The credit limit of the guarantee was NTD 365,640 thousand, USD 10,800 thousand, PHP 250,000 thousand and NTD 365,640 thousand, USD 15,600 thousand, PHP 250,000, respectively.

2) Guarantees provided from related parties

As of December 31, 2020 and 2019, subsidiaries' land and investment property had been pledged as collateral for the Company's bank loans amounting to $1,110,000 thousand. The carrying amount was $1,727,308 thousand and $1,749,580 thousand, respectively

(vii) Royalty income

The subsidiaries use the Company's trademark. As of December 31, 2020 and 2019, the Company received royalty income from the related parties amounting to $20,209 thousand and $29,996 thousand, respectively.

(viii) Rental income

The Company received rental income from subsidiaries and other related parties monthly which was determined in accordance with mutual agreements amounting to $5,562 thousand and $5,315 thousand in 2020 and 2019, respectively.

(ix) Other expense

The Company signed maintenance contracts with subsidiaries. The maintenance expense (recognized as other expenses) amounted to $46,506 thousand and $48,154 thousand in 2020 and 2019, respectively.

(Continued)

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2020	2019
Short-term employee benefits	$ 16,156	20,761
Post-employment benefits	447	576
	$ 16,603	**21,337**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Property, plant and equipment－ Land and buildings	Short-term and long-term borrowings	$ 74,228	74,887
Investment property-Land and buildings	Short-term and long-term borrowings	425,346	430,832
Restricted deposit (Account for other financial assets- noncurrent)	Short-term and long-term borrowings	392	1,859
Refundable deposits	Deposit for housing lease and construction	64,071	34,376
		$ 564,037	**541,954**

(9) Significant Commitments and Contingencies:

(a) Promissory notes issued for engineering and product warranty, and subject guarantee were as follows:

	December 31, 2020	December 31, 2019
Promissory notes issued for engineering and product warranty, and subject guarantee	**$ 14,612**	**19,250**

(Continued)

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows.

	For the year ended December 31					
	2020			2019		
By Function / By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	342,954	321,562	664,516	356,669	317,549	674,218
Labor and health insurance	35,637	28,502	64,139	37,953	29,857	67,810
Pension	11,035	15,381	26,416	12,059	16,573	28,632
Remuneration of directors	-	2,768	2,768	-	2,352	2,352
Others	14,585	14,788	29,373	12,721	13,347	26,068
Depreciation (Note 2)	85,831	61,258	147,089	84,643	64,488	149,131
Amortization	123	5,252	5,375	43	5,366	5,409

Note: The depreciation expenses excluding the depreciation of investment property in 2020 and 2019 amounted to $5,704 thousand and $5,735 thousand, respectively.

for the years ended December 31, 2020 and 2019, the Company's employees and employee benefits expenses were as follows:

	2020	2019
Number of employees	1,123	1,159
Number of directors who were not employees	4	6
The average employee benefit	$ 701	691
The average salaries and wages	$ 594	585
Average adjustment of employee salaries and wages	1.54%	6.56%
Remuneration received by supervisors	$ -	-

According to the Company's dividend policy, Articles of Association, and the proposal from remuneration committee, the payment of remuneration of directors and managers , salary , bonus and remuneration were based on the position and the responsibility, and also considered the industrial features and business categories. The remuneration of directors and managers should be reviewed by the remuneration committee and sent to the Board of Directors for further decision.

(Continued)

(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 for the year ended December 31, 2020:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	Hostan Corporation	Hocheng Corporation	Accounts receivable due from related parties	Yes	35,000	35,000	35,000	1.06%	2	-	Operation requirements	-		-	401,725	803,449
2	Ritiboon International Limited	Hocheng (China) Corporation	〃	Yes	103,215	99,680	99,680	0.80%	2	-	Operation requirements	-		-	200,277	400,554
3	Hocheng Group holding Corp.	Hocheng (China) Corporation	〃	Yes	38,395	36,884	36,884	0.8%~1.5%	2	-	Operation requirements	-		-	144,402	288,804

Note 1: 1. A business associate.
2. Company that needs short-term financing.

Note 2: The limit amount of loans to a company shall not exceed 20% of the net worth of the lending company.

Note 3: The total amount of loans shall not exceed 40% of the net worth of the lending company.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor or/ endorse	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements during the period	Actual usage amount during the period	Property pledged for guarantees and endorsements	Ratio of accumulated (Note 4)	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship (Note 1)										
0	Hocheng Corporation	Hocheng Philippines Corporation	3	5,888,286	301,405	283,229	106,041	-	4.81%	5,888,286	Y		
0	〃	Hocheng (China) Corporation	3	5,888,286	397,312	170,880	113,920	-	2.90%	5,888,286	Y		Y
0	〃	Holong Ceramic Co., Ltd.	2	5,888,286	385,640	365,640	285,264	-	6.21%	5,888,286	Y		
1	Hostan Corporation	Hocheng Corporation	3	2,008,623	1,110,000	1,110,000	910,000	1,110,000	18.85%	2,008,623		Y	
2	Hoceng Service Co., Ltd	Hostan Corporation	1	93,618	5,840	5,840	5,840	-	0.10%	93,618			

Note 1: The relationship between the endorser/guarantor and the guaranteed party:
1. Having business relationship.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.

Note 2: The endorsement and guarantee amount made by the Company, Hostan Corporation, and Hoceng Service Co., Ltd. shall not exceed 100% of the net value.

Note 3: The maximum amount of endorsement and guarantees of the Company is the net value of the financial statements.

Note 4: For non-public entities, the ratio is calculated based on the net value of the parent company.

(Continued)

(iii) Securities held as balance sheet date (excluding investment subsidiaries, associates and joint:

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)	
The Company	Cathay Financial Holdings Limited	-	Non-current financial assets at fair value through other comprehensive income	600,603	25,376	- %	25,376	
	China Development Financial Holdings Limited	-	〃	452,067	4,204	- %	4,204	
	Taishin Financial Holding Co., Ltd.	-	〃	487,958	6,465	- %	6,465	
	United Microelectronics Corporation	-	〃	800,000	37,720	0.01%	37,720	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	6,575,315	291,944	2.42%	291,944	
	Capital Securities Corporation	-	〃	16,835,824	228,125	0.78%	228,125	
	Pegatron Corporation	-	〃	75,000	5,048	- %	5,048	
	Taishin Financial Holding Co., Ltd. Preferred stock E	-	〃	16,280	856	- %	856	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	915	- %	915	
	Mega Financial Holding Company Ltd.	-	〃	1,300,000	38,740	0.01%	38,740	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	773	- %	773	
	Taishin Financial Holding Co., Ltd. Preferred stock E II	-	〃	9,753	501	- %	501	
	CTBC Financial Holding Co., Ltd.	-	〃	500,000	9,850	- %	9,850	
	Core Pacific City Co., Ltd.	-	〃	7,476,000	68,405	0.49%	68,405	
	Union Securities Investment Trust Co., Ltd.	-	〃	95,250	1,411	- %	1,411	
	Power chip Technology Corporation	-	〃	25,288	579	- %	579	
	Power chip Semiconductor Manufacturing Corp.	-	〃	46,310	2,310	- %	2,310	
Hohong Co., Ltd.	Formosa Plastics Corporation	-	〃	30,000	2,892	- %	2,892	
	Kian Shen Corporation	-	〃	30,000	2,046	0.04%	2,046	
	Basso Industry Corp.	-	〃	90,000	3,749	- %	3,749	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,000	1,405	0.02%	1,405	
	Hocheng Corporation	Subsidiary to parent	〃	543,274	5,541	0.15%	5,541	
	King Slide Works Co., Ltd.	-	〃	10,000	2,970	0.05%	2,970	
	Sheh Kai Precision Co., Ltd.	-	〃	40,000	1,258	0.09%	1,258	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	3,070	0.04%	3,070	
	Turvo International Co.,Ltd..	-	〃	70,000	5,859	0.12%	5,859	
Hohong Co., Ltd.	Compeq Manufacturing Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	50,000	2,175	- %	2,175	
	Hong Hai precision industrial co., ltd	-	〃	58,480	5,380	- %	5,380	
	Yageo Corporation	-	〃	5,000	2,590	- %	2,590	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	31,365	16,623	- %	16,623	
	Qisda Corporation	-	〃	150,000	4,343	0.01%	4,343	
	Foxconn Technology Co., Ltd.	-	〃	10,000	534	- %	534	
	Elite Material Co., Ltd.	-	〃	20,000	3,140	- %	3,140	
	Walsin Technology Corporation	-	〃	10,000	2,305	- %	2,305	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	200,590	8,164	- %	8,164	
	Wan Hai Lines Ltd.	-	〃	30,000	1,587	- %	1,587	
	TTFB Company Limited	-	〃	20,000	4,690	0.09%	4,690	
	China Life Insurance Co., Ltd.	-	〃	159,000	3,530	- %	3,530	
	Cathay Financial Holding Co., Ltd.	-	〃	140,000	5,915	- %	5,915	
	Taishin Financial Holding Co., Ltd.	-	〃	323,181	4,282	- %	4,282	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	10,783	567	- %	567	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)	
Hohong Co., Ltd.	Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	-	Non-current financial assets at fair value through other comprehensive income	6,459	332	- %	332	
	Shin Kong Financial Holding Co., Ltd.	-	〃	300,000	2,643	- %	2,643	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	-	〃	3,824	162	- %	162	
	The Eslite Spectrum Corporation	-	〃	16,000	1,270	- %	1,270	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,256	- %	1,256	
	Getac Technology Corporation.	-	〃	80,000	3,912	- %	3,912	
	TXC Corporation	-	〃	20,000	1,498	0.01%	1,498	
	Tripod Technology Corporation	-	〃	90,000	10,665	- %	10,665	
	Ardentec Corporation	-	〃	100,205	3,873	0.02%	3,873	
	Topco Scientific Co., Ltd.	-	〃	8,538	587	- %	587	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	3,150	- %	3,150	
	Elite Advanced Laser Corporation	-	〃	6,600	460	- %	460	
	Universal Microwave Technology, Inc.	-	〃	20,000	1,432	- %	1,432	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,318	0.02%	1,318	
	Shih Her Technologies Inc.	-	〃	120,000	6,048	0.21%	6,048	
	Materials Analysis Technology Inc.	-	〃	14,000	1,186	0.02%	1,186	
	TSC Auto ID Technology Co., Ltd.	-	〃	8,000	1,560	- %	1,560	
	CyberPower Systems, Inc.	-	〃	10,000	888	- %	888	
	Bizlink Holding Inc.	-	〃	10,000	2,435	0.01%	2,435	
	Advanced Semiconductor Engineering,Inc.	-	〃	70,000	5,691	- %	5,691	
	FineTek Co., Ltd.	-	〃	33,000	2,498	- %	2,498	
	Yusin Holding Corp.	-	〃	16,803	1,055	0.04%	1,055	
	Global Tek Fabrication Co., Ltd.	-	〃	60,000	3,480	- %	3,480	
	San Fu Chemical Co., Ltd.	-	〃	5,440	354	- %	354	
	Primax Electronics Ltd.	-	〃	75,000	3,656	- %	3,656	
	Nuvoton Technology Corporation	-	〃	36,432	1,729	- %	1,729	
	Pegatron Corporation	-	〃	70,000	4,711	- %	4,711	
	GCS Holdings, Inc.	-	〃	23,000	1,155	- %	1,155	
	Sinher Technology Inc.	-	〃	70,000	3,283	0.09%	3,283	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,612	0.01%	2,612	
	Sino-American Silicon Products Inc.	-	〃	50,000	8,875	- %	8,875	
	Chailease Holding Company Limited	-	〃	54,588	9,171	- %	9,171	
	Chailease Holding Company Limited Class A Preferred Shares	-	〃	9,085	905	- %	905	
	The Shanghai Commercial & Savings Bank, Ltd.	-	〃	40,000	1,644	- %	1,644	
	SYSAGE Technology Co., Ltd.	-	〃	25,000	1,096	0.01%	1,096	
	Chipbond Technology Corporation	-	〃	30,000	1,992	- %	1,992	
	Powertech Technology Inc.	-	〃	65,000	6,169	0.01%	6,169	
	Lanner Electronics Inc.	-	〃	50,000	3,450	- %	3,450	
	Amazing Microelectronic Corp.	-	〃	21,871	2,395	0.02%	2,395	
	GEM Services, Inc.	-	〃	54,450	3,713	0.04%	3,713	
	Taiwan Takisawa Technology Co., Ltd.	-	〃	80,000	2,092	0.11%	2,092	
	Nova Technology Corp.	-	〃	17,000	2,372	- %	2,372	
	Taiwan Chinsan Electronic Industrial Co., Ltd.	-	〃	5,150	228	- %	228	
	Ruby Tech Corporation	-	〃	100,600	3,028	0.19%	3,028	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,476	0.02%	1,476	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)	
Hohong Co., Ltd.	Taiwan Pcb Techvest Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,124,000	94,306	- %	94,306	
	Cleanaway Company Limited	-	〃	10,000	1,640	- %	1,640	
	Taisun Int' l (Holding) Corp.	-	〃	10,000	1,220	- %	1,220	
	Xxentria Technology Materials Co., Ltd.	-	〃	20,000	1,212	- %	1,212	
	Pou Chen Corporation	-	〃	180,000	5,652	0.01%	5,652	
	Taiwan Fu Hsing Industrial Co.,Ltd.	-	〃	80,000	3,588	0.04%	3,588	
	Ruentex Development Co.,Ltd.	-	〃	75,600	3,092	- %	3,092	
	Macauto Industrial Co., Ltd.	-	〃	30,000	2,739	0.04%	2,739	
	Powerchip Technology Corporation	-	〃	60,368	1,298	- %	1,298	
	Powerchip Semiconductor Manufacturing Corporation	-	〃	110,556	5,528	- %	5,528	
	D-NET International Corporation	-	Current financial assets at fair value through profit or loss	10,025	-	- %	-	
	Syntronix Corporation	-	〃	1,150	-	- %	-	
	AbGenomics International,Inc.	-	〃	20,000	-	- %	-	
	UPAMC James Bond Money Market Fund	-	〃	168,449	2,837	- %	2,837	
	Yuanta De-Li Money Market Fund	-	〃	122,037	2,006	- %	2,006	
	Yunata De-Bao Money Market Fund	-	〃	289,731	3,509	- %	3,509	
	Franklin Templeton Sinoam Money Market Fund	-	〃	241,101	2,514	- %	2,514	
	Capital Money Market Fund	-	〃	123,218	2,004	- %	2,004	
Ritiboon International Limited	JPMorgan Funds– China Fund–JPM China A (dist)–USD	-	〃	5,614	19,552	- %	19,552	
	PYXIS	-	〃	65,000,000	-	- %	-	
	Asia Technology	-	〃	1,400	-	- %	-	
Hostan Corporation	Hocheng Corporation	Subsidiary to parent	〃	1,190,538	12,143	0.33%	12,143	
	Capital Money Market Fund	-	〃	11,225,763	182,592	- %	182,592	
	Nomura Taiwan Money Market Fund	-	〃	923,951	15,193	- %	15,193	
	TCI Co., Ltd.	-	〃	10,000	2,000	- %	2,000	
Swatton International Corp.	PFBC	-	〃	50,000	71,869	- %	71,869	
	Nexteer Automotive Group Ltd.	-	〃	50,000	1,530	- %	1,530	
	HKT Trust and HKT Ltd.	-	〃	100,000	3,695	- %	3,695	
	CK Hutchison Holdings Ltd.	-		20,000	3,974	- %	3,974	
	Fit Hon Teng Ltd.	-	〃	95,000	939	- %	939	
	AMAZON	-	〃	50	4,638	- %	4,638	
	MS LIQUID USD LIQ QUALIF ACC Fund	-	〃	6,519	19,762	- %	19,762	

Note 1: The Company's stocks possessed by subsidiaries have been deducted from the book value. The stocks are disposed as treasury stocks.

Note 2: The securities quoted in an active market presented at the closing price on the last day of the accounting period. The securities without public quotes used the net value per share of the investee.

(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

(Continued)

(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 TWD100 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		Accounts and notes 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)	
Hocheng Corporation	Yuhong Co., Ltd.	Other Related party	Purchase	150,019	9.02%	Three months	-	No comparable transactions as the goods were specific.	(14,218)	(4.69)%	
〃	Hostan Corporation	Subsidiary	〃	129,598	7.80%	Three months	-	〃	(39,729)	(13.10)%	
Hostan Corporation	Hocheng Corporation	〃	Sale	129,818	26.67%	Three months	-	〃	53,295	43.40%	

(viii) Receivable from related parties exceeding the lower of $100,000 thousand or 20% of the Company's paid-in capital: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Hocheng Corporation	Hostan Corporation	Taiwan	oil excretes、gas stoves and water heaters	1,605,702	1,605,702	100,595,839	100.00%	1,994,958	5,478	2,807	(Note 1,2)
	Ritiboon International Limited	British V	Investment Holding	2,410,366	2,410,366	78,646,373	100.00%	1,007,380	(171,684)	(165,365)	(Note 2)
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	31,525,907	99.50%	564,122	9,479	9,432	(Note 1)
	Hoceng Service Co., Ltd.	Taiwan	Interior design, sale, installment, and repairment of bathroom stove equipment and its components	6,000	6,000	600,000	40.00%	18,248	3,476	1,439	(Note 2)
	Holong Ceramic Co., Ltd.	Taiwan	Manufacture and sale of tiles	660,305	660,305	7,088,332	67.92%	19,443	(31,143)	(21,128)	(Note 2)
Hocheng Corporation	Lazuli International Co., Ltd.	Taiwan	Furniture, bedding, kitchen utensils, fixtures and wholesale trade	1,000	1,000	100,000	100.00%	-	-	-	(Note 3)
	O+ Design International Corporation	Cayman Islands	Investment	26,521	26,521	1,098,569	32.40%	-	-	-	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Philippines	Land lease	29,040	29,040	11,474,571	40.00%	67,937	4,161	3,120	(Note 2)
	Hocheng Group Holding Corp.	Cayman Islands	Investment Holding	1,392,323	1,392,323	60,000,000	100.00%	795,482	(186,084)	(186,084)	
	HCG North American,LLC	United States	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	-	-	
Hostan Corporation	Hoceng Service Co., Ltd.	Taiwan	Sale of bathroom stove equipment and its components	4,500	4,500	450,000	30.00%	28,085	3,476	1,043	(Note 2)
Hohong Co., Ltd.	Swatton International Corp.	British V	Investment Holding	41,590	41,590	13,004	100.00%	153,408	4,106	4,106	
Hocheng Group Holding Corp.	HOCHENG PHILIPPINES CORPORATION	Philippines	Production and sale of plumbing products	395,155	395,155	407,843,872	100.00%	507,191	18,245	17,547	(Note 2)
	Triple S Holdings Corp.	Philippines	Investment Holding	46,086	46,086	8,040,000	40.00%	51,848	653	653	
Hocheng Philippines Corporaiton	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	-	-	

Note 1: The Company's shares held by subsidiaries were deemed to be treasury shares; therefore, the Company recognized the profit or loss on subsidiaries' investment, excluding those that had the Company's shares.

Note 2: The difference between recognized profit or loss from investment and investee is unrealized gain or loss.

Note 3: Lazuli International Co., Ltd. is still in the process of dissolution; the Company has written down the investment to $0 from the long-term investment.

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Hocheng (China) Corporation	Production and sale of plumbing products	953,760	(2)	894,627	-	-	894,627	(148,807)	100.00%	(148,807)	96,345	-
UPEX	Sale of bathroom equipment	29,805	(2)	5,961	-	-	5,961	4,944	100.00%	4,944	21,543	-
Hocheng (China) Corporation												
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(2)	-	-	-	-	(12,662)	100.00%	(12,662)	(8,568)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
900,588	928,336	3,532,972

Note 1: Three types of investment method are as follows:
(a) Direct investment in Mainland China.
(b) Investing in the mainland through companies in another country(all investors are Ritiboon International Limited)
(c) Others

Note 2: Calculated by equity according to investee’ s financial statement audited by CPA.

Note 3： The limit amount is 60% of the net value.

Note 4: Amounts are listed in New Taiwan Dollars.

Note 5: The difference between the paid-in capital and the amount export from Taiwan is that Hocheng (China) Corporation had the capital increase from retained earning of USD 2,000 thousand in 2009.

Note 6: The difference between the paid-in capital and the amount export from Taiwan is that Ritiboon International Limited directly invested in Hocheng Group Holding Corp.; therefore, invested in UPEX with USD 800 thousand indirectly.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2020, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Shareholding **Shareholder’s Name**	**Shares**	**Percentage**
Dorkay Investment Company Ltd.	21,929,421	5.92%

Information about the substantial shareholders of this form is provided by the General Insurance Company on the last business day of December 2020. The total number of ordinary shares and special shares in which the calculation of shareholders' holding company has completed the unincorporated delivery (including treasury shares) is more than 5%. As to the number of shares recorded in the Company's financial reports that are not physically registered as delivered by the Company, the basis of the calculation may vary.

(14) Segment information:

(a) General information

Please refer to the year 2020 consolidated financial statements.

(Continued)

Hocheng Corporation

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand	$ 758
	Petty cash	2,897
	Subtotal	3,655
Cash in bank	Checking accounts	1,746
	Demand deposits	399,409
	Foreign deposits	15,578
	Subtotal	416,733
		$ 420,388

Statement of notes receivable

Client Name	Description	Amount	Note
Related parties:			
Hocheng service Co., Ltd	Due in one year	$ 10,950	
Hostan Corporation	〃	576	
Yuhong Co., Ltd.	〃	28	
Subtotal		11,554	
Non-related parties：			
Client I	Due in one year	129,033	
Client III	〃	17,877	
Other	〃	162,470	The year- end balance of each client does not exceed 5% of the account balance
Subtotal		309,380	
Total		**$ 320,934**	

Hocheng Corporation

Statement of trade receivables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Related parties:			
Hocheng (China) Co., Ltd.		$ 1,484	
Hocheng service Co., Ltd		5,350	
Other		848	
Subtotal		7,682	
Non-related parties：			
Client I		128,764	
Client II		44,659	
Other		409,674	
Subtotal		583,097	
Less: Allowance for impairment		(3,515)	
Net amount		579,582	
Total		**$ 587,264**	

Statement of other receivables

Item	Description	Amount	Note
Related parties：			
Hocheng (China) Co., Ltd	The right of using trademark	$ 21,158	
Other	Rental income, The right of using trademark, etc.	3,292	
Subtotal		24,450	
Non-related parties:	Royalty income, etc.	5,839	
Total		**$ 30,289**	

Hocheng Corporation

Statement of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net realized value	
Raw materials	$ 149,879	141,981	
Supplies	10,098	8,667	
Work in process	112,231	159,777	
Finished goods	524,272	794,416	
Merchandise	250,710	369,267	
Inventory in transit	14,455	14,455	
Subtotal	1,061,645	**1,488,563**	
Less: Allowance for inventory market decline and obsolescence	(50,766)		
Total	**$ 1,010,879**		

Statement of other current assets

Item	Description	Amount	Note
Temporary payments	Temporary rental payments and gas payments, etc.	$ 33,818	
Prepayments	Pattern	29,975	
	Prepaid rents and advertising expense	21,110	
	other	2,413	
Tax assets		12,561	
Prepayments for purchases	Prepayments for raw materials and supplies	1,769	
Total		**$ 101,646**	

Hocheng Corporation

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Common Stock										
Cathay Financial Holding Co., Ltd.	600,603	$ 25,556	-	-	-	180	600,603	25,376	None	Base on the closing price on 31 December, 2020
China Development Financial Holding Corporation	452,067	4,399	-	-	-	195	452,067	4,204	〃	〃
Taishin Financial Holding Co., Ltd.	476,925	6,915	11,033	-	-	450	487,958	6,465	〃	〃
United Microelectronics Corporation	2,946,645	48,472	300,000	8,697	2,446,645	19,449	800,000	37,720	〃	〃
Taiwan Pcb Techvest Co., Ltd.	6,575,315	240,328	-	51,616	-	-	6,575,315	291,944	〃	〃
Capital Securities Corporation	16,835,824	189,403	-	38,722	-	-	16,835,824	228,125	〃	〃
Pegatron Corporation	75,000	5,130	-	-	-	82	75,000	5,048	〃	〃
Taushin Financial Holding Co., Ltd. Preferred Stock E	16,280	902	-	-	-	46	16,280	856	〃	〃
Cathay Financial Holding Co., Ltd. Preferred Stock A	14,808	951	-	-	-	36	14,808	915	〃	〃
Mega Financial Holding Company Ltd.	932,000	28,519	368,000	10,221	-	-	1,300,000	38,740	〃	〃
Cathay Financial Holding Co., Ltd. Preferred Stock B	12,284	786	-	-	-	13	12,284	773	〃	〃
Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	9,753	531	-	-	-	30	9,753	501	〃	〃
CTBC Financial Holding Co., Ltd.	-	-	500,000	9,850	-	-	500,000	9,850	〃	〃
Core Pacific City Co., Ltd.	7,476,000	65,340	-	3,065	-	-	7,476,000	68,405	〃	〃
Union Securities Investment Trust Co., Ltd.	95,250	1,286	-	125	-	-	95,250	1,411	〃	
Powerchip Technology Corporation	64,555	1,176	-	-	38,733	597	25,822	579	〃	〃
Powerchip Semiconductor Manufacturing Corp.	7,043	174	-	2,136	-	-	7,043	2,310	〃	〃
		$ 619,868		**124,432**		**21,078**		**723,222**		

Hocheng Corporation

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Ending balance			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total Amount		
Hostan Corporation	100,595,839	$ 1,991,023	-	3,935	-	-	100,595,839	100.00%	1,994,958	19.97	2,008,623	None	Note
Ritiboon International Limited	78,646,373	1,189,748	-	-	-	182,368	78,646,373	100.00%	1,007,380	12.73	1,001,386	〃	〃
Hohong Co., Ltd.	31,525,907	541,057	-	23,065	-	-	31,525,907	99.50%	564,122	18.21	574,101	〃	〃
Hocheng Service Co., Ltd	600,000	15,781	-	2,467	-	-	600,000	40.00%	18,248	62.41	37,447	〃	〃
Holong Ceram Co., Ltd.	7,088,332	40,571	-	-	-	21,128	7,088,332	67.92%	19,443	2.73	19,384	〃	〃
O+Design International Corporation	1,098,569	-	-	-	-	-	1,098,569	32.40%	-	-	-	〃	〃
		$ 3,778,180		**29,467**		**203,496**			**3,604,151**				

Note: The difference between ending balance and net equity is unrealized profit or loss.

Hocheng Corporation

Statement of other non-current assets

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Overdue Receivable-		$ 7,087	
Less： impairment allowance		(7,087)	
		-	
Prepayments for equipment		14,982	
Restricted assets- non current	Reserve Account	392	
Other		693	
Total		**$ 16,067**	

Hocheng Corporation

Statement of short-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Type	Description	Ending balance	Contract Period	Range of interest rate	Loan commitment	Collateral	Note
Purchase loan	loans from financial institutions	$ 3,210	2020.12.23~2021.06.13	1.38%	-	None	Note 1
Unsecured loan	〃	690,000	2020.10.08~2021.03.15	1.2%~1.38%	1,380,000	〃	
Secured loan	〃	350,000	2020.04.15~2021.08.29	1.07%~1.38%	610,000	Land and Buildings	
		$ 1,043,210			**$ 1,990,000**		

Note1: The credit line of purchase loan is included the credit lines of unsecured loan and secured loan.

Hocheng Corporation

Statement of short-term bills payable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Guarantee or acceptance agency	Contract period	Range of interest rate	Carrying Amount	Note
Commercial Paper	Bank a	2020.11.17-2021.01.15	1.22%	30,000	
〃	〃	2020.12.15-2021.03.15	1.25%	20,000	
〃	Bank b	2020.11.08-2021.01.04	1.39%	65,000	
Total				**115,000**	

Statement of notes payable

Client Name	Description	Amount	Note
Related parties：			
Yuhong Co., Ltd.		$ 41,059	
Subtotal		41,059	
Non-Related parties：			
Company a		3,455	
Company b		3,017	
Other		14,068	
Subtotal		20,540	
Total		**$ 61,599**	

Hocheng Corporation

Statement of trade payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related parties：			
Yuhong Co., Ltd.		$ 14,218	
Hostan Corporation		39,729	
Other		1,792	
Subtotal		55,739	
Non related parties：			
Company c		49,202	
Other		136,623	The year-end balance of each company does not exceed 5% of the account balance.
Subtotal		185,825	
Total		**$ 241,564**	

Statement of other payables

Item	Description	Amount	Note
Salaries , Year-end bonus and Food allowance payable		$ 133,258	
Labor and health Insurance payable		12,172	
Pension payable		3,705	
Other		78,671	
Total		**$ 227,806**	

Hocheng Corporation

Statement of other current liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Unearned revenue	Unearned sales revenue	$ 28,894	
Income tax liabilities		19,749	
Tax payable	Business Tax	13,236	
Temporary receipts	Temporary Receipt of Tax, Labor and Health Insurance and Rents	10,804	
Total		**$ 72,683**	

Hocheng Corporation

Statement of long-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest	Collateral	Note
c		$ 680,000	2024.10.19	1.62%	Land	The loan will be repaid with 11 half-yearly payments from the next day of one year after the first drawdown. The first to the tenth payments were $40,000 thousand, and the last payments was $400,000 thousand.
d		84,632	2022.01.31	1.65%	Land and building	Only interest expense is paid in the first year after the first drawdown. The principal and interest expense will be equally and monthly paid since the second year.
e		28,572	2021.06.25	1.38%	None	After the first drawdown, the loan will be repaid with 7 quarterly payments and the principal shall be paid on an average basis.
Less: Long-term Borrowings, current portion		(181,055)				
Total		**$ 612,149**				

Hocheng Corporation

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of goods sold from manufacturing		
Raw material, January 1	$ 166,182	
Add: Purchase	650,742	
other	886	
Less: Transferred to expense	(3,595)	
Sale	(19,305)	
Disposal	(381)	
Raw material, December 31	(149,879)	644,650
Indirect materials		
Supplies, January 1	10,388	
Add: Purchase	73,638	
Other	(142)	
Sale	(112)	
Transferred to other equipment	(12,995)	
Transferred to expense	(29,256)	
Supplies, December 31	(10,098)	31,423
Direct labor		240,973
Manufacturing expenses		513,641
Cost of manufacturing		1,430,687
Add: Work in process, January 1	149,696	
Purchase of work in process	11,844	
other	382	
Less: Sale of work in process	(1,493)	
Work in process, December 31	(112,231)	48,198
- Cost of finished goods		1,478,885
Finished goods, January 1		591,880
Add: Gain on physical inventory		319
Other- processing of finished goods		20,007
Less: Disposal		(6,030)
Loss on inventory		(1,376)
Transferred to other equipment		(19,495)
Transferred to expense		(6,988)
other		(7,962)
Finished goods, December 31		(524,272)
Cost of goods sold		1,524,968
Costs of export products		
merchandise purchases January 1	325,655	
Add: purchase	925,649	
Gain on physical inventory	196	
Other	8,395	
Less: Merchandise, December 31	(265,165)	
Disposal	(3,841)	
Transferred to expense	(12,157)	
Loss on physical inventory	(603)	
Cost of goods sold－Merchandise		978,129
Sale of Semi-finished Goods		1,493
Sale of raw material and supplies		19,305
Sale of supplies and inventory		112
Cost pf goods sold		2,524,007
Add: Gain on physical inventory		1,464
Conversion cost		9,016
Loss on disposal		10,252
Less Revenue from sale of scraps		(816)
Total operating costs		**$ 2,543,923**

Hocheng Corporation

Statement of selling expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 165,632	
Advertising expense		63,615	
Freight		32,128	
Entertainment expenses		25,040	
Other expense		204,633	Each amount does not exceed 5% of the account balance
Total		**$ 491,048**	

Statement of administrative expenses

Item	Description	Amount	Note
Salary and wages expense		$ 61,396	
Depreciation expense		16,903	
Year end bonus		15,510	
Entertainment expenses		7,953	
Other expense		50,955	Each amount does not exceed 5% of the account balance
Total		**$ 152,717**	

Hocheng Corporation

Statement of the net amount of other revenues and gains and expenses and losses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 47,383	
Examination expense		15,469	
Depreciation expense		15,204	
Year end bonus		6,873	
Other expense		26,704	Each expense does not exceed 5% of the account balance
		$ 111,633	

6.6 For the company and its affiliates in the most recent year and as of the date of publication of the annual report, if there are financial difficulties, the impact on the company's financial status should be stated: not applicable

VII. Review and Analysis of Financial Position, Financial Performance, and Risk Assessment

7.1 Analysis of Financial Position

A. The main reasons and effects of major changes in assets, liabilities, and shareholders' equity during the past 2 fiscal years:

Unit: NT$ thousands

Item \ Year	2019	2020	Differences	
			Amount	%
Current Assets	4,682,802	4,818,266	135,464	2.89
Fixed Assets	4,301,102	3,846,594	(454,508)	(10.57)
Intangible Assets	51,855	45,075	(6,780)	(13.07)
Other Assets	1,877,759	2,028,726	150,967	8.04
Total Assets	10,913,518	10,738,661	(174,857)	(1.60)
Current Liabilities	3,791,624	3,632,989	(158,635)	(4.18)
Non-Current Liabilities	1,415,384	1,154,090	(261,294)	(18.46)
Total Liabilities	5,207,008	4,787,079	(419,929)	(8.06)
Attributes to Shareholders of the parent	5,636,873	5,888,286	251,413	4.46
Capital stock	3,698,536	3,698,536	0	0
Capital surplus	13,079	13,293	214	1.64
Retained Earnings	1,627,397	1,759,275	131,878	8.10
Other Adjustments	314,443	433,764	119,321	37.95
Treasury Stock	(16,582)	(16,582)	0	0
Non-controlling interest	69,637	63,296	(6,341)	(9.11)
Total Stockholders' Equity	5,706,510	5,951,582	245,072	4.29

Description of major variations of accounting items: (if there is a 20 percent or more variation in the monetary amounts, comparing the most recent 2 fiscal years' accounting items, and such sum has reached NT$30 million or more)

1. Other Adjustments: Unrealized Gain or Losses generated in the end of the year due to the purchase by self-owned capitals on FVTOCI Financial Assets, resulting in an increase in other adjustments for the period.

7.2 Financial Performance:

The main reasons and effects of major changes in operation revenue, operation net profit and income before tax during the past 2 fiscal years, providing a sales volume forecast and the basis therefor, and description of the effect upon the company's financial operations as well as measures to be taken in response

A. Analysis of Financial Performance

Unit: NT$ thousands

Year / Item	2019	2020	Variant Amount	Variance (%)
Net Sales	5,526,252	5,102,207	(424,045)	(7.67)
Cost of Sales	4,137,745	3,847,421	(290,324)	(7.02)
Gross Profit	1,388,507	1,254,786	(133,721)	(9.63)
Operating Expenses	1,309,670	1,254,601	(55,069)	(4.20)
Operating Income	78,837	185	(78,652)	(99.77)
Non-operating Income and Expenses	10,861	129,033	118,172	1088.04
Income Before Tax from Continuing Operation	89,698	129,218	39,520	44.06
Income tax expense	53,756	49,814	(3,942)	(7.33)
Profit for the year	35,942	79,404	43,462	120.92

Description of major differences: (if the variation in the monetary amounts has reached NT$30 million or more and the rate of variance is 20 percent or more)

1. Operating Income: Due to the impact of COVID-19, the income and cost of sales both decreased relatively; however, the fixed expenses remain, so the net sales for the year has drastically decreased in comparison with last year.

2. Non-operating Income and Expenses: Due to the land expropriation of subsidiaries and changes in exchange rates causing an increase in exchange gains in 2020 compared to last year, the non-operating income and expenses in 2020 increased drastically compared to 2019.

3. Income Before Tax from Continuing Operation: Due to the impact of COVID-19, the income and cost of sales both decreased relatively, but the fixed expenses remain, resulting in the net sales for the year being drastically decreased in comparison with last year. However, the land expropriation of subsidiaries and changes in exchange rates causing an increase in exchange gains compared to last year, so the income before tax from continuing operation for the period increased compared to the same period last year.

4. Profit for the year: Even with lower net sales in 2020 than that in 2019, but the non-operating income drastically increased, resulting in an increase in profit for the year in 2020 in comparison with 2019.

7.3 Review and Analysis of Cash Flow:

7.3.1 Description and Analysis of cash flow changes during the most recent fiscal year (2020), mainly based on Consolidated information

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Net Cash Flow from Investing Activities (3)	Net Cash Flow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
802,627	647,466	23,397	(366,355)	1,054,849	None	None

Analysis

(1) Analysis of change in cash flow in the current year:

Operating Activities: The increase in net cash inflow from operating activities was mainly due to the increase in bills and accounts receivable and inventories for the period.

Investing Activities: The increase in net cash outflows from investment activities was mainly due to the disposal of property and equipment and increase in financial assets in cash.

Financing Activities: The decrease in net cash inflow from financing activities was mainly due to the due payment to the financing borrowings.

(2) Remedy plan for Estimated Cash Deficit and Liquidity Analysis: None.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Net Cash Flow from Investing Activities (3)	Estimated Net Cash Flow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)	Leverage of Cash Deficit	
					Investment Plans	Financing Plans
420,388	245,775	(73,011)	(313,236)	279,917	None	None

Analysis

(1) Analysis of change in cash flow in the following year:

Operating Activities: Mainly due to the increase in sales revenue and the realization of inventories, which contributes to the increase in cash inflow. Estimated net cash flow is NT$ 245,775,000.

Investing Activities: Mainly due to the capital expenditure and estimated net cash flow is NT$73,011,000.

Financing Activities: Mainly due to the payback of long-term and short-term borrowings and cash dividends distribution; estimated net cash flow is NT$ 313,236,000.

(2) Remedy plan for Estimated Cash Deficit and Liquidity Analysis: None.

7.4 Major Capital Expenditure Items and its Influence:

7.4.1 Review and Analysis of Major Capital Expenditure Items and Source of Capital: Major capital expenditure of the Company in 2020 is mainly from the purchase of production equipment, office equipment, and additions to plant and land, which are paid by self-owned capital without affect to normal operating turnover fund of the Company.

7.5 The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

1. Analysis Table of Reinvestment

December 31, 2020; Unit: NT$ thousands

Remarks / Item	2020 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
HOSTAN CORPORATION	5,478	Main Profit: 1. Online e-commerce sales, including coordination and launch in platforms such as momo, pchome, and ETMall, as well as organizing promotional activities in response to each festival. Coupled with sales and accumulation from cooperation with energy-saving subsidy by the government, sales performance from January to December 2020 has reached NT$20.92 million, an increase of NT$7.66 million compared to NT$13.25 million last year, a 57.8% growth. 2.Striving for social housing from the government, making utmost effort to construction tracking progress, and visiting for opportunities. Active approaching for contract signing with private	1. During post-pandemic era, organizing promotional activities for online e-commerce sales and various platforms or online distributors, striving for exposure opportunities in e-commerce channels to enhance brand awareness and improve chances for deals. 2. To improve product competitiveness by developing dedicated models for social housing sites with cooperating manufacturers and strive for contract opportunities. In addition to continuous social housing visits, to enhance site clearance and visits for private construction sites to strive for contract opportunities. 3. To strengthen development of new products. Launched a dream series of products for gas water heaters,	1. Enhancing online advertising and implementing online keywords and networks for three-machine products in Google to increase product exposure rate and brand awareness. 2. Planning to introduce imported sanitary wares and the sales agency of British well-known brand Baumatic home appliances 3. To meet the requirement of Hocheng's business, headquarter generates ideas of new products for developments, planning to process development of four new products, and to design and produce a full series of new gold grade of the water efficiency label use license, all these are in need of production molds, jigs, and tools input as well as applications for safety regulations.

Item \ Remarks	2020 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
		construction projects such as Guangshun case Kaohsiung, Dali Taichung, and other cases in Kaohsiung. Calculated as of December 2020, contracted government social housing and large-scale private cases with undelivered amount of 111 games, with amount of NT$73.30 million, shall be delivered in 2020 to 2023 successively.	instantaneous water heaters and electric stove square products in 2020, using color system such as lake blue, forest green, ocean blue and floral pink to grasp consumers' eye sights, and then choose to purchase company's products. 4. Introduction of fashionable digital frequency conversion with selling of instant water heater with anion function; additional completion in development of a dedicated model for the construction site of a 13-liter digital thermostatic gas water heater, with further expectation to complete a dedicated model for the construction site of a 16-liter digital thermostatic gas water heater in 2021, so as to strive for signing contracts of social housings.	
HO-HUNG INVESTMENT HOLDING CO. LTD	9,479	Investment interest and dividend income	Strengthening understanding of the revenue status of each investment company, eliminating the poor and sustaining the strong, and setting a profit point.	Looking for investment targets with good profitability and low price-to-earnings ratio

Remarks / Item	2020 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
RITIBOON INTERNATIONAL LIMITED	-165,473	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
HOCENG INDUSTRIAL CO., LTD.	6,651	The depression in construction industry and economy, resulting in a slight decrease in income and profit.	Enhancing talent training, implementing community security checks to increase customer sources and saving expenses	Implementing general surveys of sanitary wares by going to customer's houses for repair, grasping the preemptive opportunity of second services.
HOCHENG(CHINA) CO. LTD.	-207,167	1. Sales performance weakened by the impact of the pandemic. 2. Sluggish market and increased competition. 3. Production stoppage, and staff processing costs increased significantly.	1. Looking for partners, expanding distribution outlets and coordinating the supply chain. 2. Enhancing internal management and controlling expenses. 3. Utilizing assets and land	Establishing joint ventures with partners
HOCENG (SHANGHAI) CO., LTD.	-12,943	1.Sales performance weakened by the impact of the pandemic. 2. Sluggish market and increased competition.	1. Expanding distribution outlets and coordinating the supply chain. 2. Enhancing internal management and controlling expenses.	
UNITED PACIFIC EXPRESS TRADING CO., LTD.	-1,760	Affected by the epidemic, demand in overseas markets has plummeted	Strengthening the development of overseas market	None
HOCHENG PHILIPPINES CORPORATION	17,469	Cost is lower than last year	Selling high-margin products and reducing production costs	None
HOCHENG PHILIPPINES PROPERTY HOLDING, INC.	4,142	Increase in profit of leasing	To continue in 2021	None

Remarks / Item	2020 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
HE-LONG INDUSTRIAL CO., LTD.	-31,330	The cost of raw materials has increased and the revenue has not reached the predetermined target	None	None
HOCHENG GROUP HOLDING CORP.	-179,339	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
SWATTON INTERNATIONAL CORP.	3,959	Investment interest and dividend income	Strengthening the development of overseas market	Looking for investment targets with good profitability and low price-to-earnings ratio

7.6 The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report:

A. 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:

a. Interest Rates

1. The effect upon the company's profits (losses):
   Due to the impact of COVID-19 pandemic in 2020, which affected the domestic economy, the Central Bank of the Republic of China (Taiwan) has lowered its base rate of New Taiwan dollar by 0.25% in order to reduce the burden on enterprises. The company's funds are mainly short-term bank loans and medium- and long-term borrowings to meet the long-term and short-term funding needs of the company's operations. The reduction in interest rates this time has reduced interest expenditures by about 17% compared with the year 2019. In all, there is no effect on the company's capital allocation from the changes in interest rates. The reduction in interest expenditures reduces overall non-industry expenditures, which is beneficial to the company's profit and loss.
2. Response measures for the Company to be taken in the future:
   An economic forecast published by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) in February, stating that the economic growth rate is expected as 4.46% in 2021, upward revised by 0.81 percentage point from the previous forecast, which was 3.83% estimated in November 2020. Taiwan's real GDP is projected at US$30,981 per person, and consumer price Index (CPI) will gently increase 1.33%. Due to the proper control of the domestic epidemic, the impact on the economy is less than that of European and American countries. Benefited from the application of emerging technologies and the continued popularity of distant business opportunities, coupled with the gradual recovery of demand for conventional industry products, orders for information/communication products with a high proportion of overseas manufacturing becomes stronger. The net income of triangle trade continued to increase, but with domestic and foreign border controls, the number of visitors to Taiwan and abroad is still almost frozen. The heat of economic development continues, the government of United States has passed the bailout and expenditure bill in addition to the possibly pass for stimulus plan of 1.9 trillion US dollars promoted by President Joe Biden, which will help the future economic recovery. It is not ruled out that the central bank will raise interest rates following the recovery of the US economy, and the company will adjust the lending rate to the best combination in response to changes in interest rates to minimize financial costs

b. Foreign Exchange Rates

1. The effect upon the company's profits (losses):
   In 2020, the New Taiwan dollar against the US dollar was stronger than in 2019, with an appreciation of about 6.26%. The export value accounts for less than 2% of the overall revenue, so the magnitude of the exchange rate appreciation of the New Taiwan dollar affects the company's profit and loss to a limited extent. However, in order to reduce the impact of exchange rate fluctuations on the profit and loss, the company shall pay attention to the trend of exchange rate and adjust payment measures appropriately according to such trend of exchange rates, and also coordinate purchase prices with suppliers to minimize the impact.
2. Response measures for the Company to be taken in the future:
   Due to the impact of COVID-19 epidemic on the global economy, where environment of worldwide supply chain reorganization, the trend of manufacturers continuously expanding their investment in Taiwan persists. In addition, the epidemic has catalyzed the acceleration of digital transformation and distant business opportunities for worldwide enterprises, and such strong external demand and industrial advantages are expected to boost a large amount of exports in Taiwan. Using the exchange rate of the

new Taiwan dollar as it is now will maintain such current situation. The company's export sales account for a low proportion of its sales, resulting in little impact on the sales revenue. On the contrary, the imported raw materials reflect to reduce the purchase cost. If the trend of the exchange rate appreciation of the new Taiwan dollar remains unchanged in the future, the foreign currency borrowings will be paid off or on-lending into Taiwan dollar borrowings to eliminate the impact of exchange rate changes on profit and loss.

c. Inflation

1. The effect upon the company's profits (losses):
   A downward revised by 0.23 percentage point for consumer price Index (CPI) in 2020 with comparison of last year, and a gentle increase by 1.33% is expected for the whole 2021. As far as the overall environment is concerned, commodity prices are determined stable, not causing much impact on the company's production costs. Due to the impact of the epidemic, invitations to hydroelectric distributors from all areas and students of Design colleges from various universities in the country, for coming visit company's new product demonstrations and displays, were cancelled, which were held every year originally, therefore the entertainment expenses were reduced compared with previous years. In addition, by retrenching expenditures in all departments, profit of the year has been better than previous years. The company will continue to implement management plans of costs reduction and production processes improvement every year, and adjust production and develop high-efficiency mechanical auxiliary processes in response to environmental changes, so as to reduce production costs and increase profit in return to shareholders.
2. Response measures for the Company to be taken in the future:
   Commodity prices are expected to remain stable in the future. The main uncertainties are whether the global epidemic can be effectively controlled, the progress of COVID-19 vaccine supply, the relaxation schedules of blockade measures in various countries, and the trend of crude oil prices and raw material prices. If such factors change, a chain reaction shall arise in both commodity prices and economic development. The company will make every effort to maintain a stable supply of raw materials and continue to maintain a good relationship between upstream and downstream manufacturers to ensure the normal operation of production and sales to maximize profits and protect the shareholders' equity.

B. 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:

a. The Company did not engage in any high-risk or high-leveraged investments, nor any derivative commodity transactions.

b. Loans of funds to others: As of the end of December 2020, the total amount of capital loans to subsidiaries at home and abroad was NT$0.

c. List of endorsement/guarantee amount of the Company to subsidiaries at home and abroad, as of end of December 2020, as follows:

(1) HOCHENG PHILIPPINES CORPORATION: NT$283,229,000

(2) HO LONG CERAMIC CO., LTD.: NT$365,640,000

(3) HOCHENG(CHINA) CO. LTD.: NT$170,880,000

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

For future research and development plans, please refer to the research and development plan in this annual report. For the research progress of the Company, please refer to III Operation Overview in this annual report, for the achievements of research and development in 2020, projects have been completed accordingly, mass production launch and selling and marketing in the market. For 2021, NT$114,350,000 has been allocated as research expenses to strengthen the research and development capabilities and enhance the company's competitiveness.

D. 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 daily operations are managed in accordance with relevant laws and regulations at home and abroad, and always pay attention to domestic and foreign policy development trends and changes in laws and regulations, to fully grasp the changes in the market and environment, and proactively propose countermeasures in a timely manner. As of the date of publication of the annual report, there are no such major events with effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad.

E. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The company can promptly master industry dynamics and obtain market information ahead of its peers, so changes in technology and transformation in industry persist a positive impact on the company.

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

Since its establishment, the company has been committed to maintaining its corporate image and complying with laws and regulations. As of now, there has been no affairs to affect the corporate image.

(1) In order to advocate the importance of the health, comfort, diversification, and rationalization of living spaces, we encourage to create a perfect living space suitable for Taiwan’s local and cultural ideals by creativity, planning, design and construction. The company sponsored the 7th Taiwan Golden Pottery Award held by the Hocheng Cultural and Educational Foundation of NT$5 million, and expenditures for related activities of design and competition to reward outstanding local works with creativity and contribution.

(2) In order to expand the business level, diversify the risk of a sole product, and accelerate the transformation of enterprise products, some products that have been actively cooperating in technology with academic research units in recent years have entered the mature stage of research and development, and have started mass production this year.

(3) In order to create more superior housing equipment, the company independently researched and developed new glaze processing technology to introduce worldwide mainstream "nano" technology into mass production. This is the pioneer in the domestic industry, and it is also rare in domestic industry that high-tech nanotechnology is used in the daily life of the general public, and such application of technology will enable the company's products to have better anti-fouling and antibacterial effects. In addition, the company actively takes the lead in signing a water-saving strategic alliance with the Institute of Energy and Resources of Industrial Technology Research Institute, and has established a good cooperation mode to promote various cooperation topics, including the promotion of green building demonstration cases, the national standard system and revision of water-saving equipment products, the exchange of domestic and foreign certification experience in laboratories, the research and development and promotion of water-saving equipment products, the holding of public hearings on water-saving-related topics, the development of subsidized replacement plans, and the acceleration of the replacement of water-saving toilets, and will definitely demonstrate the effectiveness of water conservation. With "creative" and "active", Hocheng provides a supreme quality of life to the public, which is helpful to enhance the company's corporate image. In future, we will fulfill our social responsibilities in line with the corporate spirit of a listed company and seek the best interests for all shareholders and employees.

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

In the most recent year and as of the publication date of the annual report, there is no plan for the Company to merge and acquire other companies. If there is a plan for mergers and

acquisitions in the future, we will take a prudent attitude and consider whether the merger can bring concrete results to the company, so as to ensure and protect the original rights and interests of shareholders.

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

While the expansion of production capacity and the plant will cause an increase in operating costs, the company will face the risk if production capacity cannot be effectively used. In this regard, the company will pay close attention to market changes, maintain close cooperation with customers, and adjust expansion plans in a timely manner to mitigate and avoid risks.

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

The company's main raw materials are generally in an appropriate inventory. If due to force majeure or emergencies, the company shall be able to seek other domestic and foreign supplies in response to support. Therefore, although the company's purchases are concentrated in a few companies, such concentration of purchases shall not cause the risk of supply shortage or interruption.

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

With respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, there is no instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands; to be compliance with laws and regulations released in public, the company has removed term of office of supervisors on June 28, 2018, and replaced their powers with an audit committee. There are no adverse effects from this adjustment, with no change in the main operating team nor significant changes in financial and business conditions, so there are no adverse effects from the adjustment of the supervisor and the audit committee. In addition to a few reasonable equity trading, the company shall not have the risk due to the transfer or changes a major quantity of shares resulting in change of operation ownerships.

K. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The chairman of the company has been involved in the company's operations for a long time. The management has a strong sense of mission for the company and regards the company's operation as a lifelong mission. As of the publication date of the annual report, there is no change in governance personnel or top management, hence there shall be no risk.

L. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report : None.

M. Effect upon and risk of information security, and mitigation measures being or to be taken:

The company has assigned IT supervisor to take responsibility in formulating and reviewing information security management goals and policies to ensure the confidentiality, integrity, and availability of information security. In addition, information security audits were regularly implemented by auditors to review access rights and the implementation of the information security management system so as to ensure that the information system and operation maintain

normal function.

Relevant protection measures against information security of the company are as follows:

1. Security Management of Computer System: Purchasing and installing legal anti-virus software, updating the virus code timely and scanning on a regular basis.
2. Security Management of Network: Setting up a variety of measures such as firewall, malicious mail filtering and employee Internet protection, and maintaining information security vigilance at all times to monitor network security.
3. Security Management of System Access Control and Maintenance: Implementing measures such as regularly check-up of access rights, user password management, remote backup of important data, and installation of backup power to prevent losses caused by power outages, etc.
4. Business Sustainable Operation Planning: Assessing the impact of personnel and natural disasters on the company's normal operations, and establishing emergency countermeasures and information recovery procedures.
5. Training of Information Security: Regularly promoting information security and training activities of employee information security.

With respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report, there is no major cyber-attacks that impacted the company's operations.

N. Other important risks, and mitigation measures being or to be taken:

(1) Impact of COVID-19 and mitigation measures being or to be taken:

The COVID-19 epidemic has had an impact on the supply chain of information technology products recently, and it may accelerate the trend of supply chain transfer and dispersion, and it will also bring risks to the downward of economic growth of China and the world in 2021. The Group will continue to pay close attention to changes in the overall environment, flexibly adjust the organization and business while enhancing working capital to cope with various changes.

(2) Supplier strategy adjustment and mitigation measures being or to be taken:

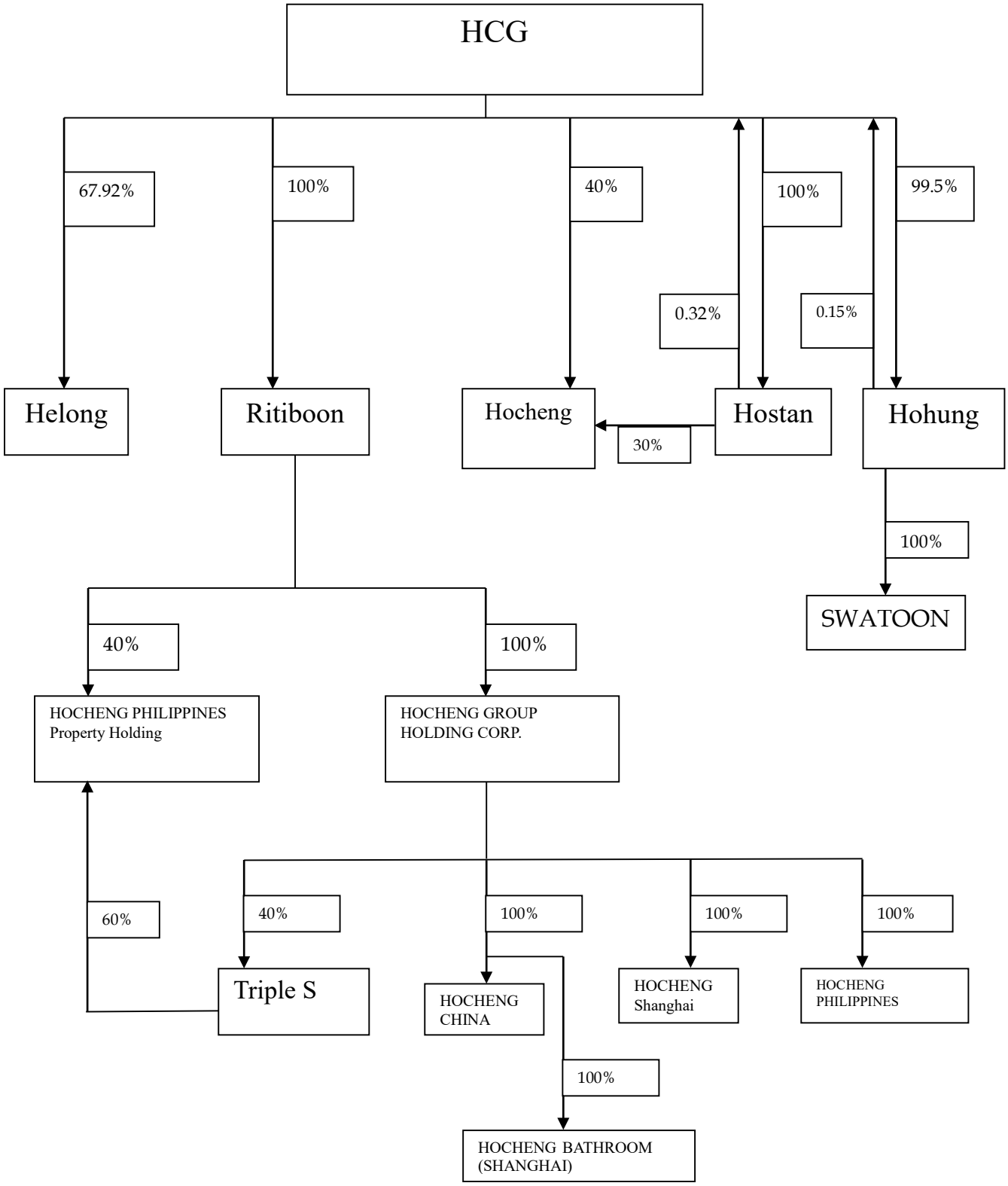
In response to supplier strategic adjustments, the company will integrate and adjust resources in a timely manner to accelerate the growth of other suppliers and add new and competitive suppliers and products in order to pursue the company's maximum benefits.

7.7. Other important matters: None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organizational Structure of Affiliates 2020/12/31



8.1.2. Basic information of affiliates:

April 30, 2020; Unit: NT$ thousands

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
HOSTAN CORPORATION	September 5, 1984	No. 398, Xingshan Road, Neihu District, Taipei City	NT$ 1,005,938	Manufacturing and marketing of Water heaters, range hoods, gas stoves, electric toilet seats, electrical appliances and audio-visual electronics, lighting equipment, furniture and fittings, tableware; selling marketing of tobacco, alcohol and food.
HOHUNG INVESTMENT CO. LTD	March 31, 1993	No. 398, Xingshan Road, Neihu District, Taipei City	NT$ 348,536	Investment activities
RITIBOON INTERNATIONAL LIMITED	May 19, 1989	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	US$ 78,646	Investment activities
HE LONG INDUSTRIAL CO., LTD.	September 26, 1973	No. 2, Section 1, Zhongshan Road, Hukou Township, HsinChu County	NT$ 104,370	Manufacturing, processing and trading of various ceramics, tiles, mosaics, refractory bricks, magnetic grinding wheels, electrical barriers, sanitary equipment for toilets, bathroom equipment and other ceramic products; purchasing and selling of materials of aforementioned products; import, export and agency business of aforementioned products; Entrusting a constructor to build commercial buildings, leasing and selling of residential houses.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
HOCENG INDUSTRIAL CO., LTD.	May 20, 1997	B1, No. 26, Section 3, Nanjing East Road, Zhongshan District, Taipei City	NT$ 15,000	Trading, installation, maintenance and import and export business of various sanitary ware, kitchen stove equipment and other parts; Trading and import and export business of tiles, floor tiles and veneer stones; interior decoration design and construction business; agency for selling marketing and quoting business of aforementioned various domestic and foreign manufacturers' products.
HOCHENG(CHINA) CO. LTD.	August 13, 1993	No. 115, Lu Zhi Da Dao, Wuzhong Dist. Suzhou City, Jiangsu Province, China	CNY 264,891	Producing of medium and high-end sanitary ware, metal, plastic accessories and other architectural decoration ceramic appliances and kitchen utensils; Surface processing of electronic products (NB laptops, mouse, PDA phones, PC computers); Sales of company's self-manufactured products; leasing business of self-owned properties.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
HOCHENG BATHROOM (SHANGHAI) CO., LTD.	September 19, 2018	Room 1490, Building 6, No. 1700 GangYang Gong Lu, Gang Yang Town, Chongming Dist. Shanghai City, China (Shanghai Gang Yang Economic Development Zone)	CNY 1,000	Sales of sanitary ware, packaging materials, plastic products, paper products, machinery and equipment, daily necessities, building materials, environmental protection equipment, mechanical and metal equipment, kitchen equipment, hotel equipment, craft gifts (except ivory and its products), building materials, metal materials, and apparels; E-commerce (no value-added telecommunications nor financial services is allowed), import and export of goods and technologies.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
UNITED PACIFIC EXPRESS Trading Co., Ltd.	April 18, 2008	Room 905-907, No. 107 An-Tai Building, ZunYi Road, Chang Ning Dist. Shanghai City, China	US$ 1,000	Wholesale, import and export, commission agency of construction and decoration materials (except cement and steel), bathroom equipment, sanitary ware and accessories, kitchen and catering utensils, knitting textiles, apparels, craft gifts (except cultural relics), cultural and sporting goods, hotel supplies, daily necessities, furniture, locks and security products, hardware tools and accessories, communication products, electronic appliances (except auctions); Providing relevant technical services and after-sales service (not involving state-owned trade management commodities, involving quotas and authorized management commodities, application in accordance with relevant national regulations; administrative licenses, operation with licenses).
HOCHENG PHILIPPINES CORPORATION	December 28, 1995	Lot 2 Block 4 Phase III, FCIE, Bo. Langkaan, Dasmariñas, Cavite, Philippines	PHP 407,844	Engage in, operate and maintain the business of manufacturing, importing exporting, buying, selling marketing sanitary ware products.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
HOCHENG PHILIPPINES PROPERTY HOLDING, INC.	December 12, 1995	Lot 2 Block 4 Phase III, FCIE, Bo. Langkaan, Dasmariñas , Cavite, Philippines	PHP 83,848	Leasing of property
HOCHENG GROUP HOLDING CORP.	January 4, 2008	Suite 102, Cannon Place, P.O.Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006, Cayman Islands	US$ 49,389	Investment activities
SWATTON INTERNATIONAL CORP.	August 7, 2010	Palm Grove PO Box438 Road Town, Tortola, British Virgin Islands	US$ 1,300	Investment activities

Concluded as a controlling company and its affiliates containing same shareholders' information: None

8.1.3. Rosters of Directors, Supervisors, and General Managers of affiliates

December 31, 2020; Unit: Shares, %

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
HOSTAN CORPORATION	CHAIRMAN	CHIU, YUAN-YI (HCG Legal Representative)	100,593,839	100
	DIRECTOR	CHIU, CHI-CHUAN (HCG Legal Representative)	100,593,839	100
	DIRECTOR	CHIU, PO-CHUN (HCG Legal Representative)	100,593,839	100
	DIRECTOR	CHIU, LI-CHIEN (HCG Legal Representative)	100,593,839	100
	DIRECTOR	WU, YUE-CHENG (HCG Legal Representative)	100,593,839	100
	SUPERVISOR	CHIU, CHUN-CHIEH (HCG Legal Representative)	100,593,839	100
HO-HUNG INVESTMENT CO. LTD	CHAIRMAN	CHIU, LI-CHIEN (HCG Legal Representative)	34,678,498	99.5
	Supervisor	CHIU, CHI-HSIN	52,545	0.15
	MANAGERIAL OFFICER	CHIU, CHI-HSIN	52,545	0.15
RITIBOON INTERNATIONAL LIMITED	DIRECTOR	CHIU, LI-CHIEN (HCG Legal Representative)	78,646,373	100
HO LUNG INDUSTRIAL CO., LTD.	CHAIRMAN	WU, YUE-FENG (HCG Legal Representative)	7,088,332	67.92
	VICE CHAIRMAN	CHIU, PO-CHUN	211,042	2.02
	DIRECTOR	CHIU, CHIH-CHONG	974	0.01
	DIRECTOR	CHIU, LI-CHIEN (HCG Legal Representative)	7,088,332	67.92
	DIRECTOR	HSU, RONG-DE	61,597	0.59
	SUPERVISOR	CHIU, CHI-HSIN	21,772	0.21

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
HOCENG INDUSTRIAL CO., LTD.	CHAIRMAN	WU, YUE-CHENG	30,000	2
	DIRECTOR	HOSTAN CORPORATION	450,000	30
	DIRECTOR	YUHUANG CO., LTD.	180,000	12
	DIRECTOR	XIN JIE XU ENTERPRISES CO., LTD.	180,000	12
	DIRECTOR	CHIU, CHI-HSIN	30,000	2
	DIRECTOR	CHIU, LI-CHIEN	30,000	2
	SUPERVISOR	HOCENG Corporation. (Legal Representative CHIU, LI-YIH)	600,000	40
HOCENG (CHINA) CO., LTD.	CHAIRMAN	CHIU, SHI-KAI (RITIBOON INT'L LTD Legal		100
	DIRECTOR	Representative)		100
	DIRECTOR	CHIU, LI-CHIEN (RITIBOON INT'L LTD Legal		100
	DIRECTOR	Representative)		100
	DIRECTOR	CHIU, CHI-HSIN (RITIBOON INT'L LTD Legal		100
	DIRECTOR	Representative)		100
	SUPERVISOR	CHIU, CHI-CHUAN (RITIBOON INT'L LTD Legal		100
		Representative)		
		WU, YUE-CHENG (RITIBOON INT'L LTD Legal		
		Representative)		
		CHIU, YUAN-YI (RITIBOON INT'L LTD Legal		
		Representative)		
		CHIU, PO-CHUN (RITIBOON INT'L LTD Legal		
		Representative)		
HOCENG (SHANGHAI) CO., LTD.	CHAIRMAN	CHIU, SHI-KAI		100

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding（%）
HOCHENG PHILIPPINES CORPORATION	STOCKHOLDER	HOCHENG GROUP HOLDINGS CORP.	407,843,872	100
	CHAIRMAN	PATRICK CHIU (HOCHENG GROUP HOLDINGS CORP.Representative)	1	0
	DIRECTOR/STOCKHOLDER	STEPAHINIE CHIU (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0
	DIRECTOR/STOCKHOLDER	SCOTT CHIU (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0
	DIRECTOR/STOCKHOLDER	MICHAEL CHIU (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0
	DIRECTOR/STOCKHOLDER	CASEY CHIU (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0
	DIRECTOR/STOCKHOLDER	YUEH-LONG “Tiger” WU (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0
	DIRECTOR/STOCKHOLDER	SHIAN-HSIEN "Sam" CHEN (HOCHENG GROUP HOLDINGS CORP. Representative)	1	0

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
HOCHENG PHILS. PROPERTY HOLDING, INC.	STOCKHOLDER	RITIBOON INT'L LTD	11,474,569	40
	DIRECTOR/STOCKHOLDER	CASEY CHIU (RITIBOON INT'L LTD Representative)	1	0
	DIRECTOR/STOCKHOLDER	ROGER CHIU (RITIBOON INT'L LTD Representative)	1	0
	DIRECTOR/STOCKHOLDER	CAMELLA ARCIAGA	1	0
	DIRECTOR/STOCKHOLDER	TRIPLE HOLDINGS	1	0
	STOCKHOLDER		17,212,496	60
HOCHENG GROUP HOLDING CORP.	DIRECTOR/CHAIRMAN	CHIU, LI-CHIEN (RITIBOON INT'L LTD Representative)	49,389,182	100
SWATTON INTERNATIONAL CORP.	DIRECTOR	CHIU, LI-CHIEN (HO-HUNG INVESTMENT HOLDING CO. LTD Legal Representative)	13,004	99.97
UNITED PACIFIC EXPRESS Trading Co., Ltd.	CHAIRMAN DIRECTOR	CHIU, YUAN-YI (Legal Representative)		100 100

8.1.4. Business Overview of Affiliated Companies.

Unit：NT$1,000/ 2019.12.31

Company Name	Currency	Capital	Total Assets	Total liabilities	Net value	Operating Revenue	Operating Benefits	Current Profit and Loss (After tax)	EPS (NT$) (After tax)
HOSTAN CORPORATION	NTD	1,005,938	2,410,129	401,506	2,008,623	481,326	6,769	5,478	0.05
HOHONG INVESTMENT CO., LTD.	NTD	348,536	580,839	3,839	577,001	19,327	11,751	9,479	0.27
HOCHENG PHILS.PROPERTY HOLDING,INC	USD	78,646	35,164	3	35,161	0	-61	-5,810	-0.07
HE-LONG INDUSTRIAL CO., LTD.	NTD	104,370	529,684	501,330	28,353	16,357	-30,754	-31,330	-3.0
HOCENG INDUSTRIAL CO., LTD.	NTD	15,000	158,670	65,052	93,618	246,128	5,402	6,651	4.34
HOCHENG (CHINA) CO., LTD	CNY	264,891	267,125	245,114	22,012	121,622	-68,049	-47,331	
HOCHENG BATHROOM (SHANGHAI) CO., LTD.	CNY	1,000	17,057	19,345	-2,288	45,348	-3,186	-2,957	
UNITED PACIFIC EXPRESS TRADING CO.,LTD.	CNY	6,737	6,790	1,868	4,922	4,405	-289	-402	
HOCHENG PHILIPPINES CORPORATION	PHP	407,844	1,469,865	604,499	865,367	1,110,759	66,310	29,805	0.07
HOCHENG PHILIPPINES PROPERTY HOLDING	PHP	83,848	188,321	33,770	154,551	19,866	10,409	7,067	0.08
SWATTON INTERNATIONAL CORP.	USD	1,300	5,387	0	5,387	0	0	139	10.69
HCG HOLDING	USD	49,389	25,353	1	25,351	0	-8	-6,297	-0.13

2020/12/31 Exchange rate USD=28.48 CNY=4.377 PHP=0.5861

8.1.5. Consolidated financial statements of affiliated companies: The same as the consolidated financial statements without the need for repetition.

8.2. The status of private placement securities in the most recent year and as of the date of publication of the annual report: None

8.3. Information on holding or disposing of the company's stocks by subsidiaries in the most recent year and as of the annual report:

Unit：NTD Thousand；Shares；%

Subsidiary	Capital	Sources of funds	The company's shareholding ratio%	Date of acquisition or disposal	Number and amount of shares acquired	Disposal of shares and amount	Investment gains and losses	Number and amount of shares held as of the publication date of the annual report	Setting the pledge situation	The company endorses the guarantee amount for the subsidiary	Amount of the company's loan to the subsidiary
Hostan	1,005,938	Private Capital	100	This year ends on December 31, 2020	0	0	0	1,190,538 shares 12,143	0	0	0
Hohung	348,536	Private Capital	99.5	This year ends on December 31, 2020	0	0	0	543,274 share 5,541	0	0	0
Ritiboon	USD 78,646	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	0	0
Hocheng	15,000	Private Capital	70	This year ends on December 31, 2020	0	0	0	0	0	0	0
Hocheng (China)	CNY 264,891	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	170,880	0
Hocheng (Shanghai)	CNY 1,000	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	0	0
Hocheng Trade (Shanghai)	CNY 6,737	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	0	0
Hocheng Phillipine	PHP 507,844	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	283,229	0
Hocheng Philippines Property Holding	PHP 83,848	Private Capital	64	This year ends on December 31, 2020	0	0	0	0	0	0	0
Helong	104,370	Private Capital	67.92	This year ends on December 31, 2020	0	0	0	0	0	365,640	0
Hocheng Holdings	USD 49,389	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	0	0
SWATTON	USD 1,300	Private Capital	100	This year ends on December 31, 2020	0	0	0	0	0	0	0

8.4. Other necessary supplementary explanation items: none

IX. In the most recent year and up to the date of publication of the annual report, there have been events that have a significant impact on shareholders' rights and interests or securities prices as stipulated in the second paragraph of Article 36 of the Securities and Exchange Act: none

H O C H E N G C o r p o r a t i o n

Chairman Chiu Li-Chien