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

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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.

Although the global economy has gradually recovered from the severe recession of the pandemic in the past year, the conflict between China and the United States has gradually expanded from an economic aspect to a political one. Because the variants of the coronavirus keep emerging, the gradual recovery of economic development is threatened. The variants cast an uncertain shadow over the economic recovery. Our Chinese and Philippine companies have improved, but they haven't recovered to the performance before pandemic. Thanks to the steady growth of the domestic market, the entire group's business has maintained profitable. Recently, because of the congestion of ports in the international economy after the epidemic, the shipping freight has risen sharply. The supply chain has also undergone a lot of changes. In addition to the rising prices of raw materials and the price inflation of domestic building materials market, it has led to a gradual rise in the price of the domestic housing market. In order to curb housing prices, the government has begun to implement new measures such as home purchase loans. The company will see whether the market size can continue to grow next year. We must develop steadily in the existing product market, and on the other hand, we must find breakthroughs in the development of new products and new markets to face the treacherous and ever-changing economy and market in the future.

1.1. Performance of Enterprise:

We hereby report to our shareholders on the results of operations in 2021.

Consolidated revenue of Hocheng Co., Ltd. in 2021

Item	Revenue	
Operating income.	5,313,319	thousand dollars (net)
Operating gross profit.	1,357,367	thousand dollars
Operating profit.	66,675	thousand dollars
Net income after tax.	1,745,927	thousand dollars
Earnings per share.	3.33	dollars

1.2. Outline of 2022 Annual Business Plan

1. Integrated development of sanitary products: The company launched the GORFIN series of bathroom products this year, which not only presents a simple and modern design style concept, but also provides an intelligent sensor and humanized function, as well as integrating the eco-friendly concept of water saving and cleanable. GORFIN toilets have been awarded the 2022 Taiwan Excellence Award, which has obtained the public recognition. Others, such as lead-free faucet in stainless steel can provide consumers with safe and water-conserving functions. Afterwards, with the integration of the company's products, we will develop eco-friendly and energy-saving products to replace the older and more energy-consuming products.
2. Adjustment of supply chain integration: After the outbreak of coronavirus epidemic, the production is likely to be interrupted because of that, together with the delay of shipping, intense geopolitics and trade conflicts, resulting the trade network is relatively vulnerable and the supply chain is not as reliable as previously expected. In response to the crisis of supply chain disruption whenever possible, it is important to consider the adjustments from raw materials, components to final products, and to make positive and rapid changes to avoid operational difficulties due to supply chain disruption.
3. Expansion of new business: In recent years, precision ceramics and composite materials have been developed towards the high-end market, including personal protection products, medical devices and carbon fiber flippers for freediving, etc. In addition, structural ceramics (military ballistic ceramics, ballistic plates, etc.) and biomedical ceramics (all-ceramic dental crown materials) have been developed successively. With the unique technology and high market reliance, precision ceramics products are becoming another major contributor to the group's revenue. Sales of cabinets and electric clothes dryers have also grown significantly year by year.

1.3、Future development strategy of the company

1. Actively develop new markets and marketing channels to achieve annual sales targets.
2. Strengthen logistics management, spreading supply chain risks and expanding the utilization of the company's financial flow.
3. To improve market competitiveness through faster development of new products and technologies.
4. To Increase advertisement marketing to improve the market share of our products.
5. Strengthen talent training and implement performance management.
6. Implement ISO quality, information security and environmental policies.

In addition to drawing up the management plan for 2022, 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.

In 2021- February- "Relieved. Unbridled. Be Yourself" commercial was released and broadcasted simultaneously on the Internet and social media.

March- Tsinghua University's Power Mechanics Racing Factory released the TH05 Formula Racing Car, with aero kits and multiple structural components made by the Hecheng carbon fiber composite material team.

April- Certificated by ISO 27001 information security management system.

May- The new toilet "SHANGRI-LA" was developed and put into production.

July- Completed the research and development and trial production of lightweight materials with high-end ballistic resistance.

September- Cooperation with the National Museum of Marine Science for the rehabilitation of marine corals.

November- CERATOP, a secondary brand of zirconia porcelain tiles for dentistry, was launched in the US market.

December- Gorfin series products were launched and won the Taiwan Excellence Award.

Awarded a certificate of appreciation from the Taoyuan City Government for being an eco-friendly green store.

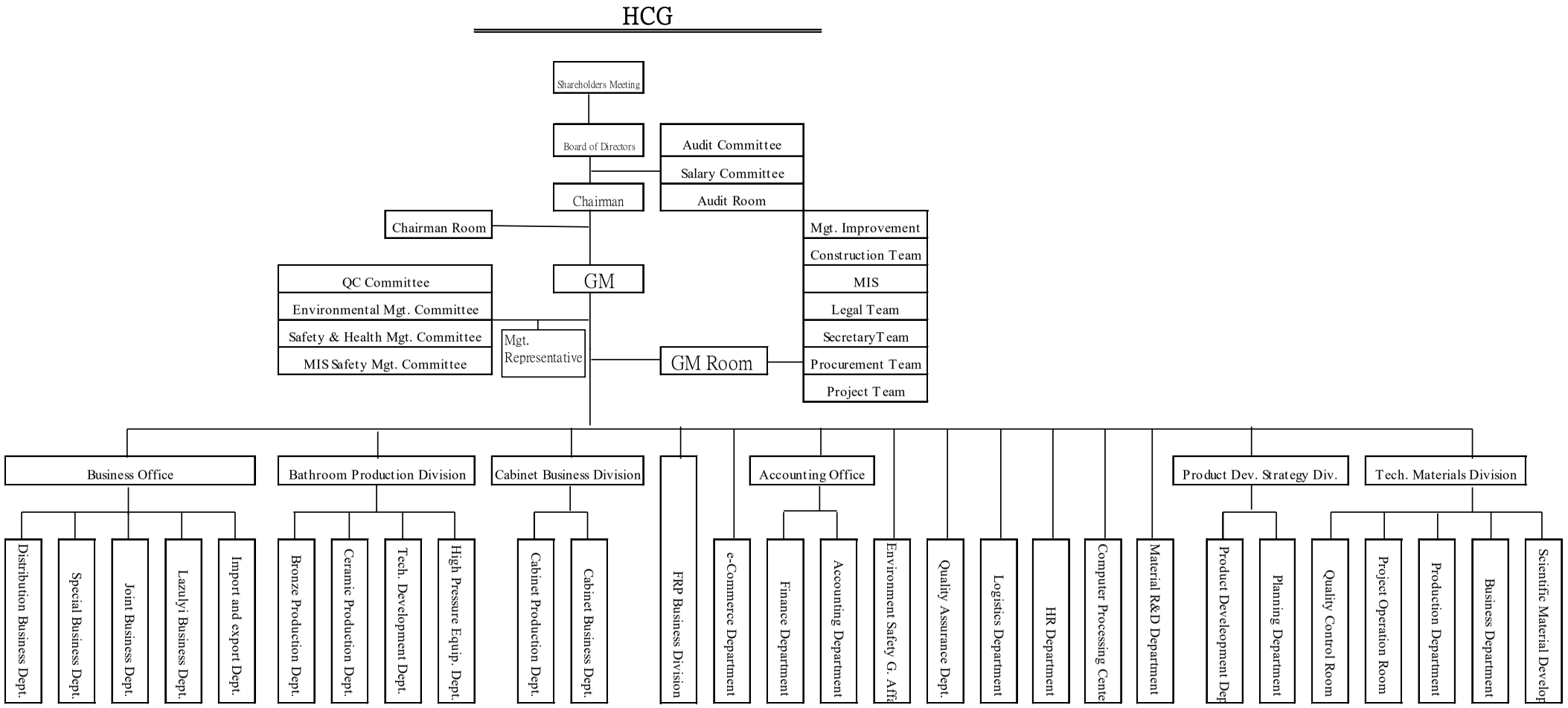
December-Signed a memorandum of understanding (MOU) with the Metal Industry Center, one of the three major foundations in Taiwan, to jointly promote the development of the sanitary appliance industry.

December-Completed the project of "High-speed impact resistant B4C-based lightweight ceramic composite material" of the NCSIST.

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.

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.

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

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

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

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.

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

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

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

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

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

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

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.

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.

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

3.2.1. Directors information:

1. Directors

April 30, 2022

Title (Note 1)	Nationality or place of registration	Name	Gender/ Age (Note 2)	Date elected (inaugurated)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 4)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Chiu, Li-Chien	Male/ 61~70 years old	2021.07.09	3 years	2003.06.27	12,832,033	3.47%	12,832,033	3.47%	0	0%	0	0%	University of San Francisco	Yuhuang, Director (Xinjiexu, Representative) Holong, Director (HCG, Representative) Hostan, Director (HCG, Representative) Hocheng Group Holding Corp., Director (Ritiboon, Representative) Hocheng (China), Director (Ritiboon, Representative) Ritiboon, Director Hohong, Director (HCG, Representative)				
Director	R.O.C.	Wu, Yue-Long	Male/ 61~70 years old	2021.07.09	3 years	2019.06.28	2,736,416	0.74%	2,736,416	0.74%	80,205	0.02%	0	0%	Tokai University (Japan), Master degree	Yuhuang, Chairman (Xinjiexu, Representative)				
Director	R.O.C.	Fuho Investment Co., Ltd Representative: Chiu, Chi-Hsin		2021.07.09	3 years	2003.06.27	2,307,979	0.62%	1,357,979	0.37%	0	0%	0	0%						
Director	R.O.C.	Chiu, Chi-Hsin	Male/ 51~60 years old	2021.07.09	3 years	2003.06.27	215,491	0.06%	215,491	0.06%	252,868	0.07%	0	0%	Columbia University (USA), Master of BA	HCG, Finance Department CFO Yuhuang, Director (Xin Jie Xu, Representative) Hocheng Philippines, Director Helong, Supervisor Hocheng (China), Director (Ritiboon, Representative) Fuho, Chairman Hohong, Chairman (HCG, Representative) Xinjiexu, Director				

Title (Note 1)	Nationality or place of registration	Name	Gender/ Age (Note 2)	Date elected (inaugurated)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 4)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai		2021.07.09	3 years	2006.06.30	14,033,700	3.79%	14,033,700	3.79%	0	0%	0	0%						
Director	R.O.C.	Chiu, Shi-Kai	Male/ 41~50 years old	2021.07.09	3 years	2006.06.30	1,840,575	0.48%	6,016,417	1.63%	0	0%	0	0%	WENT WORTH INSTITUTE OF TECHNOLOGY	Hocheng (China), Chairman (Ritiboon, Representative)				
Independent Director	R.O.C.	Wang, Cheng-Wei	Male/ 41~50 years old	2021.07.09	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.	Fan, Wei-Guang	Male/ 51~60 years old	2021.07.09	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 Mei Fu Development Co., Ltd., Supervisor Importers and Exporters Association of Taipei, Director				
Independent Director	R.O.C.	Tsai, Hung-Jian	Male/ 51~60 years old	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				2021/07/08 term expires
Independent Director	R.O.C.	Wang, Min-Chi	Male/ 51~60 years old	2021.07.09	3 years	2021.07.09	0	0%	0	0%	0	0%	0	0%	Tsinghua University EMBA	Yi Chin & Gibson Co., Ltd. in Hualien, Chairman Koryo Co., Ltd., remuneration committee member Mercuries Data Systems Ltd., remuneration committee member				

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：Please list your actual age and express it in intervals, such as 41-50 years old or 51-60 years old.

Note 3：Any interruption circumstance shall be specified when filling in the date of first serve as Director or Supervisor.

Note 4：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 5：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

Dec. 31, 2021

Name of juristic-person shareholders（Note 1）	Major shareholders（Note 2）
Fuho Investment Co., Ltd.	Chiu, Chi-Hsin (82.56%), Zhu, Xin-Xin (5.56%), Chiu, Yu-Fen (3.8%), Lu, Bo-Qing (3.73%), Chiu, Qiu-Weijie (2.67%), Chiu, Yu-Ping (1.62%), Chen, Hui-Mei (0.06%)
Yuhuang Co., Ltd.	Xinjiexu 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

Dec. 31, 2021

Name of juristic-person shareholders（Note 1）	Major shareholders (Note 2)
Xinjiexu Co., Ltd.	Baihefa Investment Co., Ltd. (14.29%), Dorkay Investment Co., Ltd. (14.29%), Fuho Investment. Co., Ltd. (14.29%), Chiu, Jun-Jie (14.29%), Wu, Yue-Feng (10.84%), Zhaoyi Investment Ltd. (7.52%), Chiu, Chih-Chung (3.51%), Yuancheng Investment Co., Ltd. (3.44%), Jing Yang Investment Ltd. (2.75%), Chiu, Yuan-Yi (2.18%)

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. The Disclosure of Directors' Professional Qualifications and Independent Directors' Independence Status:

Criteria / Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chiu, Li-Chien	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. 1. Yuhuang, Director (Xinjiexu, Representative) 2. Holong, Director (HCG, Representative) 3. Hostan, Director (HCG, Representative) 4. Hocheng Group Holding Corp., Director (Ritiboon, Representative) 5. Hocheng (China), Director (Ritiboon, Representative) 6. Ritiboon, Director 7. Hohong, Director (HCG, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	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 Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. 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; provided. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.	0

Criteria / Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Wu, Yue-Long	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. Yuhuang, Chairman (Xinjiexu, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	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 Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. 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; provided. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.	0
Yuhuang Co., Ltd.: Chiu, Shi-Kai	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. Hocheng (China), Chairman (Ritiboon, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	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 Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. 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; provided.	0

Criteria / Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Fuho Investment Co., Ltd.: Chiu, Chi-Hsin	Have Work Experience in the Areas of Commerce, Finance or Otherwise Necessary for the Business of the Company. 1. HCG, Finance Department CFO 2. Yuhuang, Director (Xinjiexu, Representative) 3. Hocheng Philippines, Director 4. Helong, Supervisor 5. Hocheng (China), Director (Ritiboon, Representative) 6. Fuho Investment Ltd., Chairman 7. Hohong, Chairman (HCG, Representative) 8. Xinjiexu, Director Not been a person of any conditions defined in Article 30 of the Company Act.	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 Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. 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; provided.	0
Wang, Cheng-Wei (Independent Directors)	Have Work Experience in the Areas of Commerce, Finance, Legal, Finance, Accounting or Otherwise Necessary for the Business of the Company. 1. Fudan University (Shanghai), EMBA 2. Kuang Chuan Dairy Co., Ltd., Director 3. Lien Chang Electronic Enterprise Co., Ltd., Independent Director Not been a person of any conditions defined in Article 30 of the Company Act	Independent director who meets the independence criteria, including, but not limited to, natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship; not holding shares of the company; not serving as a director, supervisor or employee of a company with a specific relationship with the company; not received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.	1

Criteria / Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Fan, Wei-Guang (Independent Directors)	Have Work Experience in the Areas of Commerce, Legal, Finance, Accounting or Otherwise Necessary for the Business of the Company. 1. University of Southern California, Master degree 2. Mei Fu Engineering Service Co., Ltd., Chairman 3. Mei Fu Development Co., Ltd., Supervisor 4. Importers and Exporters Association of Taipei, Director Not been a person of any conditions defined in Article 30 of the Company Act.	Independent director who meets the independence criteria, including, but not limited to, natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship; not holding shares of the company; not serving as a director, supervisor or employee of a company with a specific relationship with the company; not received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.	0
Wang, Min-Chi (Independent Directors)	Have Work Experience in the Areas of Commerce, Legal, Finance, Accounting or Otherwise Necessary for the Business of the Company. 1. Tsinghua University EMBA 2. Yi Chin & Gibson Co., Ltd. in Hualien, Chairman 3. Koryo Co., Ltd., remuneration committee member 4. Mercuries Data Systems Ltd., remuneration committee member Not been a person of any conditions defined in Article 30 of the Company Act.	Independent director who meets the independence criteria, including, but not limited to, natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship; not holding shares of the company; not serving as a director, supervisor or employee of a company with a specific relationship with the company; not received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.	0
Tsai, Hung-Jian (Independent Directors) Appointment expires on July 8, 2021	Have Work Experience in the Areas of Commerce, Legal, Finance, Accounting or Otherwise Necessary for the Business of the Company. 1. University of California, Berkeley, Master degree 2. Bao-Sheng Construction Co., Ltd., Chairman 3. Fulai Construction Co., Ltd., Chairman Not been a person of any conditions defined in Article 30 of the Company Act.	Independent director who meets the independence criteria, including, but not limited to, natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship; not holding shares of the company; not serving as a director, supervisor or employee of a company with a specific relationship with the company; not received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.	0

Note 1: Professional qualifications and experience: The professional qualifications and experience of individual directors and supervisors shall be stated, and if a member of the audit committee with accounting or financial expertise, the accounting or financial background and work experience shall be stated, together with disclosure of any of the matters set forth in Article 30 of the Company Act are not applicable.

Note 2: The independence status of the independent directors shall be stated, including, but not limited to, a natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship. Shares and its proportion held by the person, spouse, relative within the second degree of kinship (or nominee arrangement) of the company. Does he/she serve as a director, supervisor or employee of a company with a specific relationship with the company (referred to Article 3, Paragraph 1, Clause 5~8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). Received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.

Note 3: For information disclosure, please refer to the Best Practice sample on the website of the Corporate Governance Center of the TWSE.

Board Diversity and Independence:

Pursuant to Article 20 of the “Corporate Governance Best Practice Principles”: The composition of the board of directors should be diversified. Apart from the provision that the number directors concurrently serving as the managers of the company shall not exceeds 1/3 of the total seats of the Board, the company shall stipulate proper diversification principles on its operation, business type and development demand, and the principles may include but are not limited to the standards of the two major aspects below:

1. Basic requirements and values: gender, age, nationality and culture, etc. Among them, the percentage of female directors should reach one-third of total director seats.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The members of the Board shall generally have the necessary knowledge, skills and qualifications to perform their duties. The board of directors as a whole shall have the following efficiencies to achieve the ideal goal of corporate governance:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis handling capability.
5. Knowledge of the industry..
6. International market perspective.
7. Leadership ability.
8. Decision-making ability.

All directors have operating judgment, business management, crisis management, leadership, decision-making, accounting and financial analysis ability, industry knowledge and international market perspective.

The board of directors of the company is consisted of professionals from different fields of industry, and the independent directors are consisted of professionals with different abilities. The directors are qualified in industrial decision making, finance, accounting, and law to facilitate the board of directors' business operation and compliance with relevant laws and regulations. Gender: 0 female, 7 males, age: 41-50: 2 people, 51-60: 3 people, 61-70: 2 people, all of whom are R.O.C. nationals. Independent directors: 3 people account for 43% of all directors.

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	2020.02.27	0	0%	0	0%	0	0%	University of Leeds (UK) Ph.D.					
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					2021/9/13 Retirement
Deputy General Manager	R.O.C.	Huang, Jian-Cheng	Male	2012.08.01	0	0%	180	0.00005%	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 (Xinjiexu, Representative)				
Associate	R.O.C.	Gu, Cheng-Dong	Male	2001.09.01	1,027	0.0002%	0	0%	0	0%	Fu Jen Catholic University					2021/11/1 Retirement
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					
Associate	R.O.C.	Li, Guo-Dong	Male	2020.05.01	0	0%	0	0%	0	0%	Master of Tatung Polytechnic					

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	
Associate	R.O.C.	Luo,Yue-Ying	Female	2021.04.16	0	0%	0	0%	0	0%	National Cheng Kung University					
Associate	R.O.C.	Zhang , Yong-Chang	Male	2021.04.16	0	0%	0	0%	0	0%	Guangwu Engineering College					
Associate	R.O.C.	Tong, Qing-Wei	Male	2021.04.16	0	0%	0	0%	0	0%	Longhua Institute of Technology					
Associate	R.O.C.	You, Rong-Dan	Male	2021.04.16	173	0.00005%	0	0%	0	0%	Diligent Engineering College					

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								The total amount of A, B, C, D, E, F and G and 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	0	0	0	0	41,566	41,580	568	568	42,134	42,148	6,556	7,801	0	0	0	0	0	0	48,690 & 3.9115%	49,949 & 4.0126%	None
	Wu, Yue-Long																					
	Fuho Investment: Chiu, Chi-Hsin																					
	Yuhuang: Chiu, Shi-Kai																					
Independent Director	Fan, Wei-Guang																					
	Wang, Cheng-Wei																					
	Tsai, Hung-Jian																					
	Wang, Min-Chi																					

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: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Tsai, Hung-Jian Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Tsai, Hung-Jian Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Tsai, Hung-Jian Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Tsai, Hung-Jian Wang, Min-Chi
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	Directors： Yuhuang Co., Ltd. Representative: Chiu, Shi-Kai	Directors： Yuhuang Co., Ltd. Representative: Chiu, Shi-Kai	Directors： Yuhuang Co., Ltd. Representative: Chiu, Shi-Kai	Directors： Yuhuang Co., Ltd. Representative: Chiu, Shi-Kai
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	Directors: Chiu, Li-Chien, Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	Directors: Chiu, Li-Chien, Fuho Investment Co., Ltd. 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	8	8	8	8

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)				The total amount of A, B, C, and D and ratio of total compensation (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	5,764	5,764	401	401	4,677	4,677	169	0	0	0	11,011 and 0.8838%	11,011 and 0.8838%	None
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)	Kang, Shui-Shu	Kang, Shui-Shu
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	Huang, Jian-Cheng	Huang, Jian-Cheng
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	Chen, Shih-Chieh	Chen, Shih-Chieh
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	3	3

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	2020				2021			
	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	6,681	7.70%	7,784	8.97%	6,556	0.5267%	7,801	0.6267%
General Manager Deputy General Manager	9,921	11.43%	9,921	11.43%	11,001	0.8838%	11,001	0.8838%
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:

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, Shih-Chieh	0	4,170,400	4,170,400	0.34%
	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	Li, Long-Cheng				
	Associate	Luo, Yue-Ying				
	Associate	Li, Guo-Dong				
	Associate	You, Rong-Dan				
	Associate	Tong, Qing-Wei				
	Associate	Zhang, Yong-Chang				

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 7 meetings in the recent year (A); 2021.5.13-2022.3.22; the attendance of Directors is as follows:

Newly elected on June 28,2019.

Title	Name (Note 1)	Attendance in person B	By proxy	Attendance rate in person (%)【B/A】(Note 2)	Remark
Chairman	Chiu, Li-Chien	7	0	100%	2021/7/9 re-elected
Director	Wu, Yue-Long	5	0	71%	2021/7/9 re-elected
Director	Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	6	0	86%	2021/7/9 re-elected
Director	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai	2	0	29%	2021/7/9 re-elected
Independent Director	Wang, Cheng-Wei	6	1	86%	2021/7/9 re-elected
Independent Director	Fan, Wei-Guang	7	0	100%	2021/7/9 re-elected
Independent Director	Tsai, Hung-Jian	2	0	100%	Re-election on July 9, 2021, former office (should attend 2 times)
Independent Director	Wang, Min-Chi	4	1	80%	Re-election on July 9, 2021, new appointment (should attend 5 times)

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 7 meetings in the recent year (A); 2021.5.13-2022.3.22; the attendance of Independent Directors is as follows:

Independent Director	2021.05.13	2021.06.21	2021.07.09	2021.08.10	2021.11.09	2022.01.11	2022.03.22
Wang, Cheng-Wei	By proxy	Attendance in person	Attendance in person	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	Attendance in person	Attendance in person	Attendance in person
Tsai, Hung-Jian	Attendance in person	Attendance in person	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Wang, Min-Chi	Not applicable	Not applicable	Attendance in person	Attendance in person	Attendance in person	By proxy	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.

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
2022.3.22	Board of Directors	1. To acknowledge the company's 2021 financial statements 2. The Company's 2022 Regular Shareholders' Meeting Agenda 3. To deal with the shareholders' written proposal date. 4. To propose a statement of internal control system 5. To establish the governance best practices principles. 6. To establish the ethical corporate management best practice principles. 7. To amend the provisions of the Procedures for Handling Internal Material Information and Prevention of Insider Trading Management. 8. To amend the provisions of the procedures for acquisition or disposal of assets. Resolution: Approved by all presented directors.	No opinion in the meeting	None	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
2022.1.11	Board of Directors	1. 2021 Director's Compensation and Manager's Year-End Bonus Case 2. Adjustment of Business Implementation fees for independent directors Resolution: Proposal 1: Except for the above-mentioned directors who recused themselves due to their interests, approved by all other presented directors. Proposal 2: Except for the above-mentioned independent directors who recused themselves due to their interests, approved by all other presented directors.	No opinion in the meeting	None	None
2021.11.9	Board of Directors	1. The company's financial statements for the third quarter of 2021 2. 2022 Internal Audit Plan 3. 2022 annual operation plan 4. Case of extension of bank loan commitments in the first half of 2022. Resolution: Approved by all presented directors.	No opinion in the meeting	None	None
2021.8.10	Board of Directors	1. The company's financial statements for the second quarter of 2021 2. Application for extension of bank financing quota in the second half of 2021 3. The application of Hecheng Philippines Co., Ltd. for endorsement guarantee 4. Appointment of the 5th Salary and Remuneration Committee Resolution: Proposal 4, except for the above-mentioned directors who recused themselves due to their interests, all the other present directors approved. All the other resolutions were approved by all attending directors.	No opinion in the meeting	None	None
2021.7.9	Board of Directors	Chairman Election Resolution: All directors present unanimously elected director Chiu, Li-Jian as chairman.	No opinion in the meeting	None	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
2021.6.21	Board of Directors	Change of the date of the company's 2021 regular shareholders' meeting Resolution: All directors present approved.	No opinion in the meeting	None	None
2021.5.13	Board of Directors	1. Acknowledge the financial report for the first quarter of 2021 2. Acknowledge the 2020 business report 3. Acknowledge the 2020 surplus distribution 4. To review the 2020 annual employee and director remuneration distribution 5. To set up a corporate governance supervisor 6. To alter the candidacy of the company's directors for the 2021 General Meeting. 7 Application of Hocheng China Co., Ltd. for endorsement guarantee 8. To amend the amount of endorsement and guarantee of Hocheng Philippines Corporation. 9. To review the proposal of shareholders at the 2021 General Meeting. 10. Matters to be added to the agenda of the 2021 General Meeting. Resolution: Proposal 4, except for the above-mentioned directors who recused themselves due to their interests, approved by all other presented directors. The others were approved by all presented directors	No opinion in the meeting	None	None

(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: 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 Chiu, Chi-Hsin	To review the compensation distribution for employees and directors for 2020.	Involvement in a stake in the motion	Did not participate for the voting	2021.05.13

Chiu, Li-Chien Wu, Yue-Long	2021 Director's Compensation and Manager's Year-end Bonus	Involvement in a stake in the motion	Did not participate for the voting	2022.01.11
Wang, Cheng-Wei Fan, Wei-Guang	Adjustments to independent directors' business implementation fee	A conflict of interest	Did not participate for the voting	2022.01.11

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, 2021 to December 31, 2021	Board of Directors, individual board members, compensation committee and audit committee performance evaluation	Internal self-evaluation of the board of directors, self-evaluation of individual board members, and self-evaluation of directors	The internal self-evaluation of the board of directors includes the degree of participation in the company's operations, the quality of the board's decision-making, the composition and structure of the board of directors, the selection and continuous education of directors, and internal control. The performance evaluation of individual directors includes the mastery of the company's objectives and tasks, the directors' awareness of responsibilities, the participation in the company's operations, the management and communication of internal relations, the directors' professional and continuous education, and internal control. The performance evaluation of the Salary and Remuneration Committee and the Audit Committee includes the participation in the company's operations, the recognition of the responsibilities of the functional committee, the decision-making quality of the functional committee, the composition and selection of members of the functional committee, and internal control.

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, 2021 to December 31, 2021.

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 22, 2022. The result of the 2021 overall evaluation indicates the participation of the Company operation is fine.

(3) To improve the exchange of experience and professional knowledge of the directors by providing information related to further education on a regular basis for the effective implementation of the corporate governance system.

3.3.2. State of the operation of the Audit Committee

3.3.2.1. 3 members of the Audit Committee of the Company.

3.3.2.2. The Audit Committee has held 5 meetings in the recent year (A); 2021.5.13-2022.3.22; the attendance of Independent Directors is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person (%) (B/A)(Note 1 and 2)	Remark
Independent Director	Wang, Cheng-Wei	4	1	80%	2021/7/9 re-elected
Independent Director	Fan, Wei-Guang	5	0	100%	2021/7/9 re-elected

Independent Director	Tsai, Hung-Jian	1	0	100%	July 9, 2021 re-election of the old office (should attend once)
Independent Director	Wang, Min-Chi	3	1	75%	July 9, 2021 re-election of new office (should attend 4 times)

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.

3.3.2.3. The terms of reference of the Audit Committee are as follows:

(1) Formulate or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Law.

(2) Evaluation of the effectiveness of the internal control system.

(3) In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, to establish or amend the handling procedures for major financial and business acts of acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, or endorsing or providing guarantees for others.

(4) Matters involving the interests of directors themselves.

(5) Significant asset or derivative product transactions.

(6) Significant capital loans, endorsements or guarantees.

(7) Raising, issuing or private placement of equity securities.

(8) Appointment, dismissal or remuneration of certified public accountants.

(9) Appointment and dismissal of financial, accounting or internal audit supervisors.

(10) Annual financial report and semi-annual financial report.

(11) Other major matters stipulated by the company or the competent authority.

The main businesses of the Audit Committee of the Company in 2021 include: reviewing the quarterly and annual financial reports, reviewing the annual profit distribution plan, assessing the effectiveness of the internal control system, matters related to corporate governance, major capital loans, endorsements or providing guarantees, etc.

3.3.2.4. Other matters to be recorded:

(1) If the operation of the audit committee falls under any of the following circumstances: The audit committee meeting date, period, content of proposals, independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and the company's conduct of the audit committee's opinions should be stated.

A. 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 2 The second meeting in 2022 2022.3.22	The second meeting in 2022 2022.3.22	1. Acknowledge the company's 2021 financial report 2. Propose a statement of internal control system 3. Establishing a Code of Governance Practice 4. Formulate a code of integrity management 5. Revision to some articles of internal major information processing and management procedures for preventing insider transactions 6. Revision to some articles of the procedures for the operation of acquiring or disposing of assets 7. Internal Audit Report Resolution: Approved by all presented members.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
Session 2 The first meeting in 2021 2021.01.11	The first meeting in 2022 2022.01.11	1. Internal Audit Report Resolution: Approved by all presented members.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
Session 2 The second meeting in 2021 2021.11.09	The seventh meeting in 2021 2021.11.09	1. The company's financial statements for the third quarter of 2021 2. 2022 Internal Audit Plan 3. 2022 annual operation plan 4. Application for extension of bank financing quota in the first half of 2022 5. Internal Audit Report Resolution: Approved by all presented members.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

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 2 The first meeting in 2021 2021.08.10	The sixth meeting in 2021 2021.08.10	1. To elect the convener and chairman of the audit committee of the company 2. The company's financial statements for the second quarter of 2021 3. Application for extension of bank financing quota in the second half of 2021 4. The application of Hecheng Philippines Co., Ltd. for endorsement guarantee 5. Internal Audit Report Resolution: Approved by all presented members.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
Session 1 The third meeting in 2021 2021.05.13	The third meeting in 2021 2021.05.13	1. Acknowledge the financial statements for the first quarter of 2021 2. Acknowledge of the 2020 business report 3. Acknowledge the 2020 surplus distribution proposal 4. The application of Hecheng China Co., Ltd. for endorsement guarantee 5. Hecheng Philippines Co., Ltd.'s endorsement guarantee amount change case 6. Internal Audit Report Resolution: Approved by all presented members.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

B. 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's board of directors shall be held at least once every quarter, and the person in charge of internal audit shall attend the meeting as non-voting delegates.

(b) The audit report shall be submitted to each independent director for review every month. Independent directors may directly communicate and discuss with the audit supervisor depending on the content of the report or whenever necessary.

(c) The person in charge of audit shall also report the implementation of the audit business to the independent directors in the audit committee every quarter.

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

Date	Summary	Resolution	The Company's conduct on the independent directors' opinion
2021/01/12 Audit Committee	1. Implementation of the audit plan for 2020	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/03/23 Audit Committee	1. Implementation of the audit plan for 2020 and 2021 2. Assess the effectiveness of the internal control system and submit the "Declaration of Internal Control System"	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/05/13 Audit Committee	1. Implementation of the audit plan for 2021	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/08/10 Audit Committee	1. Implementation of the audit plan for 2021	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/11/09 Audit Committee	1. Implementation of the audit plan for 2021 2.Internal audit plan for 2022	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

B. Between Independent Directors and CPAs

(a) The company's certified accountants shall report the results of the quarterly financial statement audit or review at the audit committee meeting every quarter, as well as other communication matters required by relevant laws and regulations. The company's audit committee members have a good communication with the certified accountants.

(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	Summary	Resolution	The Company's conduct on the independent directors' opinion
2021/03/23 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of 2020 The impact of the new regulations on the company	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/05/13 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 1st quarter of 2021 The impact of the new regulations on the company	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/08/10 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 2nd quarter of 2021 The impact of the new regulations on the company	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2021/11/09 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 3rd quarter of 2021 The impact of the new regulations on the company	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

According to the regular audit reports provided by the board of directors, audit committee and audit department, the independent directors can understand the company's operation and audit situation, and they can have a good communication with accountants through various reports and channels.

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"?		✓			Approved the Corporate Governance Best Practice Principles by the board of directors on March 22, 2022.		There is no significant variance.
II.	The Company's Shareholding Structure and Shareholder Equity		✓					
	(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	(3)	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			
	(4)	Does the company establish internal rules against insiders trading with undisclosed information?			(4)	enterprises in the Company's conglomerate; our business transactions with the affiliates all comply with these rules. Approved the Procedures for Handling Material Inside Information by the board of directors on November 04, 2011, which explicitly prohibits insiders from trading marketable securities with undisclosed information.	(4)	There is no variance from the essence of the principles.
III.	Composition and Responsibilities of the Board of Directors		✓					
	(1)	Does the board of directors formulate diversity policies, specific management objectives and implement them?			(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			(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	(3)	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			
		the Board of Directors for reference to determine the individual director's salary & remuneration and nomination for reelection?				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 22, 2022.		
	(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 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 22, 2022.	(4)	There is no variance from the essence of the principles.
IV.	Do TWSE/TPEX listed companies establish the eligible corporate governance personnel in proper number of persons and appoint the chief		✓		In order to implement corporate governance operations, the Company has established a corporate governance supervisor. Moreover, a		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			
	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.)?				designated personnel are appointed to handle matters related to the meetings of the board of directors and shareholders' meetings, the company's registration and registration of alteration, the preparation of records of the board of directors' and shareholders' meetings, etc., in accordance with the law, and to provide information required for the directors to perform their business.			
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?		✓		(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 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?		✓		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?			(1)	This Company has set up the website where we introduce our relation business information and disclose our financial information; in addition, the corporate governance would be handled in accordance with the related regulations.	(1)	The Company has disclosed the related information on the Market Observation Post System according to the law.
	(2)	Does the company adopt other information disclosure methods (e.g. building an			(2)	This Company has set up the Chinese website and assigned the person	(2)	We will evaluate in due course the feasibility of the

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		
		English website, appointing the designated person to handle the information collection and disclosure, creating a spokesman system, webcasting the institutional investor conferences, etc.)?				exclusively in charge of the collection and disclosure of the company information; we also carry out the spokesperson system	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.	
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.)?		✓		(1) (2) (3) (4) (5)	Employees' Rights: This Company protects the employees' rights pursuant to the Labor Standards Act. 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. Investor Relations: The Company regularly announce each financial basis and our spokesperson would build up a smooth channel of communication with the investors. 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. Rights of Stakeholders: The stakeholders	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	
				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 2021.	
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 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.	✓		This Company has completed the corporate governance self-evaluation for 2021 and conducted the review and improvement, subject to the evaluation results in anticipation of complying with more related regulations.	There is no significant variance.

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

3.3.4. 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 May 10, 2022:

Hocheng Corporation

Independence Evaluation List of Financial Report CPAs

Content		Result	Meet the requirements of independence
1.	Does the CPA not serve as a director of this Company or its affiliates?	Yes	Yes
2.	Is the CPA not a shareholder of this Company or its affiliates?	Yes	Yes
3.	Is the CPA not paid by this Company or its affiliates?	Yes	Yes
4.	Does the CPA ensure that his/her accounting firm has complied with the regulations of independence?	Yes	Yes
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?	Yes	Yes
6.	The CPAs do not provide this Company with the audit service for seven consecutive years.	Yes	Yes
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?	Yes	Yes

3.3.5 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 : (1) establish and review on a regular basis the policy, system, standards and structure of the performance evaluation and remuneration for the directors and managers; (2) regularly evaluate and set up the remuneration for the directors and managers.

1. Information of Members of the Remuneration Committee

2022/03/22

Criteria / Type of Status (Note 1)	Name	Qualifications and Experiences (Note 2)	Independent Status (Note 3)	Number of Other Public Listed Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director Convener	Wang, Cheng-Wei	Have work experience in the area of commerce, legal, finance, accounting, or otherwise necessary for the business of the company. 1. Fudan University (Shanghai), EMBA 2. Kuang Chuan Dairy Co., Ltd., Director 3. Lien Chang Electronic Enterprise Co., Ltd., Independent Director	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or 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 remuneration.	0
Independent Director	Fan, Wei-Guang	Have work experience in the area of commerce, legal, finance, accounting, or otherwise necessary for the business of the company. 1. University of Southern California, Master degree 2. Mei Fu Engineering Service Co., Ltd., Chairman 3. Mei Fu Development Co., Ltd., Supervisor 4. Importers and Exporters Association of Taipei, Director	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or 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 remuneration.	0

Other Served as the Salary and Remuneration committee member of the company since 2014	Wang, Sen	Have work experience in the area of the necessary for the business of the company; PhD in Creative Arts, University of Technology Sydney, Australia; Art Director of Styleplus Design Co., Ltd.	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or 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 remuneration.	0

Note 1: Please describe the relevant years of service, professional qualifications and experience, and the independence of each member of remuneration committee in the table, if he/she is an independent director, please note that reference is included in Appendix 1 (1) of the information regarding directors and supervisors on page OO. Please indicate the status of independent director or others. (if he/she is a convener, please add a note).

Note 2: Qualifications and experience: describes the professional qualifications and experience of individual remuneration committee members.

Note 3: Meet The Independence Status: Describes the independence of the members of the remuneration committee, including, but not limited to, natural person who is serving as a director, supervisor or employee of the company or its affiliates, together with the person's spouse and relative within the second degree of kinship. Shares and its proportion held by the person, spouse, relative within the second degree of kinship (or nominee arrangement) of the company. Does he/she serve as a director, supervisor or employee of a company with a specific relationship with the company (referred to Article 6, Paragraph 1, Clause 5~8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). Received remuneration or benefits for providing commercial, legal, financial, accounting services or consultation to the company or to any its affiliates within the preceding two years.

Note 4: For information disclosure, please refer to the Corporate Best Practice sample templates on the website of the Corporate Governance Center of TWSE.

2. Information of Implementation of the Salary and Remuneration Committee

(1) The company's Salary and Remuneration Committee is composed of three committee members. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors: 1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. 2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers. (2) Tenure of Office for this term's Committeemen: From August 10, 2021 to July 08, 2024; twice (A) meeting (May 13, 2021 to January 11, 2022) 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	2	0	100%	Re-elected on August 10th, 2021
Committee member	Fan, Wei-Guang	2	0	100%	Re-elected on August 10th, 2021
Committee member	Wang, Sen	2	0	100%	Re-elected on August 10th, 2021
Other items to be specified: 1.If the Board of Directors does not adopt or revise the suggestions of the Salary and 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 Salary and 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 Salary and Remuneration Committee, its difference and reason should be specified): None. 2.If the member makes an objection or reserves opinions, accompanied with the records or written statement concerning the Salary and 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.

(3) The remuneration committee has held 2 meetings (2021/05/13-2022/03/22) and the independent directors attend status as follows:

Committeeman	2021/05/13	2022/03/22
Wang, Cheng-Wei	Attendance in person	Attendance in person
Fan, Wei-Guang	Attendance in person	Attendance in person
Wang, Sen	Attendance in person	Attendance in person

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.
Session V The first meeting in 2022	The first meeting in 2022 2022.01.11	1. To review the adjustment of business execution fees for independent directors of the company. 2. To review the appropriation of directors'	Submitted to the board of directors for resolution and approved by all directors	None

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.
2022.01.11		remuneration and managers' year-end bonuses for the year of 2021. Resolution: Motion 1: Except for the above-mentioned directors due to the recusal of conflict interest, approved by all others present. Motion 2: All directors present agreed to pass the motion, except for the above-mentioned directors due to the recusal of conflict interest.	present	
Session IV The second meeting in 2021 2021.05.13	The third meeting in 2021 2021.05.13	1. To review the remuneration case of the corporate governance officer 2. To review the proposal for the distribution of directors' and managers' remuneration for the year of 2020. Resolution: Motion 1: Approved by all committee members present. Motion 2: All committee members present agreed to pass the motion, except for the above-mentioned directors due to the recusal of conflict interest.	Submitted to the board of directors for resolution and approved by all directors present	None

(4) The effort of members in preventing a "conflict of interest", shall state the name of the member, the content of the motion, the reason for recusal and the circumstances of participation in voting:

Name	Motion	Reasons for recusal	Attendance	Remark
Wang, Cheng-Wei and Fan, Wei-Guang	The adjustment of implementation fees for independent directors of the company.	Conflict of interest	Not voting	January 11, 2022

3.3.6. Sustainable Development Implementation Status and the differentiation with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies":

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
I. Does the company have a governance structure for sustainable development and a governance structure for sustainability development and a dedicated (or ad-hoc)sustainable development organization with board of directors authorization for senior management, which is reviewed by the board of directors?		✓	No specialized (ad-hoc) unit for sustainable development has been established in the company.	The company will establish specialized (ad-hoc) unit units for sustainable development in the future
II. 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 2)		✓	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	(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.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			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 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.	
III. Environment Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Is the company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (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	✓		(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	There is no variance yet.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
emission, water use as well as the gross weight of waste and establish the policy of room temperature gas & water use or other waste management?			well as the raw material consumption conditions for the purpose of reducing the unnecessary 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 &		✓	(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	(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.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
service, and establish the policy and appealing procedures related to the protection of the consumer or client's rights? (6) Does the company establish the supplier management policy and request the 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?			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 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 sustainability report which disclose the information other than finance? Does the foregoing report obtain the assurance or guarantee opinions from the third party verification unit?		✓	This Company has not compiled the corporate sustainability 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 sustainable development best practice principles according to "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and differences: The company's sustainable development best practice principles and related regulations are still devising.				
VII. Other important information to help understand the implementation of sustainable development: 1. Due to the ravage of the COVID-19 pandemic in 2021, this Company has donated one after another the body temperature measuring devices via face recognition and the disinfectant in the total amount of NT$4,000,000 to Keelung City, Taipei City, New Taipei City and Taoyuan City. 2. This Company has built up the appealing mechanism and channels for the employees with proper treatment. 3. 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. 4. 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.				

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
5. 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. 6. This Company legally executes the recycling of resources subject to the contents of the business waste cleaning plan. 7. This Company encourages the use of environmental-friendly packing materials, reduce waste and increase the cycle of resources. 8. 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: 1. Quality Management System: ISO9001 (from October 15, 1997 to January 10, 2025). 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. 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). 7. Counseling of ISO17025 laboratory construction (from September 20, 2006 to September 19, 2024). 8. Information Security Management System: ISO27001 (from June 14, 2021 to June 14, 2024).				

Note 1: If the "Yes" box is checked, please describe the important policies, strategies and measures adopted and the implementation status. If it is "No", then please describe the differences and reasons in the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" column, and explain the future implementation plans of the relevant policies, strategies and measures.

Note 2: Materiality principle refers to the environmental, social and corporate governance issues that have a significant impact on the company's investors and other interested parties.

Note 3: For information disclosure, please refer to the Best Practice sample template on the website of the Corporate Governance Center of the TWSE.

3.3.7. 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 (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? (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"?	✓		(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) 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.	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	
(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?	✓		(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	
(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?			(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?			(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	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.	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	
(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?			(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 forth. (2) 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.	
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.

3.3.8. 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.

3.3.9. 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.

3.3.10. Implementation status of internal control system

HOCHENG Corporation

Statement of Internal Control System

Date: March 22, 2022

Based on the results of the self-assessment, the Company's internal control system for the year 2021 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, 2021, 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 22, 2022. Of the six 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

3.3.10.1. Statement of Internal Control System

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

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

3.3.12. 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 22, 2022	1. Acknowledge the company's 2021 financial statements 2. Agenda for the 2022 general meeting of shareholders 3. Receiving written proposals from shareholders 4. Submission of the internal control system statement 5. Define the Ethical Corporate Management Best Practice Principles 6. Define the Ethical Corporate Management Best Practice Principles 7. Amendment to part of the Procedures for Handling Material Inside Information 8. Amendment to part of the Procedures for Acquisition or Disposal of Assets Resolution: Approved by all attending directors.
January 11, 2022	1. Proposal of remuneration for Directors and Year-end Bonus for Managers of 2021 2. Proposal of adjusting the implementation fees of independent directors Resolution: Motion 1: Approved by All attending members, except for the above-mentioned recusal of directors due to the interests. Motion 2: Approved by all attending members, except for the above-mentioned recusal of directors due to the interests.
November 09, 2021	1. The financial statement for the third quarter of 2021 2. 2022 internal audit plan 3. 2022 operation plan 4. Application for extension of loan commitments for the first half of 2022Resolution: Approved by all attending directors.
August 10, 2021	1. The company's financial statements for the second quarter of 2021 2. Application for extension of loan commitments in the second half of 2021 3. The application of Hocheng Philippines Corporation for endorsement guarantee 4. Appointment of the 5th Salary and Remuneration Committee Resolution: Motion 4: Approved by all attending members, except for the above-mentioned recusal of directors due to the interests. Others were approved by all attending directors.
July 09, 2021	Chairman Election Resolution: All attending directors unanimously elected the Director, Li-Jian Chiu as Chairman of the Board.
June 21, 2021	Reschedule the date of the company's 2021 general meeting Resolution: Approved by all attending directors.

Date	Material resolutions
May 13, 2021	1. To acknowledge the financial report for the first quarter of 2021 2. To acknowledge the operation Report for 2020 3. To acknowledge surplus distribution of 2020 4. Reviewing the appropriation of employees' and directors' remuneration for 2020 5. Appointment of a corporate governance officer 6. Amendment of candidates for election to the board of directors of the company for the 2021 general Meeting 7 Proposal of the application for Endorsement and Guarantee by Hocheng (China) Co., Ltd. 8. Proposal of altering the amount of endorsement and guarantee of Hocheng Philippines Corporation 9. Review of Shareholders' Proposals for the 2021 general meeting 10. Matters to be added to the agenda of the 2021 general meeting Resolution: Others are approved by All attending members.

2. Discussion on resolution items and implementation status of 2021 Regular Shareholders' Meeting:

Meeting	Date	Material resolutions	Resolution Results and Implementation
General Meeting	2021/07/09	1. To acknowledge the 2020 operation report and financial statement	Voting passed, in accordance with the amended procedures
		2. To acknowledge the 2020 surplus distribution plan	Voting passed, a legal reserve of NT$13,187,881 shall be appropriated from the distributable earnings of 2020.
		3. Proposal of the amendments to part of the Rules of Procedure for Shareholders Meetings	Voting passed, the amended procedures have been followed.
		4. Proposal of amendments to part of the Rules for Election of Directors	Voting passed, in accordance with the amended procedures
		5. Release of new appointed directors from the prohibition of non-competition clause	Voting passed

3.3.13. Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director 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.

3.3.14. A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's related personnel, including chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, and chief research and development officer: None.

3.4. Information on CPA professional fees

Unit of the amount: NT$ 1,000

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Sum	Remarks
KPMG Taiwan	Linda Chiang	2021	3,450	666	4,116	
	Calvin Chiang	2021				

KPMG Taiwan

1. Year-end inventory of cab fare of NT$1,015.
2. Note inventory of cab fare of NT$673.
3. 2020 Q4 audit fare of NT$402.
4. 2020 Q4 audit fare + 2021 Q1 audit fare of NT$6,668.
5. 2020 English translation service fee for individual financial statements and annual consolidated financial statements: $360,000.
6. Full-time employee information auditing fee of NT$27,500 in 2020 for non-executive duties.
7. 2020 actual investment as a reduction of unappropriated earnings (excluding corrective reporting) of NT$100,000.
8. 2020 Q4 financial statement accountant's certification of seal verification NT$2,000.
9. Training on income tax preparation and individual financial statement preparation course fare of NT$3,245.
10. Mid-term tax levying + 2021 Q3 audit fee of NT$4,034.
11. 2021 English translation service fee for individual financial statement and annual consolidated financial statement: NT$130,000.
12. Mid-term internal control fare of NT$2,039.

Total: NT$637,576

Cheng Hsin CPAs Firm

1. Business tax of 2020 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 2021.

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	2021		Current year, as of April 30	
		Shareholding increase (decrease)	Pledged share Increase (decrease)	Shareholding increase (decrease)	Pledged share Increase (decrease)
Chairman	Chiu, Li-Chien	0	0	0	0
Director	Wu, Yue-Long	0	0	0	0
Director	Fuho Investment Co., Ltd. - representative: Chiu, Chih-Hsin	(950,000)	0	0	0
Director	Yuhuang Co., Ltd. - representative: Chiu, Shi-Kai	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
Independent director	Wang, Min-Chi	0	0	0	0
General manager	Chen, Shih-Chieh	0	0	0	0
Vice general manager	Kang, Shui-Shu	0	0	0	0
Vice general manager	Huang, Jian-Cheng	0	0	0	0
Chief financial officer of finance department	Chiu, Chi-Hsin	0	0	0	0
Associate	Gu, Cheng-Dong	0	0	0	0
Associate	Xu,Zhao-Shan	0	0	0	0
Associate	Chen,Yao-Song	0	0	0	0
Associate	Huang,Zhao-Jie	0	0	0	0
Associate	Chen,Jin-Ye	0	0	0	0
Associate	Xu,Ting-Jia	0	0	0	0
Associate	Li,Long-Cheng	0	0	0	0
Associate	Li, Guo-Dong	0	0	0	0
Associate	Luo,Yue-Ying	0	0	0	0
Associate	Zhang , Yong-Chang	0	0	0	0
Associate	Tong, Qing-Wei	0	0	0	0
Associate	You, Rong-Dan	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	redemption	March 7, 2022	Yuanta Financial Holding Co., Ltd.	None	1,000,000	3.47%	81.05%	10,000,000
Chiu, Li-Chien	Pledge	March 7, 2022	Bank of Kaohsiung	None	1,000,000	3.47%	88.84%	8,500,000

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. Ten 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	
Dorkay Investment Company Ltd.	19,959,421	5.40%					None	None	
Yuhuang Co., Ltd.: Chiu, Shi-Kai	14,033,700	3.79%					None	None	
Chiu, Li-Chien	12,832,033	3.47%					None	None	
Li, Kai-Ping	11,360,343	3.07%					Chiu, Shi-Kai	Mother and son	
Chiu Lin, Tsui	9,774,809	2.64%					None	None	
Chiu, Hung-Yu	9,042,109	2.44%					Chiu Chen, Hui-Mei	Couple	
Chiu, Chun-Chieh	8,862,100	2.4%					None	None	
Chiu, Hung-Wen	8,841,338	2.39%					None	None	
Chiu Chen, Hui-Mei	7,160,107	1.94%					Chiu, Hung-Yu	Couple	
Chiu, Shi-Kai	6,016,417	1.63%					Li, Kai-Ping	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
Hostan Corporation	100,593,839	100	--	--	100,593,839	100
Ritiboon International Limited	78,646,373	100	--	--	78,646,373	100
Hohong Co., Ltd.	34,678,498	99.5	--	--	34,678,498	99.5
Hoceng Service Co., Ltd.	600,000	40	450,000	30	1,050,000	70.00
Holong Ceramic Co., Ltd.	693	69.30	--	--	693	69.30

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

April 29, 2022

Shareholder Structure / Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	0	0	56	14,052	61	14,169
Number of shares held	0	0	73,582,231	275,274,656	20,996,723	369,853,610
Shareholding Ratio	0%	0%	19.9%	74.43%	5.67%	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

April 29, 2022

Shareholding Classification	Number of shareholders	Number of shares held	Shareholding Ratio
1 to 999	4,939	1,498,675	0.41%
1,000 to 5,000	6,271	14,729,832	3.98%
5,001 to 10,000	1,370	11,454,556	3.10%
10,001 to 15,000	354	4,610,041	1.25%
15,001 to 20,000	332	6,290,341	1.70%
20,001 to 30,000	265	6,949,521	1.88%
30,001 to 40,000	120	4,368,657	1.18%
40,001 to 50,000	98	4,643,886	1.26%
50,001 to 100,000	165	12,019,866	3.25%
100,001 to 200,000	102	14,721,520	3.98%
200,001 to 400,000	45	12,919,864	3.49%
400,001 to 600,000	21	10,492,441	2.84%
600,001 to 800,000	15	10,518,342	2.84%
800,001 to 1,000,000	10	8,915,581	2.41%
1,000,001 or more depending on Actual situation	62	245,720,487	66.43%
Total	14,169	369,853,610	100.00%

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

4.1.4 List of major shareholders

April 29, 2022

Shares / Name Of major shareholders	Number of shares held	Shareholding ratio (%)
Dorkay Investment Company Ltd.	19,959,421	5.40
Yuhuang Co., Ltd.	14,033,700	3.79
Chiu, Li-Chien	12,832,033	3.47
Li,Kai-Ping	11,360,343	3.07
Chiu,Lin-Cui	9,774,809	2.64
Chiu,Hong-You	9,042,109	2.45
Chiu,Jun-Jie	8,862,100	2.40
Chiu,Hong-Wen	8,841,338	2.39
Chiu,Chen-Hui-Mei	7,160,107	1.94
Chiu, Shi-Kai	6,016,417	1.63

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

Item \ Year			2020	2021	Current year, as of March 31, 2022 (note 8)
Market price per share (note 1)	The highest		10.4	18.3	17.95
	The lowest		5.39	8.9	14.35
	Average		8.27	12.31	15.76
Net worth per share (note 2)	Before distribution		16.07	19.62	19.78
	After distribution		---	---	---
Earnings per share	Weighted average number of shares		368,120 thousand shares	368,120 thousand shares	368,120 thousand shares
	Earnings per share (note 3)		0.24	3.33	0.26
Dividends per share	Cash dividends		0.2	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)		34.46	3.67	---
	Dividend ratio (note 6)		41.35	61.55	---
	Cash dividend yield rate (note 7)		2.42%	1.62%	---

* 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 board of directors or 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 2021 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 2021 was NT$1,224,800,658, setting aside NT$119,639,048 as ten percent legal reserve pursuant to articles of incorporation of the company, and distributable surplus in the end of the period was NT$1,368,938,507. Distributable surplus in 2021 was NT$1,562,548,277 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 2021 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 2021 was NT$1,260,833,710, by proposal of the second remuneration committee in the fifth session of 2022, the compensation of employees (including managerial officers) is 6%, totaling NT$83,131,893 and the remuneration of directors 3%, NT$41,565,946, 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.

2021	
Employee Compensation	NT$83,131,893
Directors Remuneration	NT$41,565,946

The actual amount of payment is congruent with the recognized amount for FY 2021.

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:

2020	
Employee Compensation	NT$ 7,897,563
Directors Remuneration	NT$ 3,948,782

The actual amount of payment is congruent with the recognized amount for FY 2020.

4.1.9. Status of the company repurchasing its own shares: In 2021 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. Restrictions on the handling of new shares of employees' rights: None
4.7. Implementation of Mergers and Acquisitions or Issuance of New Shares in connection with any acquisition of shares of another company: None
4.8. 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 68.21%, while that for export is 31.79% (Hocheng 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 22.26% 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 16.25% of the total operational revenue.

Bathtub and countertop: SMC bathtub, jaccuzi, automatic clotheshorse, shower sliding door, marble countertop, etc.; the sales volume accounts for 8.95% of the total operational revenue.

Others: toilet cover, kitchenware, Ker Taur, etc.; the sales volume accounts for 52.54% 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	2019	2020	2021	The Current Year up to March 31, 2022
Amount	149,114	136,010	131,188	29,329

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

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
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

Research and Development Results 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

3. Research and Development Plan in the Future:

Items Scheduled for Development in 2022

Item No.	Item of Product	Item No.	Item of Product
1	OVA series faucet development	12	Smart Water Saving Urinal (AntFeel)
2	Development of stainless steel series faucets	13	Health Plus Immunity

3	Innovative sensor faucet AF9368	14	L4102.L4103.L4104 Semi-recessed cabinet washbasin
4	New Series (SM) Faucets	15	L4567 Left. L4567 Right Basin Development
5	C6695 Super Toilet Development	16	Development of a new shower column
6	C4297 Monobloc toilet development	17	Developed a new electric clothes dryer
7	CS3207 toilet development	18	Development of soft board in LAZULI fins
8	New super toilet AFC6695	19	Lightweight development of carbon fiber racing components
9	New super toilet AFC6068	20	Development of high temperature resistant materials for carbon fiber rims for automobiles
10	Gold-level two-stage water-saving toilet C4588	21	Peak racket development
11	Development of new C106N.C153N high pressure forming toilet	22	Development of oversized wheels

(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) Economy Growth Rate:

Due to the impact of the epidemic, Taiwan's economy experienced a differential situation in 2021. In terms of domestic demand, the epidemic spread in Taiwan in late May, triggering stringent epidemic prevention measures by the government and public concern, which impacted the performance of the domestic demand industry of service. However, in regards to foreign trade exports, it benefited from the economic activities of the major economies that restarted successively, with the U.S, China, and Europe recovering and even expanding, which boosted demand for goods and further boosted Taiwan's export performance. In addition, regarding investment, corporate investment was more active than the previous year, and the easing of global monetary also stimulated the performance of financial markets, therefore, both direct investment and financial investment performed well, among the service industries, the freight service and financial

service industries, which are specialized in commodities or finance, were less affected by the epidemic and their operating performance was still outstanding. With these factors, Taiwan's economy expanded steadily throughout the year, leading to a record growth rate of 6.09% in 2021, the highest in the past 11 years.

(2) Index of Consumer Sentiment:
The Index of Consumer Sentiment is a comprehensive index of consumers' satisfaction with the current economic situation and their expectations to the future direction of the economy. It shows consumers' willingness and degree of consumption. According to the results of the survey, the Index of Consumer Sentiment in Taiwan fell to a low of 70.48 in 2021 (June, 2021), due to the outbreak of the domestic epidemic in May and immediate escalation of the level 3 Alert, yet it is still higher than the low of 64.87 in 2020.

(3) Monitoring Indicator:
With the domestic epidemic remaining stable and the government's stimulus package, domestic consumption is expected to keep rising; in terms of investment, the domestic and foreign semiconductor supply chains continue to increase investment in Taiwan, as well as the continuing return of overseas Taiwanese businesses and the expansion of green energy investment, all of which will help boost domestic investment momentum; in terms of exports, with the global economy rebounding, the major countries successively promoting on the infrastructure construction and demand of stock-up before the spring festival, the momentum of the exports is expected to be sustained. In 2021, the average of the monitoring indicator stands at 38.5 in red, with the lowest at 37 in yellow-red and the highest at 41 in red.

(4) Consumer Price Index:
The consumer price index for 2021 is 1.96%, a 13-year high, mainly due to high international oil prices and a low base effect, as well as high inflation in the prices of fruits, dining out, rents and meat, among which the annual growth rate of dining out is 2.39%, expanding compared to November and reaching a new 81-month high.

2. Industry Analysis

(1) As a result of the epidemic, people are spending most of time at home instead of going out, and for a healthy housing environment, the demand is stronger and more urgent. Speaks of purchasing bathroom products, anti-bacterial performance, cleanliness and hygiene are more concerned. Therefore, antibacterial and cleanable products have become a new trend in the sanitary market.

(2) Recently, the international epidemic has led to a gradual rise in the foreign sanitary industry for the "Unit Bathroom", which is composed of an integration of waterproof base frame, wall board, and top head. In addition to the basic functions that traditional sanitary baths contained, waterproof, easy assembly, easy cleaning, and convenient maintenance are the features that make the overall planning of epidemic prevention an easy-to-construct, easy-to-use, and easy-to-maintain bathroom, which effectively helps to protect against the epidemic.

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
2021	22.3	12.8	3.7	3.0	11.1	2.0	5.2	3.1	0.8
	41.9				21.3				0.8

Unit: %

Area	Southern Area					Eastern Area		
Rate of Operational Revenue	Kaohsiung	Tainan	Chiayi	Yunlin	Pingtung	Hualien	Ilan	Taitung
2021	12.6	5.4	3.8	4.9	4.0	1.2	3.3	0.7
	30.7					5.2		

(2) Gorfin series products were launched and awarded with the 2022 Taiwan Excellence Award.

(3) Certified with ISO 27001 Information Security Management System.

(4) Hocheng completed the development and trial production of lightweight advanced ballistic materials.

(5) CERATOP, a sub-brand of zirconia ceramic blanks for dentistry, is launched in the U.S. market.

(6) Tsinghua University's Power Mechanics Racing Factory has released the TH05 Formula racing car with an aero kit and other structural components made by the Hocheng Carbon Fiber Composite Team.

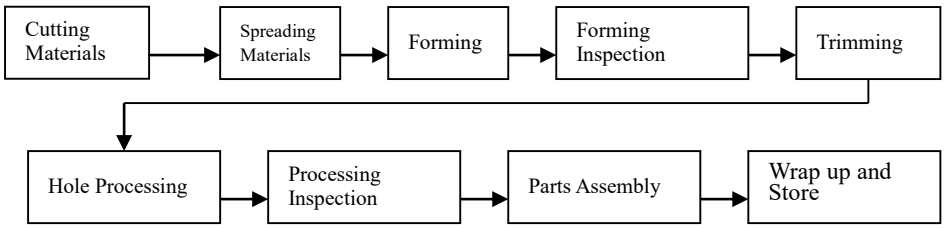
(II) Important Usage and Production Process of Main Products

1. Usage of Main Products

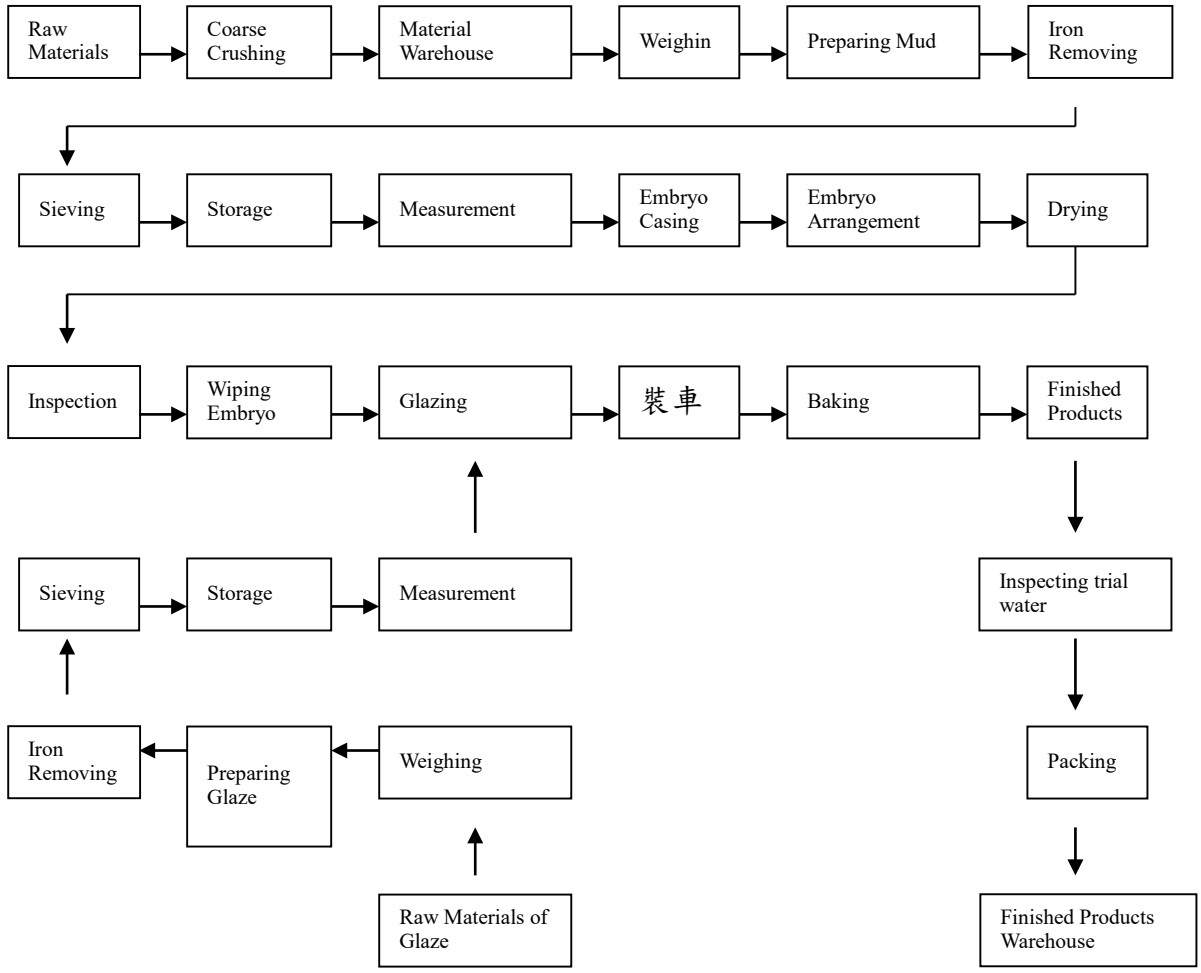
Main Merchandise	Usage
Sanitary Porcelain	For sanitary use
Water Feeding Copper and Ceramic Faucet	For sanitary use
Bathtub and Marble Countertop, Kitchenware	For sanitary use
Shower Sliding Door	For use of construction materials
Bulletproof Ceramics and Composite Materials	For use of high-tech materials

2. The production process of products is as follows:

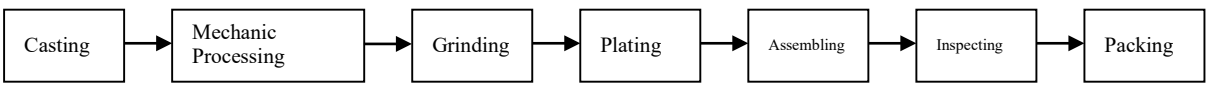
(1) SMC Bathtub



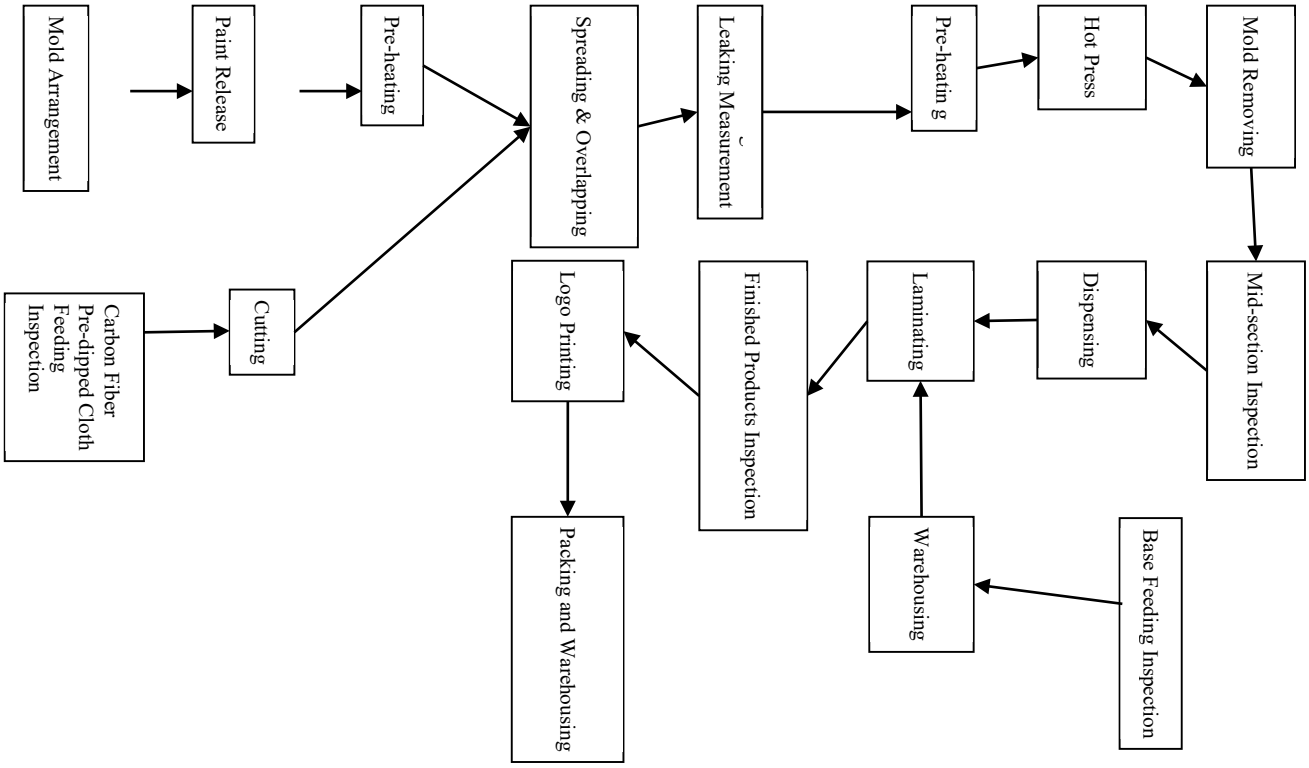
(2) Porcelain



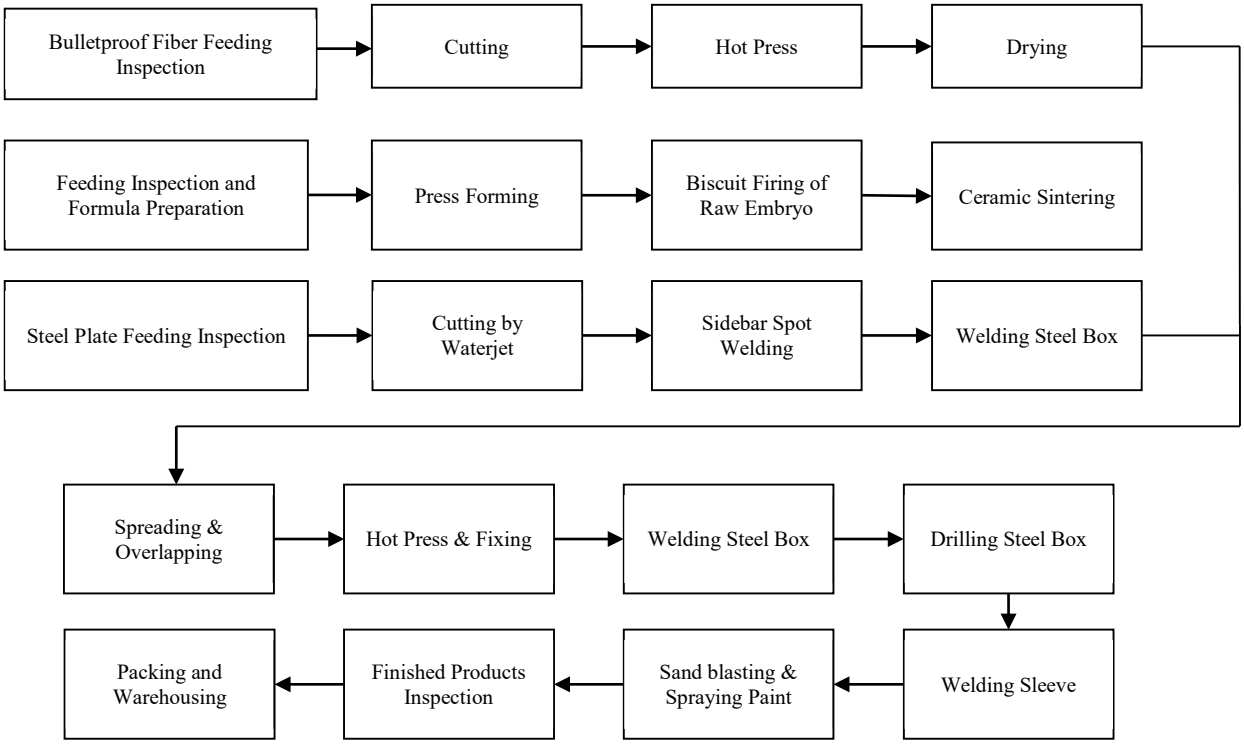
(3) Copper



(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.

(IV) 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

	2020				2021				2022 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	1,400,428	27.45%	Distributor	A	1,184,870	22.3%	Distributor	A	314,442	25%	Distributor
2	B	929,238	18.21%	Distributor	B	680,105	12.8%	Distributor	B	213,820	17%	Distributor
3	C	876,559	17.18%	Distributor	C	669,478	12.6%	Distributor	C	138,354	11%	Distributor
4	Others	1,895,982	37.16%		Others	2,778,866	52.3%		Others	591,151	47%	
	Net Sales Amount	5,102,207	100%		Net Sales Amount	5,313,319	100%		Net Sales Amount	1,257,767	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

	2020				2021				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	269,800	14.78%	Nil	Wen Hung	280,420	13.95%	Nil	Wen Hung	86,301	18.49%	Nil
2	Yuhuang	150,565	8.25%	Affiliate	Yuhuang	149,431	7.43%	Affiliate	Yuhuang	36,356	7.79%	Affiliate
3	ALLFINE	141,403	7.75%	Nil	Hostan	124,513	6.20%	Affiliate	Hostan	26,969	5.78%	Affiliate
4	Others	1,263,678	69.22%	Nil	Others	1,455,829	72.42%	Nil	Others	317,032	67.94	Nil
	Net Purchase Amount	1,825,446	100%		Net Purchase Amount	2,010,193	100%		Net Purchase Amount	466,658	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.

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

Unit: Pcs; NT$ Thousands

Production Volume & Value / Year / Main Products (or Dept. Type)	2020			2021		
	Production Capacity	Yield	Output Value	Production Capacity	Yield	Output Value
Porcelain	700,000	54,681	1,088,188	700,000	462,662	878,749
Copper	1,700,000	1,502,541	1,208,462	1,700,000	1,419,945	1,237,653
Kitchenware	118,560	65,921	385,574	78,500	65,400	312,029
SMC	121,440	100,079	101,886	121,440	86,810	53,020
Fine Ceramic Composite Materials	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3
Mainland China + Philippines + Other Affiliates	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3
Total	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3

Note 1: 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 2: If the production of each product is substitutable, the production capacity may be calculated on a consolidated basis, and a note should be provided.

Note 3: 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.

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

Unit: Pcs; NT$ Thousands

Sales Volume & Value / Year / Main Products (or Dept. Type)	2020				2021			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Porcelain	828,895	1,134,857	15,432	28,391	854,294	1,173,273	15,020	9,252
Copper	966,897	854,640	14,574	20,392	925,955	857,240	10,013	6,169
Kitchenware	36,030	233,852	0	0	45,407	292,709	0	0
SMC	136,258	214,022	0	0	116,662	182,798	0	0
Find Ceramic Composite Materials	Note	351,609	Note	0	Note	364,250	Note	0
Mainland China + Philippines + Other Affiliates	Note	759,466	Note	1,504,978	Note	754,090	Note	1,673,538
Total	Note	3,548,446	Note	1,553,761	Note	3,624,360	Note	1,688,959

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, 2022

Year		2020	2021	March 31, 2022
Employee No.	Key Management Staff	287	281	273
	Staff	382	357	358
	Operator	450	428	420
	Total	1,119	1,066	1051
Average Age		41.77	42.43	42.64
Average Years of Service		13.10	13.54	13.64
Distribution Rate of Education	Ph. D.	0.27	0.28	0.29
	Master	2.32	2.44	2.66
	University & College	37.44	37.90	38.53
	Senior High School	25.56	26.64	26.26
	Below Senior High School	34.41	32.74	32.26

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

	2022	2023	2024
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	6,100	6,600	7,000
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), and comprehensive insurance for statutory infectious diseases.

(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 2021 with total 42 class hours, in which 338 person participated; the external training hours amounted to 623 hours, in which 32 person times participated; the total training expenses was NT$335,828.

(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 2021, the balance of the pension fund is NT$656,656,000.

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, 2021 to December 31, 2022	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.

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
This Company authorizes the copper hardware category in Mainland China to Yu Da (China) Co., Ltd.	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). 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.	(a) The term of operation for the authorized person's company expires and the shareholders of the authorized person do 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.

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
				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, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current assets		5,332,983	4,945,882	4,682,802	4,818,266	5,550,655	5,222,052
Property, Plant and Equipment (Note 2)		4,212,597	4,265,038	4,301,102	3,846,594	3,520,840	3,632,501
Intangible assets		56,830	53,074	51,855	45,075	37,788	37,164
Other assets (Note 2)		1,605,057	1,522,255	1,877,759	2,028,726	2,361,593	2,292,081
Total assets		11,207,467	10,786,249	10,913,518	10,738,661	11,470,876	11,183,798
Current liabilities	Before distribution	3,649,082	3,712,070	3,791,624	3,632,989	3,107,407	2,815,140
	After distribution	3,680,609	3,786,041	3,791,624	3,706,960	Note 6	Note 6
Non-current liabilities		1,721,794	1,532,127	1,415,384	1,154,090	1,004,174	992,467
Total liabilities	Before distribution	5,370,876	5,244,197	5,207,008	4,787,079	4,111,581	3,807,607
	After distribution	5,402,403	5,318,168	5,207,008	4,861,050	Note 6	Note 6
Equity attributable to shareholders of the parent		5,745,141	5,462,045	5,636,873	5,888,286	7,255,061	7,313,953
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	13,293	13,478	13,478
Retained earnings	Before distribution	1,693,484	1,645,991	1,627,397	1,759,275	2,881,696	2,979,736
	After distribution	1,661,957	1,572,020	1,627,397	1,685,304	Note 6	Note 6
Other equity interest		356,624	121,021	314,443	433,764	677,933	638,785
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(16,582)	(16,582)
Non-controlling interest		91,450	80,007	69,637	63,296	104,234	62,238
Total equity	Before distribution	5,836,591	5,542,052	5,706,510	5,951,582	7,359,295	7,376,191
	After distribution	5,805,064	5,468,081	5,706,510	5,877,611	Note 6	Note 6

Note 1: The financial information for each of the preceding years has been all audited and certified 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 board of directors or 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 2021 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

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)					Financial Information in the Current Year up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	5,709,369	5,466,174	5,526,252	5,102,207	5,313,319	1,257,767
Gross profit	1,538,543	1,303,457	1,388,507	1,254,786	1,357,367	336,825
Income & loss from operations	146,094	2,011	78,837	185	66,675	290,201
Non-operating revenue & expenses	100,621	(3,768)	10,861	129,033	1,912,563	78,207
Income before tax	246,715	(1,757)	(89,698)	129,218	1,979,238	124,831
Income from continuing operation for this term	246,715	(1,757	89,698	129,218	1,979,238	124,831
Loss on discontinuing operation	--	--	--	--	--	--
Income (loss) for this term	159,885	(77,232)	35,942)	79,404	1,745,927	94,855
Other comprehensive income & loss for this term (net amount after tax)	(36,420)	(115,726)	202,569	165,542	214,818	(35,957)
Total amount of comprehensive income & loss for this term	123,465	(192,958)	238,511	244,946	1,960,745	58,898
Income attributable to shareholders of the parent	167,992	(65,536)	47,916	86,793	1,224,801	95,323
Income attributable to non-controlling interest	(8,107)	(11,696)	(11,974)	(7,389)	521,126	(468)
Total amount of comprehensive income & loss attributable to shareholders of the parent	133,638	(181,661)	248,799	251,199	1,440,561	58,892
Total amount of comprehensive income & loss attributable to non-controlling interest	(10,173)	(11,297)	(10,288)	(6,253)	520,184	6
Earnings per share	0.46	(0.18)	0.13	0.24	3.33	0.26

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, 2022 has been reviewed by the CPAs.

Note 3: Losses from discontinued units are shown net of income tax.

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)				
		2017	2018	2019	2020	2021
Current assets		2,673,857	2,652,071	2,552,170	2,471,400	3,592,751
Property, Plant and Equipment		1,147,143	1,224,857	1,233,299	1,216,013	1,187,862
Intangible assets		40,077	36,864	32,618	27,951	23,524
Other assets		5,272,406	4,845,559	5,267,283	5,150,089	5,219,695
Total assets		9,133,483	8,759,351	9,085,370	8,865,453	10,023,832
Current liabilities	Before distribution	2.342,349	2,395,750	2,280,028	2,069,914	2,015,992
	After distribution	2,373,876	2,469,721	2,280,028	2,143,885	Note 6
Non-current liabilities		1,045,993	901,556	1,168,469	907,253	752,779
Total liabilities	Before distribution	3,388,342	3,297,306	3,448,497	2,977,167	2,768,771
	After distribution	3,419,869	3,371,277	3,448,497	3,051,138	Note 6
Equity attributable to shareholders of the parent		5,745,141	5,462,045	5,636,873	5,888,286	7,255,061
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	13,293	13,478
Retained earnings	Before distribution	1,693,484	1,645,991	1,627,397	1,759,275	2,881,696
	After distribution	1,661,957	1,572,020	1,627,397	1,685,304	Note 6
Other equity interest		356,624	121,021	314,443	433,764	677,933
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(16,582)
Non-controlling interest		--	--	--	--	--
Total equity	Before distribution	5,745,141	5,462,045	5,636,873	5,888,286	7,255,061
	After distribution	5,713,614	5,388,074	5,636,873	5,814,315	Note 6

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

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 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 2021 has not been resolved by the shareholders meeting.

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)				
	2017	2018	2019	2020	2021
Operating revenue	3,505,091	3,440,254	3,444,399	3,548,446	3,624,360
Gross profit	928,425	864,543	895,722	1,003,942	991,570
Income & loss from operations	134,948	121,667	125,316	246,394	150,549
Non-operating revenue & expenses	84,312	(132,649)	(57,331)	(126,615)	1,110,285
Income before tax	219,260	(10,982)	67,985	119,779	1,260,834
Income from continuing operation for this term	219,260	(10,982)	67,985	119,779	1,260,834
Loss on discontinuing operation					--
Income (loss) for this term	167,992	(65,536)	47,916	86,793	1,224,801
Other comprehensive income & loss for this term (net amount after tax)	(34,354)	(116,125)	200,883	164,406	215,760
Total amount of comprehensive income & loss for this term	133,638	(181,661)	248,799	251,199	1,440,561
Income attributable to shareholders of the parent	167,992	(65,536)	47,916	86,793	1,224,801
Income attributable to non-controlling interest	0	0	0	0	0
Total amount of comprehensive income & loss attributable to shareholders of the parent	133,638	(181,661)	248,799	251,199	1,440,561
Total amount of comprehensive income & loss attributable to non-controlling interest	0	0	0	0	0
Earnings per share	0.46	(0.18)	0.13	0.24	3.33

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 2017 to 2021, 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
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
2021	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)
		2017	2018	2019	2020	2021	
Financial structure	Debt to asset ratio (%)	47.92	48.62	47.71	44.58	35.84	34.05
	Long term capital to property, plant and equipment ratio (%)	166.36	154.53	152.95	173.11	225.94	219.36
Liquidity	Current ratio (%)	146.15	133.24	123.50	132.63	178.63	185.5
	Quick ratio (%)	92.86	77.74	67.81	86.93	123.80	123.85
	Interest coverage ratio (%)	4.25	0.98	2.12	2.76	37.03	11.4
Operating capacity	Receivables turnover (times)	3.06	3.28	3.75	3.88	3.95	3.84
	Average cash recovery day	119.28	111.28	97.33	94.07	92.41	95.05
	Inventory turnover (times)	2.21	2.13	2.05	2.12	2.49	2.31
	Payable turnover rate (times)	5.60	5.68	5.67	6.05	6.33	5.42
	Days sales outstanding	165.16	171.36	178.04	172.16	146.59	158.01
	Property, plant and equipment turnover rate (times)	1.36	1.28	1.28	1.33	1.51	1.39
	Total asset turnover (times)	0.51	0.51	0.51	0.48	0.46	0.45
Profitability	Return on assets (%)	1.96	(0.15)	0.92	1.28	16.12	0.92
	Return on equity (%)	2.77	(1.36)	0.64	1.36	26.23	1.29
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	6.67	(0.05)	2.43	3.49	53.51	3.38
	Net profit ratio (%)	2.80	(1.41)	0.65	1.56	32.86	7.54
	Earnings per share (dollar)	0.46	(0.18)	0.13	0.24	3.33	0.26
Cash flow	Cash flow ratio (%)	10.81	5.38	8.67	17.82	6.59	6.80
	Cash flow adequacy ratio (%)	140.94	116.93	115.02	168.61	96.74	(163.19)
	Cash reinvestment ratio (%)	3.09	1.61	2.64	5.25	0.94	1.37
Leverage	Operating leverage	12.21	793.89	21.22	10,160.76	21.11	8.37
	Financial leverage	2.08	(0.03)	(79.63)	0.00	5.68	1.35

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. Long term capital to property, plant and equipment ratio:Due to the disposal of assets by a subsidiary, the benefit from the disposal of assets resulted in a substantial increase in non-operating income, thereby net shareholders' equity increased significantly for the period compared to the same period last year, making the ratio of long-term funds to property, plant and equipment increase significantly for the period as well.
2. Current ratio: Due to the substantial increase in current assets and a slight decline in current liabilities, the current ratio for the period increased compared to the same period last year.
3. Quick ratio: Although the net inventory and prepaid expenses increased slightly compared with the same period last year, the current assets increased and the current liabilities declined, resulting in an increase in the quick ratio for the period.
4. Interest coverage ratio: Due to the disposal of assets by a subsidiary, the benefit from disposal of assets resulted in a substantial increase in non-operating income, thereby net income before tax increased substantially, giving a significant increase in the interest coverage ratio for the period compared to the same period last year.
5. Return on assets: Due to the disposal of assets by a subsidiary, the benefit from the disposal of assets resulted in a substantial increase in non-operating income, which led to a substantial increase in net income after tax, giving rise to a higher return on assets for the period compared to the same period last year.
6. Return on equity: Due to the disposal of assets by a subsidiary, the benefit from the disposal of assets resulted in a substantial increase in non-operating income, which led to a substantial increase in net income after tax, giving rise to a higher return on equity for the period compared to the same period last year.
7. Ratio of pre-tax net profit to paid-up capital: Due to the disposal of assets by a subsidiary, the benefit from disposal of assets resulted in a substantial increase in non-operating income, thereby net income before tax increased substantially, giving rise to a significant increase in the ratio of pre-tax net profit to paid-up capital for the period compared to the same period last year.
8. Net profit ratio: Due to the disposal of assets by a subsidiary, the benefit from the disposal of assets resulted in a substantial increase in non-operating income, which led to a substantial increase in net income after tax, giving a substantial increase in net profit ratio for the period compared to the same period last year.
9. Earnings per share (dollar): Due to the disposal of assets by a subsidiary, the benefit from disposal of assets resulted in a substantial increase in non-operating income, thereby net income after tax increased substantially, giving a significant increase in the earnings per share for the period compared to the same period last year.
10. Cash flow ratio: Due to the substantial decline in net cash inflows related to operating activities in the current period compared to last year, the cash flow ratio declined in 2021.
11. Cash flow adequacy ratio: Due to the increase in cash outflow from capital investment in 2021, the cash flow fair ratio declined compared to last year.
12. Cash reinvestment ratio: Due to the decline in net cash inflow related to operating activities in the current period compared to last year, and the issuance of cash dividends in this year, together with the increase in other factors compared to the same period last year, the cash reinvestment ratio in 2021 was substantially reduced.
13. Operating leverage: Due to the alteration of the product structure and the increase in the sales of high margin products, the operating profit for the period increased compared to the same period last year, therefore the operating leverage for the period declined compared to the same period last year.
14. Financial leverage: Due to the alteration of the product structure and the increase in the sales of high margin products, the operating profit for the period increased compared to the same period last year, therefore the financial leverage for the period increased compared to the same period 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

Year (note 1) / Items of analysis (note 2)		Financial analysis of the last five years				
		2017	2018	2019	2020	2021
Financial structure	Debt to asset ratio (%)	37.10	37.64	37.96	33.58	27.62
	Long term capital to property, plant and equipment ratio (%)	575.79	507.98	521.37	534.57	654.54
Liquidity	Current ratio (%)	114.15	110.70	111.94	119.4	178.21
	Quick ratio (%)	68.10	62.03	57.84	68.01	125.38
	Interest coverage ratio (%)	6.87	0.70	2.60	4.39	45.47
Operating capacity	Receivables turnover (times)	2.63	2.84	3.16	3.72	3.76
	Average cash recovery day	138.78	128.52	115.51	98.12	97.07
	Inventory turnover (times)	2.58	2.36	2.19	2.31	2.61
	Payable turnover rate (times)	5.96	5.84	6.02	7.37	8.28
	Days sales outstanding	141.47	154.66	166.67	158.01	139.85
	Property, plant and equipment turnover rate (times)	3.06	2.81	2.79	2.92	3.05
	Total asset turnover (times)	0.38	0.39	0.38	0.40	0.36
Profitability	Return on assets (%)	2.17	(0.40)	0.92	1.28	13.21
	Return on equity (%)	2.96	(1.17)	0.86	1.51	18.64
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	5.93	(0.30)	1.84	3.24	34.09
	Net profit ratio (%)	4.79	(1.90)	1.39	2.45	33.79
	Earnings per share (dollar)	0.46	(0.18)	0.13	0.24	3.33
Cash flow	Cash flow ratio (%)	7.06	7.68	12.84	30.73	65.89
	Cash flow adequacy ratio (%)	77.73	56.10	74.46	124.97	1355.96
	Cash reinvestment ratio (%)	1.88	2.18	3.41	7.33	12.11
Leverage	Operating leverage	6.68	7.32	8.73	4.98	7.43
	Financial leverage	1.38	1.43	1.51	1.17	1.23

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. Long term capital to property, plant and equipment ratio：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit for the current period increased substantially as well, resulting in an increase in long term capital to property, plant and equipment raio for the current period.
2. Current ratio：Due to the substantial increase in current assets and slight decrease in current liabilities, the current ratio increased for the period.
3. Quick ratio：Although the net inventory and prepaid expenses increased slightly compared with the same period last year, with the substantial increase in current assets, the quick ratio for the period increased.
4. Interest coverage ratio：The substantial increase in the gain or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 compared with 2020, resulting in a substantial increase in the interest coverage ratio for the current period compared with the same period last year.
5. Return on assets：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit after-tax increased substantially as well, resulting in an increase in return on assets for the current period as compared to the same period last year.
6. Return on equity：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit after-tax increased substantially as well, resulting in an increase in return on equity for the current period as compared to the same period last year.
7. Ratio of pre-tax net profit to paid-up capital：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit pre-tax increased substantially as well, resulting in the higher ratio of pre-tax net profit to paid-up capital for the current period as compared to the same period last year.
8. Net profit ratio：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit after-tax increased substantially as well, resulting in an increase in net profit ratio for the current period as compared to the same period last year.
9. Earnings per share (dollar)：Due to the substantial increase in profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method in 2021 as compared to 2020, the net profit after-tax increased substantially as well, resulting in an increase in earnings per share for the current period as compared to the same period last year.
10. Cash flow ratio：Due to the substantial increase in net cash inflows related to operating activities in 2021 compared to last year, the cash flow ratio increased in the current period.
11. Cash flow adequacy ratio：The net cash inflow related to operating activities increased substantially in 2021 compared to last year, and the cash outflow from capital investments decreased substantially in the past five years compared to the same period last year, which resulted in a significant increase in the cash flow fair ratio for the current period.
12. Cash reinvestment ratio：Due to the increase in net cash inflow related to operating activities in 2021 compared to last year, and the issuance of cash dividends in this year, however, the effort of other factors was relatively low compared to the same period last year, the cash reinvestment ratio in 2021 was substantially reduced.
13. Operating leverage：In 2021, while the net operating revenues increased compared to the same period last year, operating expenses increased correspondingly, resulting in a decline in operating income compared to the same period last year, therefore operating leverage increased compared to the same period 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 2021 final accounts report

HOCHENG Corporation
Audit Committee Review Report

The board of directors prepared the 2021 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 2022 shareholders meeting

Convener of the Audit Committee: Wang, Cheng-Wei

2022/5/10

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, 2021 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 22, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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 Issuerss 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(h) 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 16% and 13% of consolidated total assets at December 31, 2021 and 2020, and total operating revenues constituting 10% and 4% 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, 2021 and 2020, 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 22, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,162,265	19	1,054,849	10
1110	Current financial assets at fair value through profit or loss (note 6(b))	274,547	2	251,969	2
1151	Notes receivable (notes 6(d) and 7)	436,858	4	360,489	3
1170	Accounts receivable, net (notes 6(d) and 7)	884,639	8	902,817	8
1200	Other receivables, net (note 6(e) and 7)	46,100	-	15,766	-
1220	Current tax assets	12,724	-	12,564	-
130X	Inventories (note 6(f))	1,588,641	14	1,584,093	15
1460	Non-current assets classified as held for sale, net (Note 6(g) and 7)	-	-	494,673	5
1470	Other current assets	144,881	1	141,046	1
		5,550,655	48	4,818,266	44
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,325,608	12	1,142,720	11
1550	Investments accounted for using equity method, net (note 6(h))	52,044	1	51,901	-
1600	Property, plant and equipment (notes 6(i) and 8)	3,520,840	31	3,846,594	36
1755	Right-of-use assets (note 6(j) and 8)	118,351	1	138,313	1
1760	Investment property, net (note 6(k) and 8)	681,440	6	493,160	5
1780	Intangible assets	37,788	-	45,075	-
1840	Deferred tax assets (note 6(s))	48,341	-	70,148	1
1920	Guarantee deposits paid (note 8)	92,096	1	99,809	1
1990	Other non-current assets, others (note 8)	43,713	-	32,675	1
		5,920,221	52	5,920,395	56
	Total assets	**$ 11,470,876**	**100**	**10,738,661**	**100**

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(l) and 8)	$ 1,419,164	12	1,538,108	14
2110	Short-term notes and bills payable (notes 6(m))	105,000	1	115,000	1
2150	Notes payable (note 7)	172,328	2	128,520	1
2170	Accounts payable (note 7)	504,333	5	444,529	5
2200	Other payables (note 7)	618,505	5	539,377	5
2230	Current tax liabilities	8,010	-	29,226	-
2250	Current provisions (note 6(p))	20,867	-	21,605	-
2260	Liabilities related to non-current assets classified as held for sale (note 6(g) and 7)	-	-	494,751	5
2280	Current lease liabilities (note 6(o))	28,087	-	29,987	-
2300	Other current liabilities	120,942	1	110,831	1
2320	Long-term liabilities, current portion (notes 6(n) and 8)	110,171	1	181,055	2
		3,107,407	27	3,632,989	34
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(n) and 8)	595,602	5	707,334	7
2570	Deferred tax liabilities (note 6(s))	292,816	3	291,690	3
2580	Non-current lease liabilities (note 6(o))	65,090	1	81,356	1
2640	Net defined benefit liability, non-current (note 6(r))	26,984	-	50,895	-
2600	Other non-current liabilities	23,682	-	22,815	-
		1,004,174	9	1,154,090	11
	Total liabilities	4,111,581	36	4,787,079	45
	Equity attributable to owners of the Company (note 6(t)):				
3100	Capital stock	3,698,536	32	3,698,536	34
3200	Capital surplus	13,478	-	13,293	-
3300	Retained earnings	2,881,696	25	1,759,275	16
3400	Other equity interest	677,933	6	433,764	4
3500	Treasury shares	(16,582)	-	(16,582)	-
	Total equity attributable to owners of parent	7,255,061	63	5,888,286	54
36XX	**Non-controlling interests**	104,234	1	63,296	1
	Total equity	7,359,295	64	5,951,582	55
	Total liabilities and equity	**$ 11,470,876**	**100**	**10,738,661**	**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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(v))**	$ 5,313,319	100	5,102,207	100
5000	**Operating costs (note 6(f))**	3,955,952	75	3,847,421	75
5950	**Gross profit from operations**	1,357,367	25	1,254,786	25
	Operating expenses:				
6100	Selling expenses	744,637	14	715,884	14
6200	Administrative expenses	414,969	8	405,247	8
6300	Research and development expenses	131,188	2	136,010	3
6450	Expected credit gain	(102)	-	(2,540)	-
6300	**Total operating expenses**	1,290,692	24	1,254,601	25
6900	**Operating profit**	66,675	1	185	-
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	2,616	-	4,606	-
7010	Other income (note 6(x))	157,294	3	125,223	3
7020	Other gains and losses, net (note 6(x))	(29,609)	(1)	71,865	1
7050	Finance costs, net (note 6(x))	(54,928)	(1)	(73,314)	(1)
7229	Gain on disposal of non-current assets classified as held for sale (note 6(g))	1,836,843	35	-	-
7370	Share of profit of associates and joint ventures accounted for using equity method (note 6(h))	347	-	653	-
	Total non-operating income and expenses	1,912,563	36	129,033	3
	Profit before income tax	1,979,238	37	129,218	3
7950	**Less: Income tax expenses**	233,311	4	49,814	1
	Profit	1,745,927	33	79,404	2
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit	(10,886)	-	(5,982)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	295,970	5	188,855	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	1,214	-	2,022	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	286,298	5	184,895	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	(68,418)	(1)	(22,051)	-
8370	Share of other comprehensive income of associates and joint ventures under the equity method	(3,062)	-	2,698	-
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	(71,480)	(1)	(19,353)	-
8300	**Other comprehensive income (after tax)**	214,818	4	165,542	3
8500	**Total comprehensive income for the period**	**$ 1,960,745**	**37**	**244,946**	**5**
	Profit (loss) attributable to:				
8610	Owners of parent	$ 1,224,801	23	86,793	2
8620	Non-controlling interests	521,126	10	(7,389)	-
		$ 1,745,927	**33**	**79,404**	**2**
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	$ 1,440,561	27	251,199	5
8720	Non-controlling interests	520,184	10	(6,253)	-
		$ 1,960,745	**37**	**244,946**	5
	Earnings per share (note 6(u))				
9750	**Basic earnings per share (NT dollars)**	**$**	**3.33**		**0.24**
9850	**Diluted earnings per share(NT dollars)**	**$**	**3.28**		**0.24**

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, 2021 and 2020

(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, 2020	$ 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 (loss) for the year ended December 31, 2020	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406	1,136	165,542
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199	(6,253)	244,946
Earnings distribution and appropriation:											
Legal reserve appropriated	-	-	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
Profit for the year ended December 31, 2021	-	-	-	-	1,224,801	-	-	-	1,224,801	521,126	1,745,927
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(10,292)	(69,411)	295,463	-	215,760	(942)	214,818
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,214,509	(69,411)	295,463	-	1,440,561	520,184	1,960,745
Earnings distribution and appropriation:											
Legal reserve appropriated	-	-	13,188	-	(13,188)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)	-	(73,971)
Other changes in capital surplus	-	185	-	-	-	-	-	-	185	-	185
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(479,246)	(479,246)
Balance at December 31, 2021	**$ 3,698,536**	**13,478**	**861,032**	**458,116**	**1,562,548**	**(59,247)**	**737,180**	**(16,582)**	**7,255,061**	**104,234**	**7,359,295**

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	$ 1,979,238	129,218
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	222,618	245,698
Amortization expense	9,234	8,694
Expected credit gain	(102)	(2,540)
Net profit on financial assets or liabilities at fair value through profit or loss	2,979	(12,089)
Interest expense	54,928	73,314
Interest income	(2,616)	(36,721)
Dividend income	(66,809)	(52,165)
Share of loss of associates and joint ventures under the equity method	(347)	(653)
Gains on disposal of property, plant and equipment	(3,173)	(73,957)
Gain from disposal of right-of-use assets	(312)	(67)
Gain on disposal of non-current assets classified as held for sale	(1,836,843)	-
Rervesal of allowance for sales discounts	(738)	(8,639)
Total adjustments to reconcile profit (loss)	(1,621,181)	140,875
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(76,369)	(28,014)
Trade receivable, net	18,178	132,493
Other receivable	(28,805)	22,773
Inventories	(4,548)	309,621
Other current assets	(3,835)	(5,173)
Total changes in operating assets	(95,379)	431,700
Changes in operating liabilities:		
Notes payable	43,808	(117,851)
Accounts payable	59,804	(8,497)
Other payable	79,128	101,415
Other current liabilities	10,111	1,408
Decrease in net defined benefit liability	(35,877)	(16,894)
Total changes in operating liabilities	156,974	(40,419)
Total changes in operating assets and liabilities	61,595	391,281
Total adjustments	(1,559,586)	532,156
Cash inflows generated from operations	419,652	661,374
Interest received	2,616	36,721
Dividends received	66,809	52,165
Interest paid	(54,928)	(73,314)
Income taxes paid	(229,460)	(29,480)
Net cash flows from operating activities	204,689	647,466

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(102,579)	(94,533)
Proceeds from disposal of financial assets at fair value through other comprehensive income	164,166	148,484
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	48,713	-
Acquisition of financial assets at fair value through profit or loss	(169,247)	(187,384)
Proceeds from disposal of financial assets at fair value through profit or loss	142,634	194,556
Acquisition of investments accounted for using equity method	(5,026)	-
Proceeds from disposal of non-current assets classified as held for sale	1,839,109	-
Acquisition of property, plant and equipment	(85,674)	(98,459)
Proceeds from disposal of property, plant and equipment	7,253	83,941
Increase in refundable deposits	7,713	(27,714)
Acquisition of intangible assets	(2,192)	(1,755)
Decrease in other non-current assets	(11,569)	6,261
Net cash flows from investing activities	1,833,301	23,397
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(126,373)	51,373
Decrease in short-term notes and bills payable	(10,000)	(180,000)
Increase in long-term borrowings	16,935	8,809
Repayments of long-term borrowings	(198,828)	(215,593)
Decrease increase in guarantee deposits	867	(350)
Payments of lease liabilities	(29,896)	(30,506)
Cash dividends paid	(73,971)	(88)
Change in non-controlling interests	(479,246)	-
Net cash flows used in financing activities	(900,512)	(366,355)
Effect of exchange rate changes on cash and cash equivalents	(30,062)	(52,286)
Net increase (decrease) in cash and cash equivalents	1,107,416	252,222
Cash and cash equivalents at beginning of period	1,054,849	802,627
Cash and cash equivalents at end of period	**$ 2,162,265**	**1,054,849**

See accompanying notes to consolidated financial statements.

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

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(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, 2021 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 22, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- 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"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(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 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(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.

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to 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.

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.

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2021	December 31, 2020	
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	69.30%	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%	
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%	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Subsidiaries excluded from the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Notes
			December 31, 2021	December 31, 2020	
The Company	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.

(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.

(Continued)

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.

(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.

(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.

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.

(Continued)

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.

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.

(Continued)

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.

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) 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).

4) 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.

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.

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.

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.

(Continued)

(k) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement , rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures" , unless the Group qualifies for exemption from that Standard. Please refer to note4(j) for the application of the equity method.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed. ◦

(l) 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.

(m) 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.

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.

(n) Leases

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

(i) As a leasee

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.

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, 2022; and

4) there is no substantive change in other terms and conditions of the lease.

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

(ii) As a leasor

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.

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) 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.

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.

(p) 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.

(Continued)

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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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).

(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, 2021	December 31, 2020
Cash and petty cash	$ 5,016	6,898
Checking account deposits	53,871	2,924
Demand deposits	1,892,830	904,162
Time deposits	210,548	140,865
Cash and cash equivalents in the consolidated statement of cash flows	**$ 2,162,265**	**1,054,849**

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.

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Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificates–open end fund	$ 273,088	249,969
Publicly listed or OTC stocks	1,459	2,000
Total	**$ 274,547**	**251,969**

As of December 31, 2021 and 2020, the financial assets at fair value through profit or loss of the Group had not been pledged as collateral.

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Listed common shares	$ 1,236,043	1,063,190
Unlisted common shares	89,565	79,530
Total	**$ 1,325,608**	**1,142,720**

(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, 2021 and 2020, the dividends of $66,809 thousand and $52,165 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 2021 and 2020, the Group has sold its financial assets at fair value through other comprehensive income. The financial assets had sold a fair value of $164,922 thousand, $111,092 thousand and capital reduction recovery of $48,713 thousand, the Group realized a (loss) gain of $(18,117) thousand and $49,998 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, 2021 and 2020, the financial assets had not pledged as collateral.

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HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Notes and accounts receivables

	December 31, 2021	December 31, 2020
Notes receivable	$ 436,858	360,489
Accounts receivable	930,769	963,092
Less: Loss allowance	(46,130)	(60,275)
	$ 1,321,497	**1,263,306**

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.

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

	December 31, 2021		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 1,160,190	0%~0.1%	1,256
1 to 30 days past due	31,149	0%~2%	564
31 to 120 days past due	18,911	0%~19%	3,514
121 to 365 days past due	8,695	0%~55%	4,795
More than one year past due	12,741	100%	12,741
	$ 1,231,686		**22,870**

	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**

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The loss allowance provisions in China were determined as follows:

	December 31, 2021		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 103,594	0%~2%	2,411
1 to 90 days past due	13,891	0%~44%	6,092
91 to 180 days past due	7,563	0%~52%	3,957
181 to 365 days past due	1,381	0%~93%	1,288
More than one year past due	9,512	100%	9,512
	$ 135,941		**23,260**

	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**

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

	For the years ended December 31	
	2021	2020
Balance at January 1	$ 60,275	65,012
Amounts written off	(12,008)	(2,670)
Impairment losses reversed	(102)	(2,540)
Foreign exchange (losses) gains	(2,035)	473
Balance at December 31	**$ 46,130**	**60,275**

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Other receivables

	December 31, 2021	December 31, 2020
Other	$ 63,574	45,518
Less: Loss allowance	(17,474)	(29,752)
	$ 46,100	**15,766**

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 247,650	211,372
Supplies	23,577	25,084
Work in progress	195,408	165,108
Finished goods	794,952	845,888
Merchandise	312,092	322,187
In-transit inventory	14,962	14,454
	$ 1,588,641	**1,584,093**

For the years ended December 31, 2021 and 2020, the cost of goods sold and expenses amounted to $3,955,952 thousand and $3,847,421 thousand, respectively. The write-down of inventories to net realizable value amounted to $10,738 thousand and $14,478 thousand, for the years ended December 31, 2021 and 2020, respectively. The write-downs and reversals are included in cost of sales.

As of December 31, 2021 and 2020, none of the Group’ s inventories was pledged as collateral.

(g) Non-current assets held for sale

The Board approved Ho Long 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 on December 31 2020.

Ho Long 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:

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		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**

As of December 31, 2020, no impairment loss was recognized after measuring at the lower of carrying amount and fair value less costs to sale.

Ho Long Ceramic Co., Ltd. entered into a price supplement contract with the buyer to measure differences in land area in September 2021. The total contract price of the amended agreement, including tax, was $2,365,247 thousand, and the handover and the transfer processes of real estate were completed. The profit on disposal is $1,836,843 thousand, which is recognized under non-operating income.

(h) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

		December 31, 2021	December 31, 2020
Associates	$	48,408	51,901
Joint venture		3,636	-
	$	**52,044**	**51,901**

(i) Associates

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

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity	**$ 48,408**	**51,901**

(Continued)

	For the years ended December 31	
	2021	2020
Attributable to the Group:		
Profit from continuing operation	$ 1,055	653
Other comprehensive income	(3,111)	2,800
Comprehensive income	**$ (2,056)**	**3,453**

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

(ii) Joint ventures

The Group's financial information for joint ventures and accounted for using the equity method that were individually insignificant is as follows:

	December 31, 2021	December 31, 2020
The carrying amount of the Company's interests in all individually insignificant joint ventures	**$ 3,636**	**-**

	For the years ended December 31	
	2021	2020
Attributable to the Group:		
Loss from continuing operations for the year	$ (708)	-
Other comprehensive income	49	-
Total comprehensive income	**$ (659)**	**-**

(iii) Collateral

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, 2021	$ 2,424,585	59,831	2,417,132	3,071,566	128,237	451,957	865,671	-	9,418,979
Additions	1,409	379	6,614	23,245	4,333	13,434	36,259	-	85,673
Disposal	-	-	(2,951)	(9,249)	(11,048)	(1,920)	(2,673)	-	(27,841)
Reclassified to investment property	-	-	(313,413)	-	-	-	-	-	(313,413)
Effects of reclassification and changes in foreign exchange rates	(9,213)	(3,401)	(25,664)	(74,433)	(1,394)	(4,530)	(18,368)	-	(137,003)
Balance at December 31, 2021	**$ 2,416,781**	**56,809**	**2,081,718**	**3,011,129**	**120,128**	**458,941**	**880,889**	**-**	**9,026,395**

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	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Facilities	Other equipment	Construction in progress and testing equipments	Total
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**
Depreciation:									
Balance at January 1, 2021	$ -	39,747	1,584,514	2,765,846	98,641	374,986	708,651	-	5,572,385
Additions	-	1,590	58,441	52,753	8,810	20,143	38,331	-	180,068
Disposal	-	-	(1,480)	(9,111)	(8,660)	(1,837)	(2,673)	-	(23,761)
Reclassified to non-current assets held for sale	-	-	(114,857)	-	-	-	-	-	(114,857)
Effects of reclassification and changes in foreign exchange rates	-	(1,959)	(15,045)	(69,807)	(1,276)	(4,179)	(16,014)	-	(108,280)
Balance at December 31, 2021	**$ -**	**39,378**	**1,511,573**	**2,739,681**	**97,515**	**389,113**	**728,295**	**-**	**5,505,555**
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**
Carrying amount:									
Balance at December 31, 2021	**$ 2,416,781**	**17,431**	**570,145**	**271,448**	**22,613**	**69,828**	**152,594**	**-**	**3,520,840**
Balance at January 1, 2020	**$ 2,686,760**	**21,794**	**811,843**	**347,271**	**30,670**	**88,003**	**182,510**	**132,251**	**4,301,102**
Balance at December 31, 2020	**$ 2,424,585**	**20,084**	**832,618**	**305,720**	**29,596**	**76,971**	**157,020**	**-**	**3,846,594**

The Group leased out part of its factories located in Shanghai for assets revitalization. For the year ended December 31, 2021, the carrying amount of property, plant, and equipment reclassified to investment property amounted to $198,556 thousand.

As of December 31, 2021 and 2020, the Group’s real estate of Yingge factory and office amounted to $95,689 thousand and $96,195 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, 2021 and 2020, 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, 2021 and 2020, 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.

(Continued)

(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, 2021	$ 62,061	138,496	12,854	4,906	218,317
Additions	-	12,156	3,555	-	15,711
Disposal	-	(4,987)	(2,358)	-	(7,345)
Effects of changes in foreign exchange rates	(460)	(420)	-	-	(880)
Balance at December 31, 2021	**$ 61,601**	**145,245**	**14,051**	**4,906**	**225,803**
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**
Depreciation:					
Balance at January 1, 2021	$ 31,815	39,309	7,699	1,181	80,004
Depreciation for the year	1,376	25,975	4,310	493	32,154
Disposal	-	(1,863)	(2,358)	-	(4,221)
Effects of changes in foreign exchange rates	(237)	(248)	-	-	(485)
Balance at December 31, 2021	**$ 32,954**	**63,173**	**9,651**	**1,674**	**107,452**
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**
Carrying amount:					
Balance at December 31, 2021	**$ 28,647**	**82,072**	**4,400**	**3,232**	**118,351**
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**

(Continued)

Please refer to note 8 for the property, plant, and equipment pledged as collateral for long-term and short-term loans and lines of credit as of December 31, 2021 and 2020.

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.

The movements in the investment property are as follows:

	Land and improvements	Buildings	Total
Cost:			
Balance at January 1, 2021	$ 466,138	262,004	728,142
Reclassification from inventories and property, plant and equipment	-	313,413	313,413
Effect of movements in exchange rates	-	194	194
Balance at December 31, 2021 (Same as Balance on January 1)	**$ 466,138**	**575,611**	**1,041,749**
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 466,138**	**262,004**	**728,142**
Depreciation:			
Balance at January 1, 2021	$ 5,285	229,697	234,982
Depreciation for the year	-	10,396	10,396
Reclassification from inventories and property, plant and equipment	-	114,857	114,857
Effect of movements in exchange rates	-	74	74
Balance at December 31, 2021	**$ 5,285**	**355,024**	**360,309**
Balance at January 1, 2020	$ 5,285	223,973	229,258
Depreciation for the year	-	5,724	5,724
Balance at December 31, 2020	**$ 5,285**	**229,697**	**234,982**

(Continued)

	Land and improvements	Buildings	Total
Carrying amounts:			
Balance at December 31, 2021	$ 460,853	220,587	681,440
Balance at January 1, 2020	$ 460,853	38,031	498,884
Balance at December 31, 2020	$ 460,853	32,307	493,160
Fair value:			
Balance at December 31, 2021			$ 1,313,297
Balance at December 31, 2020			$ 1,344,811
Balance at January 1, 2020			$ 1,229,001

Please refer to note 6(i) for the information on the Group's investment property reclassified from property, plant, and equipment.

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, 2021 and 2020, 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.

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured letters of credit	$ 20,877	26,032
Unsecured bank loans	772,941	895,456
Secured bank loans	625,346	616,620
Total	$ 1,419,164	1,538,108
Unused short-term credit lines	$ 1,763,552	1,201,133
Range of interest rates	1.07%~4.97%	0.80%~6.00%

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

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(m) Short-term notes and bills payable

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

	December 31, 2021		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.29%	**$ 105,000**
Unused long-term credit lines			**$ 325,000**

	December 31, 2020		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.39%	**$ 115,000**
Unused long-term credit lines			**$ 315,000**

(n) Long-term borrowings

The details were as follows:

	December 31, 2021			
	Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	1.615%~1.65%	2024.10.19	$ 618,234
Secured bank loans	RMB	5.5%	2024.01.24	87,539
				705,773
Less: Current portion				(110,171)
Total				**$ 595,602**
Unused long-term credit lines				**$ 181,180**

(Continued)

	December 31, 2020			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.39%	2021.06.26	$ 28,571
Secured bank loans	TWD	1.62%~1.65%	2024.10.19	764,633
Secured bank loans	RMB	5.50%	2024.01.24	95,185
				888,389
Less: Current portion				(181,055)
Total				**$ 707,334**
Unused long-term credit lines				**$ 301,676**

For information on the Group' s interest risk, foreign currency risk and liquidity risk, please refer to note 6(y).

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, 2021	December 31, 2020
Current	**$ 28,087**	**29,987**
Non-current	**$ 65,090**	**81,356**

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	
	2021	2020
Interest on lease liabilities	**$ 1,798**	**2,346**
Expenses relating to short-term leases	**$ 302**	**199**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 635**	**666**
COVID-19-related rent concessions (recognized as deduction of rent expenses)	**$ 32**	**32**

The amounts recognized in the statements of cash flows for the Group was as follows:

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	**$ 32,599**	**32,852**

(i) Real estate leases

As of December 31, 2021 and 2020, 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, 2021	$ 21,605
Provisions made during the year	17,247
Provisions used during the year	(12,987)
Provisions reversed during the year	(4,998)
Balance at December 31, 2021	**$ 20,867**
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**

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.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2021	December 31, 2020
Less than 1 year	$ 55,362	13,100
1 to 5 years	167,215	15,052
More than 5 years	208,961	10,757
Total undiscounted lease payments	**$ 431,538**	**38,909**

For the years ended December 31, 2021 and 2020, the rental revenue from investment properties amounted to $52,953 thousand and $44,100 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, 2021	December 31, 2020
Present value of the defined benefit obligations	$ 843,374	905,837
Fair value of plan assets	(816,390)	(854,942)
Net defined benefit liabilities	**$ 26,984**	**50,895**

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 $816,390 thousand as of December 31, 2021. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2021 and 2020, the movements in the present value of the defined benefit obligations for the Group were as follows:

	For the years ended December 31	
	2021	2020
Defined benefit obligations at January 1	$ 905,837	911,174
Current service costs and interest cost	12,617	16,699
Remeasurement loss (gain):		
─Actuarial loss (gain) arising from demographic assumptions	16,906	-
─Actuarial loss (gain) arising from financial assumptions	(21,569)	24,913
─Experience adjustments	24,185	9,324
Past service credit	(2,439)	1,350
Effect of movements in exchange rates	(4,791)	59
Benefits paid	(87,372)	(57,682)
Defined benefit obligations at December 31	**$ 843,374**	**905,837**

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, 2021 and 2020 are as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets at January 1	$ 854,942	837,182
Interest income	4,209	6,666
Remeasurement gain (loss) :		
─Return on plan assets excluding interest income	8,636	28,361
Contributions paid by the employer	38,504	40,368
Effect of movements in exchange rates	(2,529)	47
Benefits paid	(87,372)	(57,682)
Fair value of plan assets at December 31	**$ 816,390**	**854,942**

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	
	2021	2020
Current service costs	$ 7,421	8,857
Past service costs	704	1,644
Net interest of net liabilities for defined benefit obligations	987	1,176
	$ 9,112	**11,677**
Operating costs	$ 5,575	6,309
Selling expenses	1,527	2,482
Administrative expenses	1,607	2,167
Research and development expenses	403	719
	$ 9,112	**11,677**

5) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.63%~5.01%	0.38%~3.65%
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 $39,269 thousand.

The weighted average lifetime of the defined benefits plans is 7.3~14.6 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.

(Continued)

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for December 31, 2021 and 2020 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%~1.00%	Decreased 0.25%~1.00%
December 31, 2021		
Discount rate	$ (18,629)	19,630
Future salary increase rate	19,486	(18,609)

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	(22,359)	23,855
Future salary increase rate	23,553	(22,245)

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 2021 and 2020.

(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, 2021 and 2020 amounted to $27,519 thousand and $26,353 thousand, respectively. Except for the aforementioned companies, other foreign subsidiaries recognized pension expenses of $9,432 thousand and $1,836 thousand for the defined contribution plans based on their respective local government regulations for the years ended December 31, 2021 and 2020.

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(s) Income Taxes

(i) Income tax expenses:

	For the years ended December 31	
	2021	**2020**
Current tax expense:		
Current period	$ 201,314	43,453
Adjustment for prior years	10,463	(228)
	211,777	43,225
Deferred tax expense:		
Origination and reversal of temporary differences	19,310	6,589
Adjustment in tax rate	2,224	-
	21,534	6,589
Income tax expenses from continuing operations	**$ 233,311**	**49,814**

	For the years ended December 31	
	2021	**2020**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	**$ 1,214**	**2,022**

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows.

	For the years ended December 31	
	2021	**2020**
Profit excluding income tax	**$ 1,979,238**	**129,218**
Income tax using the Company’ s domestic tax rate	$ 395,848	25,844
Effect of tax rates in foreign jurisdiction	(14,301)	(44,822)
Adjustment in tax rate	2,224	-
Income basic tax	2,061	766
Not attributable to temporary difference	19,512	2,760
Tax-exempt income	(388,482)	-
Tax incentives	(7,818)	(4,525)
Land value increment tax	158,831	-
Change in unrecognized temporary differences	54,674	89,763
Change in provision in prior periods	10,463	(23,046)
Additional tax on undistributed earnings	299	3,074
Total	**$ 233,311**	**49,814**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	**$ -**	**4,839**

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 212,741	175,099
Aggregate amount of temporary differences related to investments in subsidiaries	310,798	287,714
	$ 523,539	**462,813**

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.

As of December 31, 2021, 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	Unrecognized unused tax losses	Expiry date
2012	$ 11,112	2022
2013	12,498	2023
2015	28,664	2025
2016	33,828	2026
2017	35,248	2027
2018	27,168	2028
2019	51,067	2029
2020	31,171	2030
2021	1,471	2031
	$ 232,227	

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As of December 31, 2021, 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	$ 51,610	2022
2018	159,640	2023
2019	133,678	2024
2020	205,478	2025
2021	114,776	2026
	$ 665,182	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Defined Benefit Plans	Land value increment tax reserve	Others	Total
Deferred tax liabilities:				
Balance at January 1, 2021	$ 3,317	276,574	11,799	291,690
Debit (credit) on income statement	621	-	(11)	610
Debit (credit) on other comprehensive income	516	-	-	516
Balance at December 31, 2021	**$ 4,454**	**276,574**	**11,788**	**292,816**
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	Impairment of losses	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2021	$	21,493	18,653	30,002	70,148
(Debit) credit on income statement		(8,367)	(9,347)	(7,349)	(25,063)
(Debit) credit on other comprehensive income		3,256	-	-	3,256
Balance at December 31, 2021	**$**	**16,382**	**9,306**	**22,653**	**48,341**
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**

(iii) Assessment of tax

The Company's income tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

The tax returns of Hoceng Service Co., Ltd., Hohong Co., Ltd., Hostan Corporation, and Ho Long Ceramic Co., Ltd. through 2019 have been examined and approved by R.O.C income tax authorities.

(t) Capital and other equity

As of December 31, 2021 and 2020, 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, 2021 and 2020, is as follows:

(in thousands of shares)

	Ordinary Shares	
	For the years ended December 31	
	2021	2020
Balance on December 31 (same as Balance on January 1)	**369,854**	**369,854**

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Treasury share transactions	$ 11,500	11,500
Changes in net equity of subsidiaries are recognized by equity method	304	304
Premium from merger	1,275	1,275
Other	399	214
	$ 13,478	**13,293**

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)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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, 2021 and 2020, the carrying amount of special reserve both amounted to $458,116 thousand.

3) Earnings distribution

The voting result by way of electronic transmission regarding the appropriation of earnings for 2020 reached the legal resolution threshold on June 26, 2021, and the distribution was approved by the shareholders' meeting on July 9, 2021. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31, 2020	
	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, 2021 Costs	December 31, 2021 Market price	December 31, 2020 Costs	December 31, 2020 Market price
Hostan Corporation	1,191	Current financial assets at fair value through profit or loss	$ 10,823	21,013	10,823	12,143
Hohong Co., Ltd.	543	Non-current financial assets at fair value through other comprehensive income	5,759	9,589	5,759	5,541

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2021	$ 10,164	423,600	63,296
Exchange differences on foreign operations	(69,411)	-	(2,069)
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	-	295,463	507
Disposal of equity investments measured at fair value through other comprehensive income	-	18,117	-
Other	-	-	42,500
Balance at December 31, 2021	**$ (59,247)**	**737,180**	**104,234**
Balance at January 1, 2020	$ 29,502	284,941	69,637
Exchange differences on translation of net assets of foreign operations	(19,338)	-	(15)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	188,657	198
Disposal of equity investments at fair value through other comprehensive income	-	(49,998)	-
Other	-	-	(6,524)
Balance at December 31, 2020	**$ 10,164**	**423,600**	**63,296**

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2021	2020
Profit attributable to ordinary shareholders of the Company	$ 1,224,801	86,793

2) Weighted average number of ordinary shares (shares in thousands)

	For the years ended December 31	
	2021	2020
Issued ordinary shares at January 1	369,854	369,854
Effect of treasury shares held	(1,734)	(1,734)
Weighted average number of ordinary shares at December 31	**368,120**	**368,120**

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2021	2020
Profit attributable to ordinary shareholders of the Company (diluted)	$ 1,224,801	86,793

2) Weighted average number of ordinary shares (diluted)

	For the years ended December 31	
	2021	2020
Weighted average number of ordinary shares (basic)	368,120	368,120
Effect of employee share bonus	4,963	996
Weighted average number of ordinary shares (diluted) at December 31	**373,083**	**369,116**

(iii) Earnings per share

	For the years ended December 31	
	2021	2020
Basic earnings per share	$ 3.33	0.24
Diluted earnings per share	$ 3.28	0.24

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Revenue from contracts with customers

(i) Details of revenue

	For the years ended December 31, 2021				
	Taiwan Division	China Division	Philippine Division	Other Department	Total
Primary geographical markets:					
Taiwan	$ 4,059,646	-	-	-	4,059,646
China	-	494,207	-	2,254	496,461
Philippine	-	-	744,135	142	744,277
United States	649	-	-	-	649
Other countries	7,709	1,474	-	3,103	12,286
Total	**$ 4,068,004**	**495,681**	**744,135**	**5,499**	**5,313,319**
Major products/service lines:					
Porcelain	$ 1,269,014	286,953	396,938	2,022	1,954,927
Copper ware	757,783	114,586	70,924	2,982	946,275
Toilet cover	571,131	7,062	127,114	72	705,379
Fine pottery	364,259	-	-	-	364,259
Other	1,105,817	87,080	149,159	423	1,342,479
Total	**$ 4,068,004**	**495,681**	**744,135**	**5,499**	**5,313,319**

	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
America	-	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**

(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 $83,159 thousand and $7,898 thousand and directors' and supervisors' remuneration amounting to $41,580 thousand and $3,949 thousand for years ended December 31, 2021 and 2020, 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 2021 and 2020. 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 2020.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	$ 2,616	4,606

(ii) Other income

The details of other income 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Rent income	$ 52,953	44,100
Dividend income	66,809	52,165
Royalty income and other income	37,532	28,958
	$ 157,294	125,223

(iii) Other gains and losses

The details of other gains and losses 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Foreign exchange gains (losses)	$ 2,560	11,077
Net profit on financial assets or liabilities at fair value through profit or loss	(4,182)	8,993
Gains on disposals of investments	1,203	3,096
Net gains on disposals of property, plant and equipment	3,173	73,957
Disposal of investment gains	(10,396)	(5,724)
Others	(21,967)	(19,534)
	$ (29,609)	**71,865**

(iv) Finance costs

The details of finance costs 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Interest expense	**$ 54,928**	**73,314**

(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, 2021 and 2020, 44% and 47% , respectively, of notes receivables as well as 17% and 27%, respectively, of accounts receivables were concentrated on 5 specific customers. Thus, credit risk is significantly centralized.

(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, 2021							
Non-derivative financial liabilities							
Secured bank loans	$ 1,331,119	1,373,532	432,802	312,920	13,213	614,597	-
Unsecured bank loans	793,818	797,961	686,614	111,320	-	-	-
Short-term notes payables	105,000	105,094	105,094	-	-	-	-
Notes payable	172,328	172,328	172,328	-	-	-	-
Accounts payable	504,333	504,333	504,333	-	-	-	-
Other payables	618,505	618,505	618,505	-	-	-	-
Lease liabilities	93,177	96,333	16,222	13,110	23,491	33,566	9,944
	$ 3,618,280	**3,668,086**	**2,535,898**	**437,350**	**36,704**	**648,163**	**9,944**
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**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(Continued)

(iii) Currency risks

1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk is as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 1,827	27.680	50,571	4,327	28.480	123,233
CNY	4,556	4.344	19,791	3,690	4.377	16,151
Financial liabilities						
Monetary items						
USD	8,137	27.680	225,232	4,513	28.480	128,530

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, 2021 and 2020, a strengthening (weakening) of 1% of the NTD against the USD and CNY, would have increased (decreased) the net profit after tax by $1,239 thousand and $87 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 2020.

(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 $8,393 thousand and $13,766 thousand for the years ended December 31, 2021 and 2020, 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, 2021				
		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	$ 274,547	274,547	-	-	274,547
Financial assets at fair value through other comprehensive income					
Listed companies shares	1,236,043	1,236,043	-	-	1,236,043
Unlisted common shares	89,565	-	-	89,565	89,565
Subtotal	1,325,608	1,236,043	-	89,565	1,325,608
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,162,265	-	-	-	-
Notes and accounts receivable	1,321,497	-	-	-	-
Other receivables	46,100	-	-	-	-
Refundable deposits	92,097	-	-	-	-
Subtotal	3,621,959	-	-	-	-
Total	**$ 5,222,114**	**1,510,590**	**-**	**89,565**	**1,600,155**
Financial liabilities measured at amortized cost:					
Notes and accounts payable	$ 676,661	-	-	-	-
Other payables	618,505	-	-	-	-
Lease liabilities	93,177	-	-	-	-
Guarantee deposits	19,215	-	-	-	-
Total	**$ 1,407,558**	**-**	**-**	**-**	**-**

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020				
		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	$ 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**	**-**	**-**	**-**	**-**

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.

(Continued)

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 2021 and 2020.

4) The reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instrument
Balance at January 1, 2021	$ 79,530
Total gains and losses recognized:	
In other comprehensive income	70,888
Capital reduction	(48,713)
Transferred out from level 3	(12,140)
Balance at December 31, 2021	**$ 89,565**
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**

For the years ended December 31, 2021 and 2020, total gains and losses included in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income" were as follows:

	2021	2020
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"	**$ 70,888**	**7,558**

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 measuremen
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	● Market multiplier (December 31, 2021 and 2020: 1.43 and 2.42) ● Market liquidity discount rate (December 31, 2021 and 2020: 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

(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.

(Continued)

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.

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, 2021 and 2020.

(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.

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.

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	$ 4,111,581	4,787,079
Less: Cash and cash equivalents	(2,162,265)	(1,054,849)
Net debt	**$ 1,949,316**	**3,732,230**
Total equity	**$ 7,359,295**	**5,951,582**
Debt-to-equity ratio at December 31	**26.49%**	**62.71%**

As of December 31, 2021, the Group had not changed its capital management method.

(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, 2021 and 2020, were as follows:

			Non-Cash changes			
	January 1, 2021	Cash flows	Acquisition	Decrease	Foreign exchange movement	December 31, 2021
Short-term borrowings	$ 1,538,108	(126,373)	-	-	7,429	1,419,164
Long-term borrowings	888,389	(181,893)	-	-	(723)	705,773
Lease liabilities	111,343	(29,896)	-	-	11,730	93,177
Short-term notes and bills payable	115,000	(10,000)	-	-	-	105,000
Guarantee deposits	18,347	867	-	-	-	19,214
Total liabilities from financing activities	**$ 2,671,187**	**(347,295)**	**-**	**-**	**18,436**	**2,342,328**

			Non-Cash changes			
	January 1, 2020	Cash flows	Acquisition	Decrease	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	(30,506)	-	-	11,780	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**	**(366,267)**	**-**	**(420,000)**	**(25,208)**	**2,671,187**

(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)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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)
Hecheng Jianlang(Shamghai)Kitchen and Bathroom Co., Ltd.	Hocheng (China) Corporation' s investee accounted for using equity method (associate)
Yuhong Co., Ltd.	Substantial related party (Other Related party)
Yuhong (SuZhou) 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	
	2021	2020
Other Related party	$ 276	473

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	
	2021	2020
Other Related party	$ 151,543	152,734

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.

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Notes receivable	Other Related party	$ -	28
Accounts receivable	Other Related party	7,074	648
Other receivables	Associates	4,748	4,909
Other receivables	Other Related party	575	308
		$ 12,397	5,893

(Continued)

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Notes payable	Other Related party	$ 39,498	41,059
Accounts payable	Other Related party	15,551	15,036
Other payables	Other Related party	3	33
		$ 55,052	**56,128**

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2021	2020
Short-term employee benefits	$ 69,214	71,409
Post-employment benefits	3,140	3,266
	$ 72,354	**74,675**

The Group provides 11 and 10 company cars with carrying amount of $20,413 and $21,027, respectively, for key management personnel use in 2021 and 2020.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Non-current assets classified as held for sale	Short-term and long-term borrowings	$ -	326,359
Property, plant and equipment－ Land and buildings	Short-term and long-term borrowings	1,910,343	2,210,999
Property, plant and equipment－ Machinery and equipment	Long-term borrowings	-	50,969
Investment property-Land and buildings	Short-term and long-term borrowings	420,011	425,346
Right of used assets-Land	Short-term borrowings	26,297	27,653
Other non-current assets-others	Short-term and long-term borrowings	-	391
Refundable deposits	Deposit for housing lease and construction	92,096	99,809
		$ 2,448,747	**3,141,526**

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Significant Commitments and Contingencies:

Promissory notes issued for engineering and product warranty, and subject guarantee were as follows:

	December 31, 2021	December 31, 2020
Promissory notes issued for engineering and product warranty, and subject guarantee	$ 24,028	14,612

(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:

By funtion / By item	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	547,226	570,087	1,117,313	523,251	510,787	1,034,038
Labor and health insurance	47,566	48,011	95,577	50,571	44,162	94,733
Pension	16,902	29,161	46,063	18,706	21,159	39,865
Others	19,929	33,087	53,016	126,645	58,525	185,170
Depreciation (Note)	89,141	123,081	212,222	128,366	111,608	239,974
Amortization	1,031	8,203	9,234	1,017	7,677	8,694

Note : The depreciation expenses excluding the depreciation of investment property in 2021 and 2020 amounted to $10,396 thousand and $5,724 thousand, respectively.

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2021:

(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	-	-	1.06%	2	-	Operation requirements	-		-	403,958	807,916
2	Ritiboon International Limited	Hocheng (China) Corporation	〃	Yes	103,215	55,360	55,360	0.80%	2	-	Operation requirements	-		-	173,020	346,039
3	Hocheng Group holding Corp.	Hocheng (China) Corporation	〃	Yes	38,395	-	-	0.8%~1.5%	2	-	Operation requirements	-		-	119,306	238,612

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 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	7,255,061	252,972	185,479	27,061	-	2.56%	7,255,061	Y		
0	〃	Hocheng (China) Corporation	3	7,255,061	223,680	166,080	166,080	-	2.29%	7,255,061	Y		Y
0	〃	Holong Ceramic Co., Ltd.	2	7,255,061	365,640	-	-	-	- %	7,255,061	Y		
1	Hostan Corporation	Hocheng Corporation	3	2,019,790	1,110,000	1,110,000	830,000	1,110,000	13.30%	2,019,790		Y	
2	Hoceng Service Co., Ltd.	Hostan Corporation	1	99,243	5,840	5,840	5,840	-	0.08%	99,243			

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)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	Accounttitle	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	37,538	- %	37,538	- %	
	China Development Financial Holdings Limited	-	〃	452,067	7,911	- %	7,911	- %	
	Taishin Financial Holding Co., Ltd.	-	〃	510,124	9,667	- %	9,667	- %	
	United Microelectronics Corporation	-	〃	800,000	52,000	0.01%	52,000	0.01%	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	6,575,315	319,231	2.42%	319,231	2.42%	
	Capital Securities Corporation	-	〃	10,289,000	174,399	0.72%	174,399	0.78%	
	Pegatron Corporation	-	〃	75,000	5,183	- %	5,183	- %	
	Taishin Financial Holding Co., Ltd. Preferred stock E	-	〃	16,280	864	- %	864	- %	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	931	- %	931	- %	
	Mega Financial Holding Company Ltd.	-	〃	1,300,000	46,215	0.01%	46,215	0.01%	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	780	- %	780	- %	
	Taishin Financial Holding Co., Ltd. Preferred stock E II	-	〃	9,753	506	- %	506	- %	
	CTBC Financial Holding Co., Ltd.	-	〃	2,498,000	64,823	0.01%	64,823	0.01%	
	Core Pacific City Co., Ltd.	-	〃	49,205	85,550	0.49%	85,550	0.49%	
	Union Securities Investment Trust Co., Ltd.	-	〃	98,869	1,389	0.32%	1,389	0.32%	
	Power chip Technology Corporation	-	〃	27,816	856	- %	856	- %	
	Power chip Semiconductor Manufacturing Corp.	-	〃	50,336	3,584	- %	3,584	- %	
	Taishin Ta Chong Money Market Fund.	-	Current financial assets at fair value through profit or loss	697,122	10,004	- %	10,004	- %	
	Taishin 1699 Money Market Fund	-	〃	731,128	10,001	- %	10,001	- %	
	Yuanta Wan Tai Money Market Fund	-	〃	654,624	10,002	- %	10,002	- %	
	Sinopac TWD Money Market Fund.	-	〃	498,337	7,000	- %	7,000	- %	
	CAPITAL MONEY MARKET FUND	-	〃	613,843	10,004	- %	10,004	- %	
	Hua Nan Phoenix Money Market Fund	-	〃	304,631	5,002	- %	5,002	- %	
	Hua Nan Kirin Money Market Fund	-	〃	661,868	8,001	- %	8,001	- %	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	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.	STANDARD FOODS CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	80,000	4,232	0.01%	4,232	0.01%	
	Formosa Plastics Corporation	-	〃	30,000	3,120	- %	3,120	- %	
	Kian Shen Corporation	-	〃	30,000	1,845	0.04%	1,845	0.04%	
	Basso Industry Corp.	-	〃	90,000	3,933	0.06%	3,933	0.06%	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,000	1,460	0.02%	1,460	0.02%	
	Hocheng Corporation	Subsidiary to parent	〃	543,274	9,589	0.15%	9,589	0.15%	
	Longchen Paper & Packaging Co., Ltd.	-	〃	210,000	5,124	0.02%	5,124	0.02%	
	Sheh Kai Precision Co., Ltd.	-	〃	60,000	2,187	0.13%	2,187	0.13%	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	2,687	0.05%	2,687	0.05%	
	Turvo International Co.,Ltd.	-	〃	70,000	7,245	0.12%	7,245	0.12%	
	Compeq Manufacturing Co., Ltd.	-	〃	50,000	2,188	- %	2,188	- %	
	Hong Hai precision industrial co., ltd	-	〃	58,480	6,082	- %	6,082	- %	
	Yageo Corporation	-	〃	5,000	2,397	- %	2,397	- %	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	31,365	19,288	- %	19,288	- %	
	Qisda Corporation	-	〃	150,000	4,568	0.01%	4,568	0.01%	
	Foxconn Technology Co., Ltd.	-	〃	10,000	649	- %	649	- %	
	Elite Material Co., Ltd.	-	〃	20,000	5,560	0.01%	5,560	0.01%	
	Walsin Technology Corporation	-	〃	10,000	1,670	- %	1,670	- %	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	30,590	4,359	- %	4,359	- %	
	Wan Hai Lines Ltd.	-	〃	5,500	993	- %	993	- %	
	Aerospace Industrial Development Corp.	-	〃	120,000	3,522	0.01%	3,522	0.01%	
	TTFB Company Limited	-	〃	6,000	1,320	0.03%	1,320	0.03%	
	Cathay Financial Holding Co., Ltd.	-	〃	140,000	8,750	- %	8,750	- %	
	China Development Financial Holdings Limited	-	〃	132,288	2,315	- %	2,315	- %	
	China Development Financial Holdings Limited Preferred Stock B	-	〃	120,712	1,158	0.01%	1,158	0.01%	
	Taishin Financial Holding Co., Ltd.	-	〃	337,861	6,402	- %	6,402	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	10,783	573	- %	573	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	-	〃	6,459	335	- %	335	- %	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	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.	Shin Kong Financial Holding Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	317,110	3,504	- %	3,504	- %	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	-	〃	3,824	164	- %	164	- %	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,269	0.04%	1,269	0.04%	
	Getac Technology Corporation.	-	〃	80,000	4,456	0.06%	4,456	0.06%	
	TXC Corporation	-	〃	20,000	2,110	0.01%	2,110	0.01%	
	Tripod Technology Corporation	-	〃	90,000	11,205	0.02%	11,205	0.02%	
	Ardentec Corporation	-	〃	100,205	5,561	0.02%	5,561	0.02%	
	Xintec Inc.	-	〃	5,000	715	- %	715	- %	
	Shin Zu Shing Co., Ltd.	-	〃	10,000	966	0.01%	966	0.01%	
	Topco Technologies Corp.	-	〃	8,538	730	0.01%	730	0.01%	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	3,825	0.02%	3,825	0.02%	
	Avalue Technology Inc.	-	〃	52,000	2,959	0.07%	2,959	0.07%	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,253	0.02%	1,253	0.02%	
	Shih Her Technologies Inc.	-	〃	120,000	8,844	0.21%	8,844	0.21%	
	Materials Analysis Technology Inc.	-	〃	14,000	2,198	0.02%	2,198	0.02%	
	Arcadyan Technology Corporation	-	〃	45,000	5,738	0.02%	5,738	0.02%	
	TSC Auto ID Technology Co., Ltd.	-	〃	15,000	3,008	0.04%	3,008	0.04%	
	Bizlink Holding Inc.	-	〃	10,000	2,610	0.01%	2,610	0.01%	
	ASE Technology Holding Co., Ltd.	-	〃	70,000	7,455	- %	7,455	- %	
	Rechi Precision Co., Ltd.	-	〃	100,000	1,910	0.02%	1,910	0.02%	
	FineTek Co., Ltd.	-	〃	38,844	3,442	0.09%	3,442	0.09%	
	Yusin Holding Corp.	-	〃	6,000	451	0.01%	451	0.01%	
	Global Tek Fabrication Co., Ltd.	-	〃	35,000	1,771	0.05%	1,771	0.05%	
	San Fu Chemical Co., Ltd.	-	〃	30,440	5,312	0.03%	5,312	0.03%	
	Primax Electronics Ltd.	-	〃	40,000	2,268	0.01%	2,268	0.01%	
	Pegatron Corporation	-	〃	70,000	4,837	- %	4,837	- %	
	Wistron Information Technology & Services Corporation	-	〃	70,000	6,167	0.10%	6,167	0.10%	
	Zhen Ding Technology Holding Limited	-	〃	70,000	7,035	0.01%	7,035	0.01%	
	Sinher Technology Inc.	-	〃	70,000	2,877	0.09%	2,877	0.09%	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,982	0.01%	2,982	0.01%	

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	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.	Sino-American Silicon Products Inc.	-	Non-current financial assets at fair value through other comprehensive income	50,000	11,800	0.01%	11,800	0.01%	
	Chailease Holding Company Limited	-	〃	36,317	9,570	- %	9,570	- %	
	Chailease Holding Company Limited Class A Preferred Shares	-	〃	9,085	922	0.01%	922	0.01%	
	The Shanghai Commercial & Savings Bank, Ltd.	-	〃	90,000	4,253	- %	4,253	- %	
	Chipbond Technology Corporation	-	〃	30,000	2,001	- %	2,001	- %	
	Powertech Technology Inc.	-	〃	65,000	6,351	0.01%	6,351	0.01%	
	Lanner Electronics Inc.	-	〃	125,000	6,963	0.11%	6,963	0.11%	
	Amazing Microelectronic Corp.	-	〃	11,871	2,908	0.01%	2,908	0.01%	
	GEM Services, Inc.	-	〃	39,450	3,669	0.03%	3,669	0.03%	
	Taiwan Takisawa Technology Co., Ltd.	-	〃	80,000	2,436	0.11%	2,436	0.11%	
	Nova Technology Corp.	-	〃	20,000	3,380	0.06%	3,380	0.06%	
	Ruby Tech Corporation	-	〃	103,618	3,621	0.19%	3,621	0.19%	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,404	0.01%	1,404	0.01%	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	2,124,000	103,120	0.78%	103,120	0.78%	
	Cleanaway Company Limited	-	〃	10,000	2,335	0.01%	2,335	0.01%	
	Taisun Int’l (Holding) Corp.	-	〃	10,000	1,025	0.03%	1,025	0.03%	
	Xxentria Technology Materials Co., Ltd.	-	〃	20,000	1,362	0.01%	1,362	0.01%	
	Pou Chen Corporation	-	〃	180,000	5,967	0.01%	5,967	0.01%	
	Taiwan Fu Hsing Industrial Co.,Ltd.	-	〃	80,000	3,320	0.04%	3,320	0.04%	
	Macauto Industrial Co., Ltd.	-	〃	30,000	2,367	0.04%	2,367	0.04%	
	Powerchip Technology Corporation	-	〃	66,404	1,770	- %	1,770	- %	
	Powerchip Semiconductor Manufacturing Corporation	-	〃	120,168	8,556	- %	8,556	- %	
	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	-	〃	21,122	356	- %	356	- %	
	Franklin Templeton Sinoam Money Market Fund	-	〃	480,675	5,025	- %	5,025	- %	
	Yunata De-Bao Money Market Fund	-	〃	124,603	1,512	- %	1,512	- %	
	Capital Money Market Fund	-	〃	62,349	1,016	- %	1,016	- %	

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HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)		
Ritiboon International Limited	JPMorgan Funds–China Fund–JPM China A (dist)–USD	-	Current financial assets at fair value through profit or loss	5,614	15,055	- %	15,055	- %	
	PYXIS	-	〃	65,000,000	-	- %	-	- %	
	Asia Technology	-	〃	1,400	-	- %	-	- %	
Hostan Corporation	Hocheng Corporation	Subsidiary to parent	〃	1,190,538	21,013	0.32%	21,013	0.32%	
	Capital Money Market Fund	-	〃	10,486,694	170,903	- %	170,903	- %	
	TCI Co., Ltd.	-	〃	7,000	1,459	0.01%	1,459	0.01%	
Swatton International Corp.	PFBC	-	Non-current financial assets at fair value through other comprehensive income	50,000	99,357	- %	99,357	- %	
	Nexteer Automotive Group Ltd.	-	〃	50,000	1,718	- %	1,718	- %	
	HKT Trust and HKT Ltd.	-	〃	100,000	3,720	- %	3,720	- %	
	CK Hutchison Holdings Ltd.	-	〃	20,000	3,571	- %	3,571	- %	
	Fit Hon Teng Ltd.	-	〃	95,000	516	- %	516	- %	
	AMAZON	-	〃	50	4,615	- %	4,615	- %	
	MS LIQUID-USD LIQ -QUALIF ACC Fund	-	Current financial assets at fair value through profit or loss	6,519	19,207	- %	19,207	- %	

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.

Note 3: The intercompany transactions with the Group were eliminated in the consolidated financial statements

(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:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Ho Long Ceramic Co., Ltd.	Real Estates	2021.03.22	Note 1	325,439	2,365,247	Collected	1,836,843	Taiwan FamilyMart Co., Ltd.	Unrelated party	To enhance utilization of assets	Negotiation based on appraisal report	

Note 1: Acquired property in stages between 1973 and 1984.

Note 2: Please refer to note 6(g) for the information on the consolidated subsidiary, Ho Long Ceramic Co., Ltd., disposed of real estate.

(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	149,922	8.20%	Three months	-	No comparable transactions as the goods were specific.	(52,859)	(7.81)%	
〃	Hostan Corporation	Subsidiary	〃	124,173	6.79%	Three months	-	〃	(44,498)	(6.58)%	

Note 1: The intercompany transactions with the Group were eliminated in the consolidated financial statements.

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	68,200	Transfer pricing	1%
0	〃	Hostan Corporation	1	Cost of sales	124,173	Transfer pricing	2%

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (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, 2021			Highest shareholding in the interim or contribution status	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of wnership	Carrying value				
Hocheng Corporation	Hostan Corporation	Taiwan	oil excretes、gas stoves and water heaters	1,605,702	1,605,702	100,593,839	100.00%	1,996,043	100.00%	15,653	5,573	(Note 1,2)
	Ritiboon International Limited	British V	Investment Holding	2,410,366	2,410,366	78,646,373	100.00%	864,977	100.00%	(70,196)	(76,645)	(Note 2)
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	34,678,498	99.50%	649,071	99.50%	11,294	11,237	(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%	19,827	40.00%	3,561	1,593	(Note 2)
	Holong Ceramic Co., Ltd.	Taiwan	Manufacture and sale of tiles	589,429	660,305	693	69.30%	102,613	69.30%	1,615,938	1,097,381	(Note 2)
	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	31,848	31,848	1,098,569	10.20%	-	11.85%	-	-	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	67,920	- %	5,786	4,340	(Note 2)
	Hocheng Group Holding Corp.	Cayman Islands	Investment Holding	1,392,323	1,392,323	49,389,182	100.00%	667,937	100.00%	(71,384)	(71,384)	
	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%	29,773	30.00%	3,561	1,068	(Note 2)
Hohong Co., Ltd.	Swatton International Corp.	British V	Investment Holding	41,590	41,590	13,004	100.00%	180,386	100.00%	2,024	2,024	
Hocheng Group Holding Corp.	Hocheng Philippines Corporaiton	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	503,714	100.00%	43,821	43,821	(Note 2)
	Triple S Holdings Corp.	Philippines	Investment Holding	46,086	46,086	8,040,000	40.00%	48,359	40.00%	1,199	1,055	
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

(Continued)

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	(114,776)	100.00%	100.00%	(114,776)	(19,228)	-
UPEX	Sale of bathroom equipment	29,805	(2)	5,961	-	-	5,961	(3,776)	100.00%	100.00%	(3,776)	17,602	-
Hocheng (China) Corporation	Sale of bathroom equipment	4,581	(2)	-	-	-	-	(32,623)	100.00%	100.00%	(32,623)	(28,299)	-
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,300	(2)	-	-	-	-	(1,412)	50.00%	50.00%	(707)	3,636	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
The Company	900,588	928,336	4,353,037

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 difference between recognized profit or loss from investment and investee is unrealized gain or loss.

Note 8: 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, 2021, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Major Shareholder's Name	Shareholding Shares	Percentage
Dorkay Investment Company Ltd.	20,202,302	5.46%

Information about the substantial shareholders of this form is provided by the General Insurance Company on the last business day of December 2021. 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)

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2021 and 2020, 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.

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's operating segment information and the reconciliations were as follows:

For the year ended December 31, 2021	Taiwan Division	Investment department	Philippine Division	China Division	Other departments	Reconciliation and eliminations	Total
Revenue:							
Revenue from external customers	$ 4,068,004	-	744,277	495,682	5,356	-	5,313,319
Intersegment sales	318,605	-	1,204	21,914	13,804	(355,527)	-
Total revenue	**$ 4,386,609**	**-**	**745,481**	**517,596**	**19,160**	**(355,527)**	**5,313,319**
Interest expense	$ 32,708	2	3,531	22,808	-	(4,121)	54,928
Depreciation and amortization	189,840	932	49,923	42,484	835	(52,162)	231,852
Share of profit (loss) of subsidiaries, associates, and joint ventures under the equity method	1,040,208	2,024	-	33,330	1,619	(1,076,834)	347
Reportable segment profit or loss	**$ 3,591,951**	**15,619**	**62,074**	**(114,261)**	**(138,500)**	**(1,437,646)**	**1,979,237**
For the year ended December 31, 2020							
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	8,717	146,940	653
Reportable segment profit or loss	**$ 94,862**	**15,758**	**25,745**	**(202,652)**	**(354,213)**	**549,718**	**129,218**

(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.

	For the years ended December 31	
Geographical information	**2021**	**2020**
Revenue from the external customers:		
Taiwan	$ 4,068,004	3,976,612
China	501,038	478,841
Philippine	744,277	646,754
Total	**$ 5,313,319**	**5,102,207**

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Geographical information		December 31, 2021	December 31, 2020
Non-current assets:			
Taiwan	$	3,670,398	3,724,985
China		431,703	480,022
Philippine		300,031	350,419
Total	**$**	**4,402,132**	**4,555,426**

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 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 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(g) to the Parent Company Only Financial Statements.

Description of the key audit matter:

The recognized investment amount under the equity method totaled $3,632,531 thousand, occupying 36% of Hocheng Corporation'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 7% and 8% of total assets at December 31, 2021 and 2020, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method constituting 79% and (180)% 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 22, 2022

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,382,009	14	420,388	5
1110	Current financial assets at fair value through profit or loss (note 6(b))	60,014	1	-	-
1151	Notes receivable (note6(d)and 7)	378,609	4	320,934	4
1170	Accounts receivable, net(note6(d)and 7)	637,999	6	587,264	7
1200	Other receivables, net (notes 6(e))	7,809	-	5,839	-
1210	Other receivables－related parties (notes 6(e) and 7)	25,873	-	24,450	-
130X	Inventories, net (notes 6(f) and 7)	1,009,416	10	1,010,879	11
1470	Other current assets	91,022	1	101,646	1
		3,592,751	36	2,471,400	28
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	811,428	8	723,222	8
1550	Investments accounted for using equity method, net (note 6(g))	3,632,531	36	3,604,151	41
1600	Property, plant and equipment (note 6(h) and 8)	1,187,862	12	1,216,013	14
1755	Right-of-use assets (note 6(i))	223,594	2	274,118	3
1760	Investment property, net(note 6(j)and 8)	433,660	5	439,789	5
1780	Intangible assets (note 6(k))	23,524	-	27,951	-
1840	Deferred tax assets (note 6(s))	23,051	-	28,671	-
1920	Refundable deposits paid (note 8)	65,405	1	64,071	1
1990	Other non-current assets, others (note 8)	30,026	-	16,067	-
		6,431,081	64	6,394,053	72
	Total assets	**$ 10,023,832**	**100**	**8,865,453**	**100**

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ 950,877	9	1,043,210	12
2110	Short-term notes and bills payable (note 6(m))	105,000	1	115,000	1
2150	Notes payable	30,454	-	20,540	-
2160	Notes payable to related parties (note 7)	39,408	-	41,059	-
2171	Accounts payable	199,498	2	185,825	2
2180	Accounts payable to related parties (note 7)	63,136	1	55,739	1
2200	Other payables	374,815	4	227,806	3
2220	Other payables to related parties (note 7)	19,049	-	53,708	1
2250	Current provisions (note 6(p))	12,865	-	19,113	-
2280	Current lease liabilities (note 6(o))	55,042	1	54,176	1
2300	Other current liabilities	67,614	1	72,683	1
2320	Long-term liabilities, current portion (note 6(n))	98,234	1	181,055	2
		2,015,992	20	2,069,914	24
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(n))	520,000	5	612,149	7
2570	Deferred tax liabilities (note 6(s))	14,389	-	14,389	-
2580	Non-current lease liabilities (note 6(o))	174,208	2	224,586	3
2640	Net defined benefit liability, non-current (note 6(r))	25,567	-	37,894	-
2645	Guarantee deposits	18,615	-	18,235	-
		752,779	7	907,253	10
	Total liabilities	2,768,771	27	2,977,167	34
	Equity (note 6(t)):				
3100	Share capital	3,698,536	37	3,698,536	41
3200	Capital surplus	13,478	-	13,293	-
3300	Retained earnings	2,881,696	29	1,759,275	20
3400	Other equity interest	677,933	7	433,764	5
3500	Treasury shares	(16,582)	-	(16,582)	-
	Total equity	7,255,061	73	5,888,286	66
	Total liabilities and equity	**$ 10,023,832**	**100**	**8,865,453**	**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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(v) and 7)**	$ 3,624,360	100	3,548,446	100
5000	**Operating costs (note 6(f) and 7)**	2,632,283	73	2,543,923	72
5900	**Gross profit from operations before adjustment**	992,077	27	1,004,523	28
5910	Less: Unrealized profit (loss) from sales	5,541	-	5,034	-
5920	Add: Realized profit (loss) on from sales	5,034	-	4,453	-
5950	**Gross profit from operations**	991,570	27	1,003,942	28
	Operating expenses:				
6100	Selling expenses	537,476	15	491,048	14
6200	Administrative expenses	191,777	5	152,717	4
6300	Research and development expenses	110,593	3	111,633	3
6450	Expected credit impairment loss	1,175	-	2,150	-
6300	**Total operating expenses**	841,021	23	757,548	21
6900	**Operating profit**	150,549	4	246,394	7
	Non-operating income and expenses:				
7100	Interest income (note 6(x))	134	-	378	-
7010	Other income (note 6(x) and 7)	111,321	3	89,097	2
7020	Other gains and losses, net (note 6(x))	(11,955)	-	(7,977)	-
7050	Finance costs (note 6(x))	(28,354)	(1)	(35,298)	(1)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (note 6(g))	1,039,139	29	(172,815)	(5)
	Total non-operating income and expenses	1,110,285	31	(126,615)	(4)
7900	**Profit before income tax**	1,260,834	35	119,779	3
7950	**Less: Income tax expenses (note 6(s))**	36,033	1	32,986	1
	Profit	1,224,801	34	86,793	2
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit	(14,047)	-	(2,224)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	195,015	5	149,479	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	101,309	3	34,229	1
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,894)	-	(2,260)	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	285,171	8	183,744	5
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	(69,411)	(2)	(19,338)	-
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	(69,411)	(2)	(19,338)	-
8300	**Other comprehensive income (after tax)**	215,760	6	164,406	5
8500	**Total comprehensive income for the period**	**$ 1,440,561**	**40**	**251,199**	**7**
	Earnings per share (note 6(u))				
9750	**Basic earnings per share (NT dollars)**	**$ 3.33**		**0.24**	
9850	**Diluted earnings per share(NT dollars)**	**$ 3.28**		**0.24**	

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, 2021 and 2020

(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, 2020	$ 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 (loss) for the year ended December 31, 2020	-	-	-	-	(4,913)	(19,338)	188,657	-	164,406
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	81,880	(19,338)	188,657	-	251,199
Earnings distribution and appropriation:									
Legal reserve appropriated	-	-	4,792	-	(4,792)	-	-	-	-
Other changes in 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
Profit for the year ended December 31, 2021	-	-	-	-	1,224,801	-	-	-	1,224,801
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(10,292)	(69,411)	295,463	-	215,760
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,214,509	(69,411)	295,463	-	1,440,561
Earnings distribution and appropriation:									
Legal reserve appropriated	-	-	13,188	-	(13,188)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(73,971)	-	-	-	(73,971)
Other changes in capital surplus	-	185	-	-	-	-	-	-	185
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-
Balance at December 31, 2021	**$ 3,698,536**	**13,478**	**861,032**	**458,116**	**1,562,548**	**(59,247)**	**737,180**	**(16,582)**	**7,255,061**

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	$ 1,260,834	119,779
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	149,705	152,793
Amortization expense	5,375	5,375
Expected credit loss	1,175	2,150
Net profit on financial assets at fair value through profit or loss	(14)	-
Interest expense	28,354	35,298
Interest income	(134)	(378)
Dividend income	(46,592)	(36,651)
Share of (gain) loss of associates and joint ventures under the equity method	(1,039,139)	172,815
Gains on disposal of property, plant and equipment	(682)	(688)
Gains on disposal of investment properties	(95)	(24)
Unrealized gain from inter-affiliate accounts	507	581
Reversal of allowance for sales discounts	(6,248)	(11,131)
Total adjustments to reconcile profit (loss)	(907,788)	320,140
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable, net	(57,675)	(25,947)
Trade receivable, net	(51,910)	105,906
Other receivable	(3,393)	(531)
Inventories	1,463	182,156
Other current assets	10,623	(3,485)
Total changes in operating assets	(100,892)	258,099
Changes in operating liabilities:		
Notes payable	8,263	(159,567)
Accounts payable	21,070	75,799
Other payable	112,604	29,376
Other current liabilities	12,788	7,066
Decrease in net defined benefit liability	(26,374)	(25,727)
Total changes in operating liabilities	128,351	(73,053)
Total changes in operating assets and liabilities	27,459	185,046
Total adjustments	(880,329)	505,186
Cash inflows generated from operations	380,505	624,965
Interest received	134	378
Dividends received	1,017,951	53,990
Interest paid	(24,765)	(31,169)
Income taxes paid	(45,460)	(12,176)
Net cash flows from operating activities	1,328,365	635,988

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(47,753)	(29,124)
Proceeds from disposal of financial assets at fair value through other comprehensive income	105,849	75,250
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	48,713	-
Acquisition of financial assets at fair value through profit or loss	(60,000)	-
Proceeds from capital reduction of investments accounted for using equity method	70,876	-
Acquisition of property, plant and equipment	(75,141)	(74,792)
Proceeds from disposal of property, plant and equipment	820	930
Increase in refundable deposits	(1,334)	(29,695)
Acquisition of intangible assets	(948)	(708)
Decrease in other non-current assets	1,169	4,317
Net cash flows from (used in) investing activities	42,251	(53,822)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(92,333)	37,958
Decrease in short-term notes and bills payable	(10,000)	(180,000)
Repayments of long-term borrowings	(174,970)	(202,511)
Payments of lease liabilities	380	(320)
Other non-current liabilities	(58,101)	(57,814)
Cash dividends paid	(73,971)	-
Net cash flows used in financing activities	(408,995)	(402,687)
Net increase in cash and cash equivalents	961,621	179,479
Cash and cash equivalents at beginning of period	420,388	240,909
Cash and cash equivalents at end of period	**$ 1,382,009**	**420,388**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOCHENG CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(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 22, 2022.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- 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"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(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 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated 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 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(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) Financial instruments 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 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.

(Continued)

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.

(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 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.

(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, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (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.

HOCHENG CORPORATION

Notes to the Financial Statements

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 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 Company 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.

3) 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.

(Continued)

4) 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.

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 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.

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.

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;
- 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.

5) 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) 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).

4) 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.

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.

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.

(Continued)

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.

(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:	5~60 years
3)	Machinery and equipment:	2~20 years
4)	Transportation equipment:	2~8 years
5)	Office equipment:	2~15 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.

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Notes to the Financial Statements

(l) Leases

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

(i) 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.

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

(Continued)

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.

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, 2022; and

4) there is no substantive change in other terms and conditions of the lease.

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

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards 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.

(Continued)

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.

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.

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.

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.

(Continued)

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.

(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.

(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(f) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and petty cash	$ 3,444	3,655
Checking account deposits	1,817	1,746
Demand deposits	1,376,748	414,987
Cash and cash equivalents in the statement of cash flows	**$ 1,382,009**	**420,388**

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 Company.

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

Financial assets are detailed as follows:

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificates - open end fund	**$ 60,014**	**-**

(i) Please refer to note 6(x) for the amount of remeasurement at FVTPL.

(ii) The aforementioned financial assets were not pledged as collateral.

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Notes to the Financial Statements

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

		December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:			
Listed common shares	$	723,633	650,518
Unlisted common shares		87,795	72,704
Total	**$**	**811,428**	**723,222**

(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, 2021 and 2020, the dividends of $46,592 thousand and $36,651 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 2021 and 2020, the Company has sold its financial assets at fair value through other comprehensive income. The financial assets had sold a fair value of $105,849 thousand and $73,250 thousand, the amount collected as a result of capital reduction amounted to $48,713 thousand and the Company realized a gain of $43,865 thousand and $34,898 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, 2021 and 2020, the financial assets were not pledged as collateral.

(d) Notes and accounts receivables

		December 31, 2021	December 31, 2020
Notes receivable- from operating activities	$	378,609	320,934
Accounts receivable–measured as amortized cost		640,077	590,779
Less: Loss allowance		(2,078)	(3,515)
	$	**1,016,608**	**908,198**

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.

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

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

	December 31, 2021		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 1,010,756	0%~0.08%	853
1 to 30 days past due	3,933	0%~13.92%	547
31 to 120 days past due	3,974	0%~16.72%	664
121 to 365 days past due	23	0%~59.34%	14
More than one year past due	-	0%~100%	-
	$ 1,018,686		**2,078**

	December 31, 2020		
	Book value of notes and accounts receivable	Weighted-average loss rate	Loss allowance provision
Current	$ 904,335	0%~0.09%	845
1 to 30 days past due	2,004	0%~14.45%	290
31 to 120 days past due	2,508	0%~17.64%	442
121 to 365 days past due	2,417	0%~61.61%	1,489
More than one year past due	449	100%	449
	$ 911,713		**3,515**

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

	For the years ended December 31	
	2021	2020
Balance at January 1	$ 3,515	3,515
Impairment losses recognized	1,175	2,510
Amounts written off	(2,612)	(2,510)
Balance at December 31	**$ 2,078**	**3,515**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(e) Other receivables

	December 31, 2021	December 31, 2020
Other	$ 40,769	37,376
Less: Loss allowance	(7,087)	(7,087)
	$ 33,682	**30,289**

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 167,906	138,429
Supplies	7,960	8,383
Work in progress	142,181	109,164
Finished goods	469,974	504,012
Merchandise	206,433	236,436
In-transit inventory	14,962	14,455
	$ 1,009,416	**1,010,879**

For the years ended December 31, 2021 and 2020, the cost of goods sold and expenses amounted to $2,632,283 thousand and $2,543,923 thousand, respectively. During 2021 and 2020, gains on inventories written down to net realizable value amounted to $8,142 thousand and $0 respectively, for which a reduction from costs of sales has been recognized.

As of December 31, 2021 and 2020, none of the Company’ s inventories was pledged as collateral.

(g) 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, 2021	December 31, 2020
Subsidiary	**$ 3,632,531**	**3,604,151**

Please refer to the 2021 consolidated financial report.

For information on the disposal of material assets by Ho Long Ceramic Co., Ltd., the Company’ s subsidiary during 2021, please refer to note 13(a)(vi).

As of December 31, 2021 and 2020, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

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Notes to the Financial Statements

(h) 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, 2021	$ 682,549	20,637	281,236	1,569,170	75,404	150,945	707,171	3,487,112
Additions	-	295	-	20,362	2,442	2,860	34,055	60,014
Disposal	-	-	-	(7,435)	(1,353)	(1,419)	(2,673)	(12,880)
Balance at December 31, 2021	**$ 682,549**	**20,932**	**281,236**	**1,582,097**	**76,493**	**152,386**	**738,553**	**3,534,246**
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**
Depreciation:								
Balance at January 1, 2021	$ -	17,466	130,487	1,385,835	56,496	124,900	555,915	2,271,099
Balance on January 1, 2020	-	974	8,216	34,319	5,599	6,655	32,264	88,027
Disposal	-	-	-	(7,297)	(1,353)	(1,419)	(2,673)	(12,742)
Balance at December 31, 2021	**$ -**	**18,440**	**138,703**	**1,412,857**	**60,742**	**130,136**	**585,506**	**2,346,384**
Balance at January 1, 2020	$ -	16,394	122,291	1,393,646	52,036	118,386	522,827	2,225,580
Additions	-	1,072	8,196	34,395	6,117	7,946	34,045	91,771
Disposal	-	-	-	(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**
Carrying amount:								
Balance at December 31, 2021	**$ 682,549**	**2,492**	**142,533**	**169,240**	**15,751**	**22,250**	**153,047**	**1,187,862**
Balance at January 1, 2020	**$ 673,416**	**4,243**	**157,587**	**181,784**	**20,372**	**32,341**	**163,556**	**1,233,299**
Balance at December 31, 2020	**$ 682,549**	**3,171**	**150,749**	**183,335**	**18,908**	**26,045**	**151,256**	**1,216,013**

As of December 31, 2021 and 2020, the Company' s real estate of Yingge factory and office amounted to $95,689 thousand and $96,195 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, 2021 and 2020, 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, 2021 and 2020, 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.

(Continued)

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Notes to the Financial Statements

(i) 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, 2021	$ 1,011	376,494	2,063	4,873	384,441
Additions	-	10,389	-	-	10,389
Disposal	-	(9,195)	-	-	(9,195)
Balance at December 31, 2021	**$ 1,011**	**377,688**	**2,063**	**4,873**	**385,635**
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**
Depreciation：					
Balance at January 1, 2021	$ 338	107,428	1,376	1,181	110,323
Depreciation for the year	168	54,201	687	493	55,549
Disposal	-	(3,831)	-	-	(3,831)
Balance at December 31, 2021	**$ 506**	**157,798**	**2,063**	**1,674**	**162,041**
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**
Carrying amount:					
Balance at December 31, 2021	**$ 505**	**219,890**	**-**	**3,199**	**223,594**
Balance at December 31, 2020	**$ 673**	**269,066**	**687**	**3,692**	**274,118**
Balance at January 1, 2020	**$ 842**	**322,695**	**1,375**	**7,173**	**332,085**

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

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(j) Investment property

	Land and improvements	Buildings	Total
Cost:			
Balance at December 31, 2021 (Same as Balance on January 1)	**$ 408,284**	**258,712**	**666,996**
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 408,284**	**258,712**	**666,996**
Depreciation:			
Balance at January 1, 2021	$ -	227,207	227,207
Depreciation for the year	-	6,129	6,129
Balance at December 31, 2021	**$ -**	**233,336**	**233,336**
Balance at January 1, 2020	$ -	221,503	221,503
Depreciation for the year	-	5,704	5,704
Balance at December 31, 2020	**$ -**	**227,207**	**227,207**
Carrying amounts:			
Balance at December 31, 2021	**$ 408,284**	**25,376**	**433,660**
Balance at January 1, 2020	**$ 408,284**	**37,209**	**445,493**
Balance at December 31, 2020	**$ 408,284**	**31,505**	**439,789**
Fair value:			
Balance at December 31, 2021			**$ 926,054**
Balance at December 31, 2020			**$ 991,056**

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, 2021 and 2020, 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)

HOCHENG CORPORATION

Notes to the Financial Statements

(k) Intangible assets

		Software
Cost:		
Balance at January 1, 2021	$	69,696
Additions		948
Balance at January 1, 2021	**$**	**70,644**
Balance at January 1, 2020	$	68,988
Additions		708
Balance at December 31, 2020	**$**	**69,696**
Accumulated amortization		
Balance at January 1, 2021	$	41,745
Amortization for the year		5,375
Balance at January 1, 2021	**$**	**47,120**
Balance at January 1, 2020	$	36,370
Amortization for the year		5,375
Balance at December 31, 2020	**$**	**41,745**
Carrying value		
Balance at January 1, 2021	**$**	**23,524**
Balance at January 1, 2020	**$**	**32,618**
Balance at January 1, 2020	**$**	**27,951**

(i) Amortization

The amortization of intangible assets is included in the statement of comprehensive income:

	For the years ended December 31	
	2021	**2020**
Cost of sales	**$ 141**	**122**
Operating expenses	**$ 5,234**	**5,253**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(l) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured letters of credit	$ 20,877	3,210
Unsecured bank loans	580,000	690,000
Secured bank loans	350,000	350,000
Total	**$ 950,877**	**1,043,210**
Unused short-term credit lines	**$ 909,123**	**946,790**
Range of interest rates	**1.07%~1.76%**	**1.07%~1.38%**

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, 2021		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.29%	**$ 105,000**

	December 31, 2020		
	Guarantee or acceptance institution	Range of interest rates	Amount
Commercial paper payable	Bills company	1.22%~1.39%	**$ 115,000**

(n) Long-term borrowings

The details were as follows:

	December 31, 2021			
	Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	1.62%~1.65%	2024.10.19	$ 618,234
Less: Current portion				(98,234)
Unused long-term credit lines				**$ 520,000**
Unused long-term credit lines				**$ -**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

	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**

For information on the Company'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, 2021	December 31, 2020
Current	**$ 55,042**	**54,176**
Non-current	**$ 174,208**	**224,586**

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	
	2021	2020
Interest on lease liabilities	**$ 3,659**	**4,388**
Expenses relating to short-term leases	**$ 215**	**199**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**$ 636**	**666**
COVID-19-related rent concessions (recognized as deduction of rent expenses)	**$ 32**	**32**

(Continued)

The amounts recognized in the statements of cash flows for the Company was as follows:

	For the years ended December 31	
	2021	2020
Total cash outflow for leases	$ 62,579	63,035

(i) Real estate leases

As of December 31, 2021 and 2020, 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.

(p) Provisions

	Allowance for provisions
Balance at January 1, 2021	$ 19,113
Provisions made during the year	9,232
Provisions used during the year	(10,482)
Provisions reversed during the year	(4,998)
Balance at December 31, 2021	$ 12,865
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

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.

(q) 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(j) for the regarding information on investment properties.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2021	December 31, 2020
Less than 1 year	$ 14,792	10,148
1 to 5 years	30,861	14,475
More than 5 years	6,953	10,757
Total undiscounted lease payments	**$ 52,606**	**35,380**

For the years ended December 31, 2021 and 2020, the rental revenue from investment properties amounted to $9,738 thousand and $9,830 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, 2021	December 31, 2020
Present value of the defined benefit obligations	$ 682,223	726,203
Fair value of plan assets	(656,656)	(688,309)
Net defined benefit liabilities	**$ 25,567**	**37,894**

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 $656,656 thousand as of December 31, 2021. 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.

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Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2021 and 2020, the movements in the present value of the defined benefit obligations for the Company were as follows:

	For the years ended December 31	
	2021	2020
Defined benefit obligations at January 1	$ 726,203	739,942
Current service costs and interest cost	5,724	9,405
Remeasurement loss (gain):		
─Experience adjustments	20,804	12,383
─Actuarial loss (gain) arising from financial assumptions	(12,482)	13,734
─Actuarial loss (gain) arising from demographic assumptions	15,456	-
Past service credit	703	1,644
Benefits paid	(74,185)	(50,905)
Defined benefit obligations at December 31	**$ 682,223**	**726,203**

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, 2021 and 2020 are as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets at January 1	$ 688,309	678,545
Interest income	2,600	4,316
Remeasurement gain (loss) :		
─Return on plan assets (excluding interest income)	9,731	23,893
Contributions paid by the employer	30,201	32,460
Benefits paid	(74,185)	(50,905)
Fair value of plan assets at December 31	**$ 656,656**	**688,309**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

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	
	2021	2020
Current service costs	$ 3,047	4,815
Past service costs	703	1,643
Net interest of net liabilities for defined benefit obligations	77	275
	$ 3,827	**6,733**
Operating costs	$ 1,855	3,238
Selling expenses	1,192	2,107
Administrative expenses	377	670
Research and development expenses	403	718
	$ 3,827	**6,733**

5) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.375%
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 $30,124 thousand.

The weighted average lifetime of the defined benefits plans is 7.3 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for December 31, 2021 and 2020 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	$ (12,343)	12,681
Future salary increase rate	12,406	(12,135)

(Continued)

	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)

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 2021 and 2020.

(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, 2021 and 2020 amounted to $19,581 thousand and $19,683 thousand, respectively.

(s) Income Taxes

(i) Income tax expenses:

The components of income tax expense for 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Current tax expense:		
Current period	$ 17,318	25,336
Adjustment for prior years	10,121	(314)
	27,439	25,022
Deferred tax expense:		
Origination and reversal of temporary differences	8,594	7,964
Income tax expenses from continuing operations	**$ 36,033**	**32,986**

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Notes to the Financial Statements

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	For the years ended December 31	
	2021	**2020**
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	**$ 2,894**	**2,260**

Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows.

	For the years ended December 31	
	2021	**2020**
Profit excluding income tax	**$ 1,260,834**	**119,779**
Income tax using the Company's domestic tax rate	$ 252,167	23,956
Not attributable to temporary difference	(233,870)	(275)
Tax incentives	(7,818)	(4,329)
Change in unrecognized temporary differences	15,433	34,236
Change in provision in prior periods	10,121	(23,131)
Additional tax on undistributed earnings	-	2,529
Total	**$ 36,033**	**32,986**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	**$ -**	**4,940**

(Continued)

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Notes to the Financial Statements

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 12,161	12,158
Aggregate amount of temporary differences related to investments in subsidiaries	310,798	287,684
	$ 322,959	**299,842**

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	unrealized revaluation increments	Others	Total
Deferred tax liabilities:			
Balance at December 31, 2021 (Same as Balance on January 1)	**$ 13,868**	**521**	**14,389**
Balance at December 31, 2020 (Same as Balance on January 1)	**$ 13,868**	**521**	**14,389**

	Defined Benefit Plans	Others	Total
Deferred Tax Assets:			
Balance at January 1, 2021	$ 7,582	21,089	28,671
(Debit) credit on income statement	(5,275)	(3,154)	(8,429)
(Debit) credit on other comprehensive income	2,809	-	2,809
Balance at December 31, 2021	**$ 5,116**	**17,935**	**23,051**
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**

(Continued)

(iii) Assessment of tax

The Company's income tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

(t) Capital and other equity

As of December 31, 2021 and 2020, 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, 2021 and 2020, is as follows:

(in thousands of shares)

	Ordinary Shares	
	For the years ended December 31	
	2021	2020
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, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Treasury share transactions	$ 11,500	11,500
Changes in net equity of subsidiaries are recognized by equity method	304	304
Premium from merger	1,275	1,275
Other	399	214
	$ 13,478	**13,293**

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.

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, 2021 and 2020, the carrying amount of special reserve both amounted to $458,116 thousand.

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Notes to the Financial Statements

3) Earnings distribution

The voting result by way of electronic transmission regarding the appropriation of earnings for 2020 reached the legal resolution threshold on June 26, 2021, and the distribution was approved by the shareholders' meeting on July 9, 2021. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31, 2020	
	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, 2021 Costs	December 31, 2021 Market price	December 31, 2020 Costs	December 31, 2020 Market price
Hostan Corporation	1,191	Current financial assets at fair value through profit or loss	$ 10,823	21,013	10,823	12,143
Hohong Co., Ltd.	543	Non-current financial assets at fair value through other comprehensive income	5,759	9,589	5,759	5,541

(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, 2021	$ 10,164	423,600
Exchange differences on foreign operations	(69,411)	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	-	195,015
Disposal of equity investments measured at fair value through other comprehensive income	-	18,117
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using the equity method	-	100,448
Balance at December 31, 2021	**$ (59,247)**	**737,180**

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Notes to the Financial Statements

	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 translation of net assets of foreign operations	(19,338)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	149,479
Disposal of equity investments 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**

(u) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	For the years ended December 31	
	2021	2020
Profit attributable to ordinary shareholders of the Company	**$ 1,224,801**	**86,793**

2) Weighted average number of ordinary shares (shares in thousands)

	For the years ended December 31	
	2021	2020
Issued ordinary shares at January 1	369,854	369,854
Effect of treasury shares held	(1,734)	(1,734)
Weighted average number of ordinary shares at December 31	**368,120**	**368,120**

(Continued)

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Notes to the Financial Statements

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	For the years ended December 31	
	2021	**2020**
Profit attributable to ordinary shareholders of the Company (diluted)	**$ 1,224,801**	**86,793**

2) Weighted average number of ordinary shares (diluted)

	For the years ended December 31	
	2021	**2020**
Weighted average number of ordinary shares (basic)	368,120	368,120
Effect of employee share bonus	4,963	996
Weighted average number of ordinary shares (diluted) at December 31	**373,083**	**369,116**

(iii) Earnings per share

	For the years ended December 31	
	2021	**2020**
Basic earnings per share	**$ 3.33**	**0.24**
Diluted earnings per share	**$ 3.28**	**0.24**

(v) Revenue from contracts with customers

(i) Details of revenue

	For the years ended December 31	
	2021	**2020**
Primary geographical markets		
Taiwan	$ 3,616,689	3,541,048
China	1,027	3,127
Philippine	6,644	4,271
	$ 3,624,360	**3,548,446**
Major products/services lines		
Porcelain	$ 1,266,174	1,244,616
Copper ware	760,154	763,298
Toilet cover	557,874	547,673
Fine pottery	364,259	351,609
Other	675,899	641,250
	$ 3,624,360	**3,548,446**

(Continued)

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Notes to the Financial Statements

(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 $83,159 thousand and $7,898 thousand and directors' and supervisors' remuneration amounting to $41,580 thousand and $3,949 thousand for years ended December 31, 2021 and 2020, 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 2021 and 2020. 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 2020.

(x) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	**$ 134**	**378**

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2021	2020
Rent income	$ 15,676	15,439
Dividend income	46,592	36,651
Royalty income and other income	49,053	37,007
	$ 111,321	**89,097**

(Continued)

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Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2021	2020
Foreign exchange gains (Losses)	$ 578	3,587
Gains on disposals of property, plant and equipment	682	688
Depreciation of Investment Property	(6,129)	(5,704)
Others	(7,086)	(6,548)
	$ (11,955)	**(7,977)**

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2021	2020
Interest expense		
Bank loan	**$ 28,354**	**35,298**

(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 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, 2021 and 2020, 46% and 50% , respectively, of notes receivables as well as 29% and 35%, respectively, of accounts receivables were concentrated on 3 specific customers. Thus, credit risk is significantly centralized.

3) Credit risk from receivables

Refer to note6(d) for credit risk exposure of notes and accounts receivable.

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Notes to the Financial Statements

(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, 2021							
Non-derivative financial liabilities							
Secured bank loans	$ 968,234	993,931	284,296	174,495	8,398	526,742	-
Unsecured bank loans	600,877	601,648	601,648	-	-	-	-
Short-term notes payables	105,000	105,094	105,094	-	-	-	-
Notes payable	69,862	69,862	69,862	-	-	-	-
Accounts payable	262,634	262,634	262,634	-	-	-	-
Other payables	393,864	393,864	393,864	-	-	-	-
Lease liabilities	229,250	236,492	28,973	28,970	57,920	110,765	9,864
	$ 2,629,721	**2,663,525**	**1,746,371**	**203,465**	**66,318**	**637,507**	**9,864**
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**

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(iii) Currency risks

1) Exposure of foreign currency risk

The Company's significant exposure to foreign currency risk is as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 426	27.680	11,792	376	28.480	12,702
CNY	10,084	4.344	43,805	8,812	4.377	38,570
Financial liabilities						
Monetary items						
USD	1,255	27.680	34,738	487	28.480	13,896

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, 2021 and 2020, a strengthening (weakening) of 1% of the NTD against the USD and CNY, would have increased (decreased) the net profit after tax by $167 thousand and $(11) 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 2020.

3) Foreign exchange gain and loss on monetary items

For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $578 thousand and $3,587 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.

(Continued)

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 $6,875 thousand and $8,844 thousand for the years ended December 31, 2021 and 2020, 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, 2021				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed companies shares	$ 723,633	723,633	-	-	723,633
Unlisted common shares	87,795	-	-	87,795	87,795
Subtotal	811,428	723,633	-	87,795	811,428
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,382,009	-	-	-	-
Notes and accounts receivable	1,016,608	-	-	-	-
Other receivables	33,682	-	-	-	-
Refundable deposits	65,405	-	-	-	-
Subtotal	2,497,704	-	-	-	-
Total	**$ 3,309,132**	**723,633**	**-**	**87,795**	**811,428**
Financial liabilities measured at amortized cost:					
Bank loans	$ 1,674,111	-	-	-	-
Notes and accounts payable	332,496	-	-	-	-
Other payables	393,864	-	-	-	-
Guarantee deposits	18,615	-	-	-	-
Total	**$ 2,419,086**	**-**	**-**	**-**	**-**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

	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
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**	**-**	**-**	**-**	**-**

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.

(Continued)

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 2021 and 2020.

4) The reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instrument	
Balance at January 1, 2021	$	72,126
Total gains and losses recognized:		
In other comprehensive income		67,110
Capital reduction		(48,713)
Transfers out of Level 3		(2,728)
Balance at December 31, 2021	**$**	**87,795**
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**

For the years ended December 31, 2021 and 2020, total gains and losses included in "unrealized gains (losses) from investment in equity instrument at fair value through other comprehensive income" were as follows:

	2021	2020
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"	$ 67,110	5,326

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.

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, 2021 and 2020: 1.43 and 2.08) ● Market liquidity discount rate (December 31, 2021 and 2020: 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

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HOCHENG CORPORATION

Notes to the Financial Statements

(z) 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.

(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, 2021 and 2020, the Company's three largest customers accounted for 19% and 23% of revenue, respectively. The credit risk of accounts receivable is significantly concentrated in Taiwan.

(Continued)

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 7 for details of endorsements and guarantees provided by the Company as of December 31, 2021 and 2020.

(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.

(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.

HOCHENG CORPORATION

Notes to the Financial Statements

2) Interest rate risk

The Company 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 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, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	$ 2,768,771	2,977,167
Less: Cash and cash equivalents	(1,382,009)	(420,388)
Net debt	**$ 1,386,762**	**2,556,779**
Total equity	**$ 7,255,061**	**5,888,286**
Debt-to-equity ratio at December 31	**19.11%**	**43.42%**

As of December 31, 2021, the Company had not changed its capital management method.

(ab) 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, 2021 and 2020, were as follows:

	January 1, 2021	Cash flows	Non-Cash changes		December 31, 2021
			Addition	Disposal	
Short-term borrowings	$ 1,043,210	(92,333)	-	-	950,877
Long-term borrowings	793,204	(174,970)	-	-	618,234
Lease liabilities	278,762	(58,101)	14,048	(5,459)	229,250
Short-term notes and bills payable	115,000	(10,000)	-	-	105,000
Guarantee deposits	18,235	380	-	-	18,615
Total liabilities from financing activities	**$ 2,248,411**	**(335,024)**	**14,048**	**(5,459)**	**1,921,976**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

	January 1, 2020	Non-Cash changes			December 31, 2020
		Cash flows	Addition	Disposal	
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)	4,478	(2,764)	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)**	**4,478**	**(2,764)**	**2,248,411**

(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.	〃
Ho Long Ceramic Co., Ltd.	〃
Hoceng Service Co., Ltd.	〃
Ritiboon International Limited	〃
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

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(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	
	2021	2020
Subsidiary	$ 75,880	72,026
Other Related party	275	427
	$ 76,155	**72,453**

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	
	2021	2020
Subsidiary	$ 137,524	177,397
Other Related party	149,922	150,019
	$ 287,446	**327,416**

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.

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Notes receivable	Subsidiary	$ 13,579	11,526
Notes receivable	Other Related party	-	28
Accounts receivable	Subsidiary	9,301	7,682
Other receivables-Rent and Royalty	Subsidiary		
	Hocheng (China) Corporation	24,016	22,423
	Other subsidiaries	1,806	1,977
	Other Related party	51	50
		$ 48,753	**43,686**

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Notes payable	Other Related party Yuhong Co., Ltd.	$ 39,408	41,059
Accounts payable	Subsidiary	49,685	41,521
	Other Related party	13,451	14,218
Other payables	Subsidiary	19,046	18,675
	Other Related party	3	33
		$ 121,593	**115,506**

(v) Borrowings from Related Parties

The borrowings from related parties were as follows:

	December 31, 2021	December 31, 2020
Subsidiary		
Hostan Corporation	**$ -**	**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 2021 and 2020 was $278 thousand and $255 thousand, respectively, and the loans are unsecured loans.

(vi) Guarantee

1) Guarantees provided to related parties

As of December 31, 2021 and 2020, the Company had issued secured letters of credit for loans taken out by subsidiaries. The credit limit of the guarantee was NTD 0 , USD 9,800 thousand, PHP 150,000 thousand and NTD 365,640 thousand, USD 10,800 thousand, PHP 250,000, respectively.

2) Guarantees provided from related parties

As of December 31, 2021 and 2020, 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 $1,705,037 thousand and $1,727,308 thousand, respectively

(Continued)

(vii) Royalty income

The subsidiaries use the Company's trademark. As of December 31, 2021 and 2020, the Company received royalty income from the related parties amounting to $22,971 thousand and $20,209 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 $5,633 thousand and $5,562 thousand in 2021 and 2020, respectively.

(ix) Rent expense

During 2021 and 2020, the Company leased its factory premises at Yingge Dist., New Taipei City, from Hostan Corporation, for which the Company recognized right-to-use assets of $147,485 thousand (2020: $186,959 thousand) and liabilities of $150,623 thousand (2020: $184,357 thousand). For 2021, the Company recognized right-of-use assets of $5,459 thousand (2020: $6,217 thousand) and lease liabilities of $5,364 thousand (2020: $6,130 thousand) for its offices at Hukou Township, Hsinchu County leased from one of other subsidiaries. For 2021, the Company also recognized right-of-use assets of $176 thousand (2020: $172 thousand) and lease liabilities of $233 thousand (2020: $230 thousand) for its offices at South Dist., Taichung City leased from one of other related parties.

(x) Other expense

The Company signed maintenance contracts with subsidiaries. The maintenance expense (recognized as other expenses) amounted to $48,583 thousand and $46,506 thousand in 2021 and 2020, respectively.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2021	2020
Short-term employee benefits	$ 28,289	16,156
Post-employment benefits	401	447
	$ 28,690	**16,603**

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Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Property, plant and equipment－Land and buildings	Short-term and long-term borrowings	$ 73,570	74,228
Investment property-Land and buildings	Short-term and long-term borrowings	420,011	425,346
Restricted deposit (Account for other financial assets- noncurrent)	Short-term and long-term borrowings	-	392
Refundable deposits	Deposit for housing lease and construction	65,405	64,071
		$ 558,986	**564,037**

(9) Significant Commitments and Contingencies:

(a) Promissory notes issued for engineering and product warranty, and subject guarantee were as follows:

	December 31, 2021	December 31, 2020
Promissory notes issued for engineering and product warranty, and subject guarantee	**$ 24,028**	**14,612**

(10) Losses due to major disasters: None

(11) Subsequent events: None

(Continued)

HOCHENG CORPORATION

Notes to the Financial Statements

(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					
	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	409,056	340,962	750,018	342,954	319,870	662,824
Labor and health insurance	37,672	30,167	67,839	35,637	28,502	64,139
Pension	9,862	13,546	23,408	11,035	15,381	26,416
Remuneration of directors	-	42,148	42,148	-	4,460	4,460
Others	13,727	14,387	28,114	14,585	14,788	29,373
Depreciation (Note 2)	85,405	58,171	143,576	85,831	61,258	147,089
Amortization	141	5,234	5,375	123	5,252	5,375

Note: The depreciation expenses excluding the depreciation of investment property in 2021 and 2020 amounted to $6,129 thousand and $5,704 thousand, respectively.

For the years ended December 31, 2021 and 2020, the Company's employees and employee benefits expenses were as follows:

	2021	2020
Number of employees	1,070	1,123
Number of directors who were not employees	4	4
The average employee benefit	$ 816	701
The average salaries and wages	$ 704	594
Average adjustment of employee salaries and wages	18.52%	1.54%
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)

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Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2021:

(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	-	-	1.06%	2	-	Operation requirements	-		-	403,958	807,916
2	Ritiboon International Limited	Hocheng (China) Corporation	〃	Yes	103,215	55,360	55,360	0.80%	2	-	Operation requirements	-		-	173,020	346,039
3	Hocheng Group holding Corp.	Hocheng (China) Corporation	〃	Yes	38,395	-	-	0.8%~1.5%	2	-	Operation requirements	-		-	119,306	238,612

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	7,255,061	252,972	185,479	27,061	-	2.56%	7,255,061	Y		
0	〃	Hocheng (China) Corporation	3	7,255,061	223,680	166,080	166,080	-	2.29%	7,255,061	Y		Y
0	〃	Ho Long Ceramic Co., Ltd.	2	7,255,061	365,640	-	-	-	- %	7,255,061	Y		
1	Hostan Corporation	Hocheng Corporation	3	2,019,790	1,110,000	1,110,000	830,000	1,110,000	13.30%	2,019,790		Y	
2	Hoceng Service Co., Ltd.	Hostan Corporation	1	99,243	5,840	5,840	5,840	-	0.08%	99,243			

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)

HOCHENG CORPORATION
Notes to the Financial Statements

(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	Accounttitle	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	37,538	- %	37,538	
	China Development Financial Holdings Limited	-	〃	452,067	7,911	- %	7,911	
	Taishin Financial Holding Co., Ltd.	-	〃	510,124	9,667	- %	9,667	
	United Microelectronics Corporation	-	〃	800,000	52,000	0.01%	52,000	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	6,575,315	319,231	2.42%	319,231	
	Capital Securities Corporation	-	〃	10,289,000	174,399	0.72%	174,399	
	Pegatron Corporation	-	〃	75,000	5,183	- %	5,183	
	Taishin Financial Holding Co., Ltd. Preferred stock E	-	〃	16,280	864	- %	864	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	931	- %	931	
	Mega Financial Holding Company Ltd.	-	〃	1,300,000	46,215	0.01%	46,215	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	780	- %	780	
	Taishin Financial Holding Co., Ltd. Preferred stock E II	-	〃	9,753	506	- %	506	
	CTBC Financial Holding Co., Ltd.	-	〃	2,498,000	64,823	0.01%	64,823	
	Core Pacific City Co., Ltd.	-	〃	49,205	85,550	0.49%	85,550	
	Union Securities Investment Trust Co., Ltd.	-	〃	98,869	1,389	0.32%	1,389	
	Power chip Technology Corporation	-	〃	27,816	856	- %	856	
	Power chip Semiconductor Manufacturing Corp.	-	〃	50,336	3,584	- %	3,584	
	Taishin Ta Chong Money Market Fund.	-	Current financial assets at fair value through profit or loss	697,122	10,004	- %	10,004	
	Taishin 1699 Money Market Fund	-	〃	731,128	10,001	- %	10,001	
	Yuanta Wan Tai Money Market Fund	-	〃	654,624	10,002	- %	10,002	
	Sinopac TWD Money Market Fund.	-	〃	498,337	7,000	- %	7,000	
	CAPITAL MONEY MARKET FUND	-	〃	613,843	10,004	- %	10,004	
	Hua Nan Phoenix Money Market Fund	-	〃	304,631	5,002	- %	5,002	
	Hua Nan Kirin Money Market Fund	-	〃	661,868	8,001	- %	8,001	
Hohong Co., Ltd.	STANDARD FOODS CORPORATION	-	Non-current financial assets at fair value through other comprehensive income	80,000	4,232	0.01%	4,232	
	Formosa Plastics Corporation	-	〃	30,000	3,120	- %	3,120	
	Kian Shen Corporation	-	〃	30,000	1,845	0.04%	1,845	
	Basso Industry Corp.	-	〃	90,000	3,933	0.06%	3,933	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,000	1,460	0.02%	1,460	
	Hocheng Corporation	Subsidiary to parent	〃	543,274	9,589	0.15%	9,589	
	Longchen Paper & Packaging Co., Ltd.	-	〃	210,000	5,124	0.02%	5,124	
	Sheh Kai Precision Co., Ltd.	-	〃	60,000	2,187	0.13%	2,187	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	2,687	0.05%	2,687	
	Turvo International Co.,Ltd..	-	〃	70,000	7,245	0.12%	7,245	
	Compeq Manufacturing Co., Ltd.	-	〃	50,000	2,188	- %	2,188	
	Hong Hai precision industrial co., ltd	-	〃	58,480	6,082	- %	6,082	
	Yageo Corporation	-	〃	5,000	2,397	- %	2,397	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	31,365	19,288	- %	19,288	
	Qisda Corporation	-	〃	150,000	4,568	0.01%	4,568	
	Foxconn Technology Co., Ltd.	-	〃	10,000	649	- %	649	

(Continued)

HOCHENG CORPORATION
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)	
Hohong Co., Ltd.	Elite Material Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	20,000	5,560	0.01%	5,560	
	Walsin Technology Corporation	-	〃	10,000	1,670	- %	1,670	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	30,590	4,359	- %	4,359	
	Wan Hai Lines Ltd.	-	〃	5,500	993	- %	993	
	Aerospace Industrial Development Corp.	-	〃	120,000	3,522	0.01%	3,522	
	TTFB Company Limited	-	〃	6,000	1,320	0.03%	1,320	
	Cathay Financial Holding Co., Ltd.	-	〃	140,000	8,750	- %	8,750	
	China Development Financial Holdings Limited	-	〃	132,288	2,315	- %	2,315	
	China Development Financial Holdings Limited Preferred Stock B	-	〃	120,712	1,158	0.01%	1,158	
	Taishin Financial Holding Co., Ltd.	-	〃	337,861	6,402	- %	6,402	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	10,783	573	- %	573	
	Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	-	〃	6,459	335	- %	335	
	Shin Kong Financial Holding Co., Ltd.	-	〃	317,110	3,504	- %	3,504	
	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	-	〃	3,824	164	- %	164	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,269	0.04%	1,269	
	Getac Technology Corporation.	-	〃	80,000	4,456	0.06%	4,456	
	TXC Corporation	-	〃	20,000	2,110	0.01%	2,110	
	Tripod Technology Corporation	-	〃	90,000	11,205	0.02%	11,205	
	Ardentec Corporation	-	〃	100,205	5,561	0.02%	5,561	
	Xintec Inc.	-	〃	5,000	715	- %	715	
	Shin Zu Shing Co., Ltd.	-	〃	10,000	966	0.01%	966	
	Topco Technologies Corp.	-	〃	8,538	730	0.01%	730	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	3,825	0.02%	3,825	
	Avalue Technology Inc.	-	〃	52,000	2,959	0.07%	2,959	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,253	0.02%	1,253	
	Shih Her Technologies Inc.	-	〃	120,000	8,844	0.21%	8,844	
	Materials Analysis Technology Inc.	-	〃	14,000	2,198	0.02%	2,198	
	Arcadyan Technology Corporation	-	〃	45,000	5,738	0.02%	5,738	
	TSC Auto ID Technology Co., Ltd.	-	〃	15,000	3,008	0.04%	3,008	
	Bizlink Holding Inc.	-	〃	10,000	2,610	0.01%	2,610	
	ASE Technology Holding Co., Ltd.	-	〃	70,000	7,455	- %	7,455	
	Rechi Precision Co., Ltd.	-	〃	100,000	1,910	0.02%	1,910	
	FineTek Co., Ltd.	-	〃	38,844	3,442	0.09%	3,442	
	Yusin Holding Corp.	-	〃	6,000	451	0.01%	451	
	Global Tek Fabrication Co., Ltd.	-	〃	35,000	1,771	0.05%	1,771	
	San Fu Chemical Co., Ltd.	-	〃	30,440	5,312	0.03%	5,312	
	Primax Electronics Ltd.	-	〃	40,000	2,268	0.01%	2,268	
	Pegatron Corporation	-	〃	70,000	4,837	- %	4,837	
	Wistron Information Technology & Services Corporation	-	〃	70,000	6,167	0.10%	6,167	
	Zhen Ding Technology Holding Limited	-	〃	70,000	7,035	0.01%	7,035	
	Sinher Technology Inc.	-	〃	70,000	2,877	0.09%	2,877	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,982	0.01%	2,982	
	Sino-American Silicon Products Inc.	-	〃	50,000	11,800	0.01%	11,800	
	Chailease Holding Company Limited	-	〃	36,317	9,570	- %	9,570	
	Chailease Holding Company Limited Class A Preferred Shares	-	〃	9,085	922	0.01%	922	

(Continued)

HOCHENG CORPORATION
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Accounttitle	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value (Note 2)	
Hohong Co., Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	90,000	4,253	- %	4,253	
	Chipbond Technology Corporation	-	〃	30,000	2,001	- %	2,001	
	Powertech Technology Inc.	-	〃	65,000	6,351	0.01%	6,351	
	Lanner Electronics Inc.	-	〃	125,000	6,963	0.11%	6,963	
	Amazing Microelectronic Corp.	-	〃	11,871	2,908	0.01%	2,908	
	GEM Services, Inc.	-	〃	39,450	3,669	0.03%	3,669	
	Taiwan Takisawa Technology Co., Ltd.	-	〃	80,000	2,436	0.11%	2,436	
	Nova Technology Corp.	-	〃	20,000	3,380	0.06%	3,380	
	Ruby Tech Corporation	-	〃	103,618	3,621	0.19%	3,621	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,404	0.01%	1,404	
	Taiwan Pcb Techvest Co., Ltd.	-	〃	2,124,000	103,120	0.78%	103,120	
	Cleanaway Company Limited	-	〃	10,000	2,335	0.01%	2,335	
	Taisun Int’ l (Holding) Corp.	-	〃	10,000	1,025	0.03%	1,025	
	Xxentria Technology Materials Co., Ltd.	-	〃	20,000	1,362	0.01%	1,362	
	Pou Chen Corporation	-	〃	180,000	5,967	0.01%	5,967	
	Taiwan Fu Hsing Industrial Co.,Ltd.	-	〃	80,000	3,320	0.04%	3,320	
	Macauto Industrial Co., Ltd.	-	〃	30,000	2,367	0.04%	2,367	
	Powerchip Technology Corporation	-	〃	66,404	1,770	- %	1,770	
	Powerchip Semiconductor Manufacturing Corporation	-	〃	120,168	8,556	- %	8,556	
	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	-	〃	21,122	356	- %	356	
	Franklin Templeton Sinoam Money Market Fund	-	〃	480,675	5,025	- %	5,025	
	Yunata De-Bao Money Market Fund	-	〃	124,603	1,512	- %	1,512	
	Capital Money Market Fund	-	〃	62,349	1,016	- %	1,016	
Ritiboon International Limited	JPMorgan Funds– China Fund–JPM China A (dist)–USD	-	〃	5,614	15,055	- %	15,055	
	PYXIS	-	〃	65,000,000	-	- %	-	
	Asia Technology	-	〃	1,400	-	- %	-	
Hostan Corporation	Hocheng Corporation	Subsidiary to parent	〃	1,190,538	21,013	0.32%	21,013	
	Capital Money Market Fund	-	〃	10,486,694	170,903	- %	170,903	
	TCI Co., Ltd.	-	〃	7,000	1,459	0.01%	1,459	
Swatton International Corp.	PFBC	-	Non-current financial assets at fair value through other comprehensive income	50,000	99,357	- %	99,357	
	Nexteer Automotive Group Ltd.	-	〃	50,000	1,718	- %	1,718	
	HKT Trust and HKT Ltd.	-	〃	100,000	3,720	- %	3,720	
	CK Hutchison Holdings Ltd.	-	〃	20,000	3,571	- %	3,571	
	Fit Hon Teng Ltd.	-	〃	95,000	516	- %	516	
	AMAZON	-	〃	50	4,615	- %	4,615	
	MS LIQUID-USD LIQ -QUALIF ACC Fund	-	Current financial assets at fair value through profit or loss	6,519	19,207	- %	19,207	

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.

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HOCHENG CORPORATION
Notes to the Financial Statements

(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:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Ho Long Ceramic Co., Ltd.	Property	2021.03.22	Note 1	325,439	2,365,247	Payment received	1,836,843	Taiwan FamilyMart Co., Ltd.	Unrelated party	To enhance utilization of assets	Negotiation based on appraisal report	

Note 1: Acquired property in stages between 1973 and 1984.

(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	149,922	8.20%	Three months	-	No comparable transactions as the goods were specific.	(52,859)	(15.90)%	
〃	Hostan Corporation	Subsidiary	〃	124,173	6.79%	Three months	-	〃	(44,498)	(13.38)%	

(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, 2021 (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, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	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	100,593,839	100.00%	1,996,043	15,653	5,573	(Note 1,2)
	Ritiboon International Limited	British V	Investment Holding	2,410,366	2,410,366	78,646,373	100.00%	864,977	(70,196)	(76,645)	(Note 2)
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	34,678,498	99.50%	649,071	11,294	11,237	(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%	19,827	3,561	1,593	(Note 2)
	Ho Long Ceramic Co., Ltd.	Taiwan	Manufacture and sale of tiles	589,429	660,305	693	69.30%	102,613	1,615,938	1,097,381	
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	31,848	31,848	1,098,569	10.20%	-	-	-	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	67,920	5,786	4,340	
	Hocheng Group Holding Corp.	Cayman Islands	Investment Holding	1,392,323	1,392,323	49,389,182	100.00%	667,937	(71,384)	(71,384)	
	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%	29,773	3,561	1,068	
Hohong Co., Ltd.	Swatton International Corp.	British V	Investment Holding	41,590	41,590	13,004	100.00%	180,386	2,024	2,024	
Hocheng Group Holding Corp.	HOCHENG PHILIPPINES CORPORATION	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	503,714	43,821	43,821	
	Triple S Holdings Corp.	Philippines	Investment Holding	46,086	46,086	8,040,000	40.00%	48,359	1,199	1,055	
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)

HOCHENG CORPORATION
Notes to the 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	(114,776)	100.00%	(114,776)	(19,228)	-
UPEX	Sale of bathroom equipment	29,805	(2)	5,961	-	-	5,961	(3,776)	100.00%	(3,776)	17,602	-
Hocheng (China) Corporation												
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(2)	-	-	-	-	(32,623)	100.00%	(32,623)	(28,299)	-
Hecheng Jianlang(Shanghai)Kitchen and Bathroom Co., Ltd.	Sale of bathroom equipment	4,300	(2)	-	-	-	-	(1,412)	50.00%	(707)	3,636	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
900,588	928,336	4,353,037

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 difference between investment profit or loss recognized for the period and the investee’ s profit or loss is unrealized profit or loss.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2021, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Shareholder’ s Name / Shareholding	Shares	Percentage
Dorkay Investment Company Ltd.	20,202,302	5.46%

Information about the substantial shareholders of this form is provided by the General Insurance Company on the last business day of December 31, 2021. 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 2021 consolidated financial statements.

(Continued)

Hocheng Corporation

Statement of cash and cash equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand	$ 547
	Petty cash	2,897
	Subtotal	3,444
Cash in bank	Checking accounts	1,817
	Demand deposits	1,354,267
	Foreign deposits	22,481
	Subtotal	1,378,565
		$ 1,382,009

Hocheng Corporation

Statement of financial assets measured at fair value through profit or loss - current

December 31, 2021

(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		
Hua Nan Phoenix Money Market Fund	-	$ -	304,631	5,002	-	-	304,631	5,002	None	
Nua Nan Kirin Money Market Fund	-	-	661,868	8,001	-	-	661,868	8,001	〃	
Capital Money Market Fund	-	-	613,843	10,004	-	-	613,843	10,004	〃	
Taishin 1699 Money Market Fund	-	-	731,128	10,001	-	-	731,128	10,001	〃	
Taishin Ta Chong Money Market Fund	-	-	697,122	10,004	-	-	697,122	10,004	〃	
Yuanta Wan Tai Money Market Fund	-	-	654,624	10,002	-	-	654,624	10,002	〃	
Sinopac TWD Money Market Fund	-	-	498,337	7,000	-	-	498,337	7,000	〃	
		$ -		**60,014**		**-**		**60,014**		

Hocheng Corporation

Statement of notes receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Related parties:			
Hoceng service Co., Ltd.	Due in one year	$ 12,964	
Hostan Corporation	〃	615	
Subtotal		13,579	
Non-related parties：			
Client II	Due in one year	141,903	
Client IV	〃	18,090	
Other	〃	205,037	The year- end balance of each client does not exceed 5% of the account balance
Subtotal		365,030	
Total		**$ 378,609**	

Hocheng Corporation

Statement of trade receivables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Related parties:			
Hocheng Philippines Corporation		$ 2,447	
Hoceng service Co., Ltd.		6,613	
Hocheng (China) Corporation		241	
Subtotal		9,301	
Non-related parties：			
Client I		71,795	
Client II		69,437	
Client III		41,920	
Client IV		32,364	
Other		415,260	
Subtotal		630,776	
Less: Allowance for impairment		(2,078)	
Net amount		628,698	
Total		**$ 637,999**	

Hocheng Corporation

Statement of other receivables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related parties：			
Hocheng (China) Corporation	The right of using trademark	$ 21,720	
Other	Rental income, The right of using trademark, etc.	4,153	
Subtotal		25,873	
Non-related parties:	Royalty income, etc.	7,809	
Total		**$ 33,682**	

Statement of inventories

Item	Amount		Note
	Cost	Net realized value	
Raw materials	$ 176,290	168,593	
Supplies	8,558	7,973	
Work in process	147,783	216,478	
Finished goods	483,941	744,918	
Merchandise	220,505	314,815	
Inventory in transit	14,962	14,962	
Subtotal	1,052,039	**1,467,739**	
Less: Allowance for inventory market decline and obsolescence	(42,623)		
Total	**$ 1,009,416**		

Hocheng Corporation

Statement of other current assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Temporary payments	Temporary rental payments and gas payments, etc.	$ 22,707	
Prepayments	Pattern	40,990	
	Prepaid rents and advertising expense	9,918	
	other	739	
Tax assets		12,724	
Prepayments for purchases	Prepayments for raw materials and supplies	3,944	
Total		**$ 91,022**	

Hocheng Corporation

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2021

(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	$ 25,376	-	12,162	-	-	600,603	37,538	None	Base on the closing price on 31 December, 2021
China Development Financial Holding Corporation	452,067	4,204	-	3,707	-	-	452,067	7,911	〃	〃
Taishin Financial Holding Co., Ltd.	487,958	6,465	22,166	3,202	-	-	510,124	9,667	〃	〃
United Microelectronics Corporation	800,000	37,720	-	14,280	-	-	800,000	52,000	〃	〃
Taiwan Pcb Techvest Co., Ltd.	6,575,315	291,944	-	27,288	-	-	6,575,315	319,232	〃	〃
Capital Securities Corporation	16,835,824	228,125	-	-	6,546,824	53,726	10,289,000	174,399	〃	〃
Pegatron Corporation	75,000	5,048	-	135	-	-	75,000	5,183	〃	〃
Taushin Financial Holding Co., Ltd. Preferred Stock E	16,280	856	-	8	-	-	16,280	864	〃	〃
Cathay Financial Holding Co., Ltd. Preferred Stock A	14,808	915	-	16	-	-	14,808	931	〃	〃
Mega Financial Holding Company Ltd.	1,300,000	38,740	-	7,475	-	-	1,300,000	46,215	〃	〃
Cathay Financial Holding Co., Ltd. Preferred Stock B	12,284	773	-	7	-	-	12,284	780	〃	〃
Taishin Financial Holding Co., Ltd. Preferred Stock E Ⅱ	9,753	501	-	5	-	-	9,753	506	〃	〃
CTBC Financial Holding Co., Ltd.	500,000	9,850	1,998,000	54,973	-	-	2,498,000	64,823	〃	〃
Core Pacific City Co., Ltd.	7,476,000	68,405	-	136,355	7,426,795	119,210	49,205	85,550	〃	〃
Union Securities Investment Trust Co., Ltd.	95,250	1,411	3,619	-	-	22	98,869	1,389	〃	
Powerchip Technology Corporation	25,288	579	2,528	277	-	-	27,816	856	〃	〃
Powerchip Semiconductor Manufacturing Corp.	46,310	2,310	4,026	1,274	-	-	50,336	3,584	〃	〃
		$ 723,222		**261,164**		**172,958**		**811,428**		

Hocheng Corporation

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2021

(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	100,593,839	$ 1,994,958	-	1,085	-	-	100,593,839	100.00%	1,996,043	20.80	2,019,790	None	Note
Ritiboon International Limited	78,646,373	1,007,380	-	-	-	(142,403)	78,646,373	100.00%	864,977	11.00	865,098	〃	〃
Hohong Co., Ltd.	34,678,498	564,122	-	84,949	-	-	34,678,498	99.50%	649,071	19.12	663,077	〃	〃
Hoceng Service Co., Ltd.	600,000	18,248	-	1,579	-	-	600,000	40.00%	19,827	66.16	39,697	〃	〃
Ho Long Ceramic Co., Ltd.	7,088,332	19,443	-	1,097,381	7,087,639	(1,014,211)	693	69.30%	102,613	148,114.07	102,643	〃	〃
O+Design International Corporation	1,098,569	-	-	-	-	-	1,098,569	11.85%	-	-	-	〃	〃
		$ 3,604,151		**1,184,994**		**(1,156,614)**			**3,632,531**				

Note: The difference between ending balance and net equity is unrealized profit or loss.

Hocheng Corporation

Statement of other non-current assets

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Overdue Receivable		$ 7,087	
Less： impairment allowance		(7,087)	
		-	
Prepayments for equipment		29,992	
Other		34	
Total		**$ 30,026**	

Hocheng Corporation

Statement of short-term borrowings

December 31, 2021

(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	$ 20,877	2021.07.21-2022.06.01	1.28%-1.76%	-	None	Note 1
Unsecured loan	〃	580,000	2021.10.04-2022.03.30	1.15%-1.38%	1,320,000	〃	
Secured loan	〃	350,000	2021.08.19-2022.08.29	1.07%-1.38%	540,000	Land and Buildings	
		$ 950,877			**$ 1,860,000**		

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, 2021

(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	2021.11.12-2022.01.11	1.22%	$ 30,000	
〃	Bank b	2021.12.17-2022.01.14	1.29%	40,000	
〃	Bank c	2021.12.23-2022.02.21	1.27%	35,000	
Total				**$ 105,000**	

Statement of notes payable

Client Name	Description	Amount	Note
Related parties：			
Yuhong Co., Ltd.		$ 39,408	
Non-Related parties：			
Company a		5,099	
Company b		4,597	
Company c		3,915	
Company d		2,475	
Company e		2,366	
Company f		2,200	
Other		9,802	
Subtotal		30,454	
Total		**$ 69,862**	

Hocheng Corporation

Statement of trade payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related parties：			
Hostan Corporation		$ 44,499	
Yuhong Co., Ltd.		13,451	
Hocheng (China) Corporation		4,792	
Other		394	
Subtotal		63,136	
Non related parties：			
Company g		53,986	
Other		145,512	The year-end balance of each company does not exceed 5% of the account balance.
Subtotal		199,498	
Total		**$ 262,634**	

Statement of other payables

Item	Description	Amount	Note
Salaries , Year-end bonus and Food allowance payable		$ 258,918	
Labor and health Insurance payable		12,870	
Pension payable		3,747	
Other		99,280	
Total		**$ 374,815**	

Hocheng Corporation

Statement of other current liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Unearned revenue	Unearned sales revenue	$ 26,692	
Income tax liabilities		1,893	
Tax payable	Business Tax	15,109	
Temporary receipts	Temporary Receipt of Tax, Labor and Health Insurance and Rents	23,920	
Total		**$ 67,614**	

Hocheng Corporation

Statement of long-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount	Term of contract	Interest	Collateral	Note
c		$ 600,000	2017.10.19~2024.10.19	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 $400,000 thousand.
d		18,234	2019.01.31~2022.01.31	1.65%	Land and building	Only interest expense is paid in the first year after the first drawdown. The principal and interest expense will be equally and monthly paid since the second year.
Less: Long-term Borrowings, current portion		(98,234)				
Total		**$ 520,000**				

Hocheng Corporation

Statement of operating costs

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Cost of goods sold from manufacturing		
Raw material, January 1	$ 149,879	
Add: Purchase	736,151	
other	3,684	
Less: Transferred to expense	(2,500)	
Sale	(18,498)	
Disposal	(1,542)	
Losses on physical inventory	(2)	
Raw material, December 31	(176,290)	690,882
Indirect materials		
Supplies, January 1	10,098	
Add: Purchase	80,057	
Less: Other	(82)	
Sale	(118)	
Disposal	(967)	
Transferred to other equipment	(12,452)	
Transferred to expense	(31,657)	
Supplies, December 31	(8,558)	36,321
Direct labor		286,995
Manufacturing expenses		546,602
Cost of manufacturing		1,560,800
Add: Work in process, January 1	112,231	
Purchase of work in process	14,737	
Gains on physical inventory	237	
other	1,966	
Less: Sale of work in process	(1,069)	
Work in process, December 31	(147,783)	(19,681)
- Cost of finished goods		1,541,119
Finished goods, January 1		524,272
Other- processing of finished goods		21,070
Less: Disposal		(3,655)
Loss on inventory		(1,105)
Transferred to other equipment		(15,801)
Transferred to expense		(7,140)
other		(9,291)
Finished goods, December 31		(483,941)
Cost of goods sold		1,565,528
Costs of export products		
merchandise purchases January 1	265,164	
Add: purchase	998,428	
Other	25,268	
Less: Merchandise, December 31	(235,467)	
Disposal	(2,274)	
Transferred to expense	(12,179)	
Loss on physical inventory	(447)	
Cost of goods sold－Merchandise		1,038,493
Sale of Semi-finished Goods		1,069
Sale of raw material and supplies		18,498
Sale of supplies and inventory		118
Cost pf goods sold		2,623,706
Add: Gain on physical inventory		1,317
Conversion cost		8,005
Loss on disposal		8,438
Gains on reversal of inventory write-downs and obsolescence		(8,142)
Less Revenue from sale of scraps		(1,041)
Total operating costs		**$ 2,632,283**

Hocheng Corporation

Statement of selling expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 164,136	
Advertising expense		92,753	
Freight		32,253	
Other expense		248,334	Each amount does not exceed 5% of the account balance
Total		**$ 537,476**	

Statement of administrative expenses

Item	Description	Amount	Note
Salary and wages expense		$ 58,701	
Remuneration of directors and supervisors		42,148	
Depreciation expense		16,646	
Other expense		74,282	Each amount does not exceed 5% of the account balance
Total		**$ 191,777**	

Hocheng Corporation

Statement of the net amount of other revenues and gains and expenses and losses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 44,135	
Depreciation expense		14,731	
Examination expense		12,238	
Year end bonus		6,653	
Other expense		32,836	Each expense does not exceed 5% of the account balance
		$ 110,593	

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

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	2020	2021	Differences	
			Amount	%
Current Assets	4,818,266	5,550,655	732,389	15.20
Fixed Assets	3,846,594	3,520,840	(325,754)	(8.47)
Intangible Assets	45,075	37,788	(7,287)	(16.17)
Other Assets	2,028,726	2,361,593	332,867	16.41
Total Assets	10,738,661	11,470,876	732,215	6.82
Current Liabilities	3,632,989	3,107,407	(525,582)	(14.47)
Non-Current Liabilities	1,154,090	1,004,174	(149,916)	(12.99)
Total Liabilities	4,787,079	4,111,581	(675,498)	(14.11)
Attributes to Shareholders of the parent	5,888,286	7,255,061	1,366,775	23.21
Capital stock	3,698,536	3,698,536	0	0
Capital surplus	13,293	13,478	185	1.39
Retained Earnings	1,759,275	2,881,696	1,122,421	63.80
Other Adjustments	433,764	677,933	244,169	56.29
Treasury Stock	(16,582)	(16,582)	0	0
Non-controlling interest	63,296	104,234	40,938	64.68
Total Stockholders' Equity	5,951,582	7,359,295	1,407,713	23.65

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. Attributes to Shareholders of the parent：As a result of the disposal of assets by a subsidiary, the gain on disposal of assets led to a considerable increase in non-operating income, which in turn led to a substantial increase in net income for the period and, therefore, a substantial increase in equity attributable to the owners of the parent for the period.
2. Retained Earnings：As a result of the disposal of assets by a subsidiary, the gain on disposal of assets led to a considerable increase in operating income, which in turn led to a substantial increase in net income for the period. Although cash dividends were distributed, the retained earnings for the period also increased substantially compared to the same period last year.
3. Other Adjustments：The purchase of financial assets at fair value through other comprehensive income or loss with its own funds resulted in unrealized valuation gains or losses at the end of the year, resulting in an increase in other adjustments for the period.
4. Non-controlling interest：As a result of the disposal of assets by a subsidiary, the gain on disposal of assets led to a considerable increase in operating income, which in turn led to a substantial increase in net income for the period, the non-control interest for the period also increased substantially compared to the same period last year.
5. Total Stockholders' Equity：As a result of the disposal of assets by a subsidiary, the gain on disposal of assets led to a considerable increase in operating income, which in turn led to a substantial increase in net income for the period. Although cash dividends were distributed, the total stockholders’ equity for the period also increased substantially compared to the same period last year.

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.

Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2020	2021	Variant Amount	Variance (%)
Net Sales	5,102,207	5,313,319	211,112	4.14
Cost of Sales	3,847,421	3,955,952	108,531	2.82
Gross Profit	1,254,786	1,357,367	102,581	8.18
Operating Expenses	1,254,601	1,290,692	36,091	2.88
Operating Income	185	66,675	66,490	35940.54
Non-operating Income and Expenses	129,033	1,912,563	1,783,530	1382.23
Income Before Tax from Continuing Operation	129,218	1,979,238	1,850,020	1431.70
Income tax expense	49,814	233,311	183,497	368.36
Profit for the year	79,404	1,745,927	1,666,523	2098.79

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：As a result of the change in the structure of product sales, the sales with high margin products increased, which led to a substantial increase in net operating profit for the period compared to the same period last year.
2. Non-operating Income and Expenses：As a result of the disposal of assets by a subsidiary, the gain on disposal of assets led to a considerable increase in operating income, which in turn led to a substantial increase in operating income and expense in 2021 compared to last year.
3. Income Before Tax from Continuing Operation：As a result of the increase in operating profit and the substantial increase in non-operating income in 2021, the net income before tax of the continuing operations segment increased compared with the same period last year.
4. Income tax expense：As a result of the substantial increase in net income before tax in 2021, income tax for the period also increased substantially compared to the same period last year.
5. Profit for the year：As a result of the increase in operating net income and the substantial increase in non-operating income in 2021, the net income for the current period increased substantially compared to the same period last year.

7.3 Review and Analysis of Cash Flow:

7.3.1 Description and Analysis of cash flow changes during the most recent fiscal year (2021), 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
420,388	1,328,365	42,251	(408,995)	1,382,009	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 inflow of sales in the current year and the inflow of dividends received from reinvested businesses.

Investing Activities: The increase in net cash outflows from investment activities was mainly due to the inflow of the price of disposal of financial assets.

Financing Activities: The decrease in net cash inflow from financing activities was mainly due to repayment of financing borrowings and cash dividends.

(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
1,382,009	283,776	(74,740)	(1,087,733)	503,313	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$ 283,776,000.

Investing Activities: Mainly due to the capital expenditure and estimated net cash flow is NT$ 74,740,000.

Financing Activities: Mainly due to the payback of long-term and short-term borrowings and cash dividends and reduce capital distribution; estimated net cash flow is NT$ 1,087,733,000.

(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 2021 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, 2021; Unit: thousands

Item \ Remarks	2021 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Hostan Corporation	NTD 15,653	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, sales performance from January to December 2021 has reached NT$29.3 million, an increase of NT$3.27 million compared to NT$26.03 million last year, a 12.56% 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 construction projects such as Sanzhi Senior Living case. Calculated as of December 2021, contracted government social housing and large-	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. Seeking for new channel development and cooperation. 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 new product development in 2022 for gas water heater or electric furnaces. 4.To introduce a 16-	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.Introducing intelligence products. 4.Implementation of Internal process improvement and staff competency training program. 5. To meet the requirement of Hocheng's business, headquarter generates ideas of new products for developments, planning to process development of five 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

Item / Remarks	2021 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
		scale private cases with undelivered amount of 138 games, with amount of NT$94 million, shall be delivered in 2021 to 2024 successively.	liter digital thermostatic gas water heater site specialized model development, conducive to social housing for contracting. Also, to develop 24-liters of gas water heater to satisfy the demands of luxury apartments or large water flow conditions. 5.In response to fluctuations in raw materials, a joint purchase of raw materials with OEMs is made to maintain costs and enhance competitiveness and company profitability.	as well as applications for safety regulations.
Hohong Co., Ltd.	NTD 11,294	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
Ritiboon International Limited	USD -2,506	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Hoceng Service Co., Ltd.	NTD 5,625	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.	CNY -26,438	1. Sales performance weakened by the impact of the pandemic.	1. To centralize the region and the products. 2. Enhancing internal	None

Item \ Remarks	2021 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
		2. Sluggish market and increased competition.	management and controlling expenses. 3. Utilizing assets and land	
Hocheng Shanghai Corporation	CNY -4,227	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.	None
United Pacific Express Trading Co., Ltd.	CNY -870	Affected by the epidemic, demand in overseas markets has plummeted	Strengthening the development of overseas market	None
Hocheng Philippines Corporation	PHP 76,061	Higher Sales than last year at lower cost.	Selling high-margin products and reducing production costs.	Acquisition of Offices
Hocheng Philippines Property Holding, Inc.	PHP 10,301	With Additional Rent income on property.	To continue in 2021	None
Holong Ceramic Co., Ltd.	NTD 1,615,979	The cost of raw materials has increased and the revenue has not reached the predetermined target	None	None
Hocheng Group Holding Corp.	USD -2,549	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Swatton International Corp.	USD 72	Investment interest and dividend income	Strengthening the development of overseas market	Looking for investment targets with good profitability and low price-to-earnings ratio
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	CNY -325	There are many brands and the competition is fierce.	Cooperate with the business team to focus on hospital projects, office buildings, schools, subways, hotels, hardcover real estate residential and other types.	None

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:

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

1. Interest Rates

(1) The effect upon the company's profits (losses):

Due to the inflation rate in the U.S. reaching a 40-year peak and the unemployment rate dropping more than expected, together with the failure of the supply chain easing the pressure on demand, inflation has intensified in 2021. In order to adjust the high inflation and to stabilize employment, it is expected that the interest will increase to 2.75%~3.00%. Under this situation, the NT dollar interest rate tends to be higher in the future. The company's capital is mainly financed by short-term bank loans and medium and long term loans to support the long and short-term financing requirements of the company's operation. The increase in interest rate will result in an increase in interest expense compared to 2021, and the impact of the increase on the company's capital deployment is limited due to the higher overall non-operating expenses as a result of the change in interest rate.

(2) Response measures for the Company to be taken in the future:

Economic development remained heated, in mid-February, the Department of Statistics of the Ministry of Economic Affairs published the statistics of manufacturing revenue in the fourth quarter of last year, continuing the demand momentum of the previous quarters, together with the green shoots of the global economy, the revenue broke the NT$4 trillion mark for two consecutive quarters, up to NT$4 trillion and 315.6 billion, with an annual increase of 25.03%, representing five consecutive quarters of positive growth, which has a bright outlook. According to the Department of Statistics, with the popularity of vaccination worldwide, the active promotion of infrastructure construction, and the continuous development of digital innovation technology, the global economy will continue to grow positively, which is expected to maintain the growth momentum of the manufacturing industries. However, as the U.S. Federal Reserve is about to raise interest rates in March, it is clear that our central bank will also take corresponding measures, and the company will adjust the best combination of interest rates in response to changes in interest rates to minimize the impact of higher finance costs.

2. Foreign Exchange Rates

(1) The effect upon the company's profits (losses):

The NT dollar was stronger against the US dollar in 2021 than in 2020, appreciating by approximately 5.26%. However, given that the company's exports account for less than 0.5% of its total revenue and the domestic agents are responsible for the import of raw materials, the adjustments will be made to the purchase price when the exchange rate fluctuates, therefore, the adjustment of exchange rate in the NT dollar has a limited impact on the company's profit and loss. In order to minimize the change in profit and loss due to exchange rate fluctuations, the company paid attention to the future trend of the exchange rate and adjusted the most suitable payment instruments to reduce the impact of exchange rate changes to a minimum.

(2) Response measures for the Company to be taken in the future:

The global economic growth rate will still reach 4.1% this year, which will benefit the momentum of domestic manufacturers in orders, and is expected to provide substantial support to domestic exports, thus the NT dollar exchange rate will maintain its current appreciation trend. On the other hand, the company's export sales accounted for a small percentage of revenue from sales, and on the contrary, it is expected to reduce the cost of imports of raw materials, excluding some regional contingencies, the NT dollar exchange rate is still looking up. The company will pay close attention to all kinds of

unforeseen situations and take immediate measures to minimize the risk of exchange rate changes.

3. Inflation

(1) The effect upon the company's profits (losses):

Taiwan's central bank in the fourth quarter meeting of the board of supervisors predicted that the annual growth rate of the Consumer Price Index (CPI) this year is only 1.59%. However, the Directorate-General of Budget, Accounting and Statistics just published the annual growth rate of CPI in January this year reached 2.84%, exceeding the 2% inflation alert for six consecutive months, especially the core CPI also surpassed 2% to 2.42%, hitting a 13-year high, coupled with imminent interest rate hikes by the Federal Reserve, the U.S., the central bank is on the verge of raising interest rates. In response to the rising inflation rate, the company continues to adopt environmental changes to promote the production management process for reducing costs and carbon emissions, and to develop efficient production machinery for reducing production costs and increasing staff productivity, so that the company's profits will increase in return to shareholders.

(2) Response measures for the Company to be taken in the future:

Due to the unexpected supply chain bottleneck, the shortage of raw materials cannot be effectively relieved, resulting in high price fluctuations and the annual increase in the CPI at a record high in recent years. Although the government is actively taking measures to stabilize prices, the global supply shortage is bound to affect the prices of all kinds of products this year. In this regard, the company must ensure a stable supply of raw materials to suppliers and maintain a good cooperative relationship with upstream and downstream manufacturers so that production and sales can run normally, thereby stabilizing the company's profitability and ensuring the interests of shareholders.

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

1. The Company did not engage in any high-risk or high-leveraged investments, nor any derivative commodity transactions.
2. Loans of funds to others: As of the end of December 2021, the total amount of capital loans to subsidiaries at home and abroad was NT$0.
3. List of endorsement/guarantee amount of the Company to subsidiaries at home and abroad, as of end of December 2021, as follows:
   (1) Hocheng Philippines Corporation: NT$185,479,000
   (2) Holong Ceramic Co., Ltd.: NT$0
   (3) Hocheng (China) Co., Ltd.: NT$166,080,000

7.6.3. 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 2021, projects have been completed accordingly, mass production launch and selling and marketing in the market. For 2022, NT$104,588,000 has been allocated as research expenses to strengthen the research and development capabilities and enhance the company's competitiveness.

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

The company'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.

7.6.5. 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.

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

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.

7.6.7. 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.

7.6.8. 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.

7.6.9. 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.

7.6.10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 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.

7.6.11. 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.

7.6.12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report : None.

7.6.13. Effect upon and risk of information security, and mitigation measures being or to be taken:

In order to improve information security management, the company has established the "Information Security Committee" in 2021 with the management representative as the convener, and passed ISO 27001:2013 in June 2021, with the certificate validity period from June 14, 2021 to June 14, 2024. In addition, each division director is assigned to establish an information security team, and the information security implementation team and emergency handling team are established by the information unit of the general manager's office to be in charge of routine information security maintenance and operation, and an information security audit team is established to conduct internal audits of information security at least once a year and hold information security management audit meetings, whereby the information security implementation performance is regularly reported to the information security officer each year.

An external unit, such as SGS, will then conduct external audits and complete the annual ISO 27001 examination.

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.

7.6.14. 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:

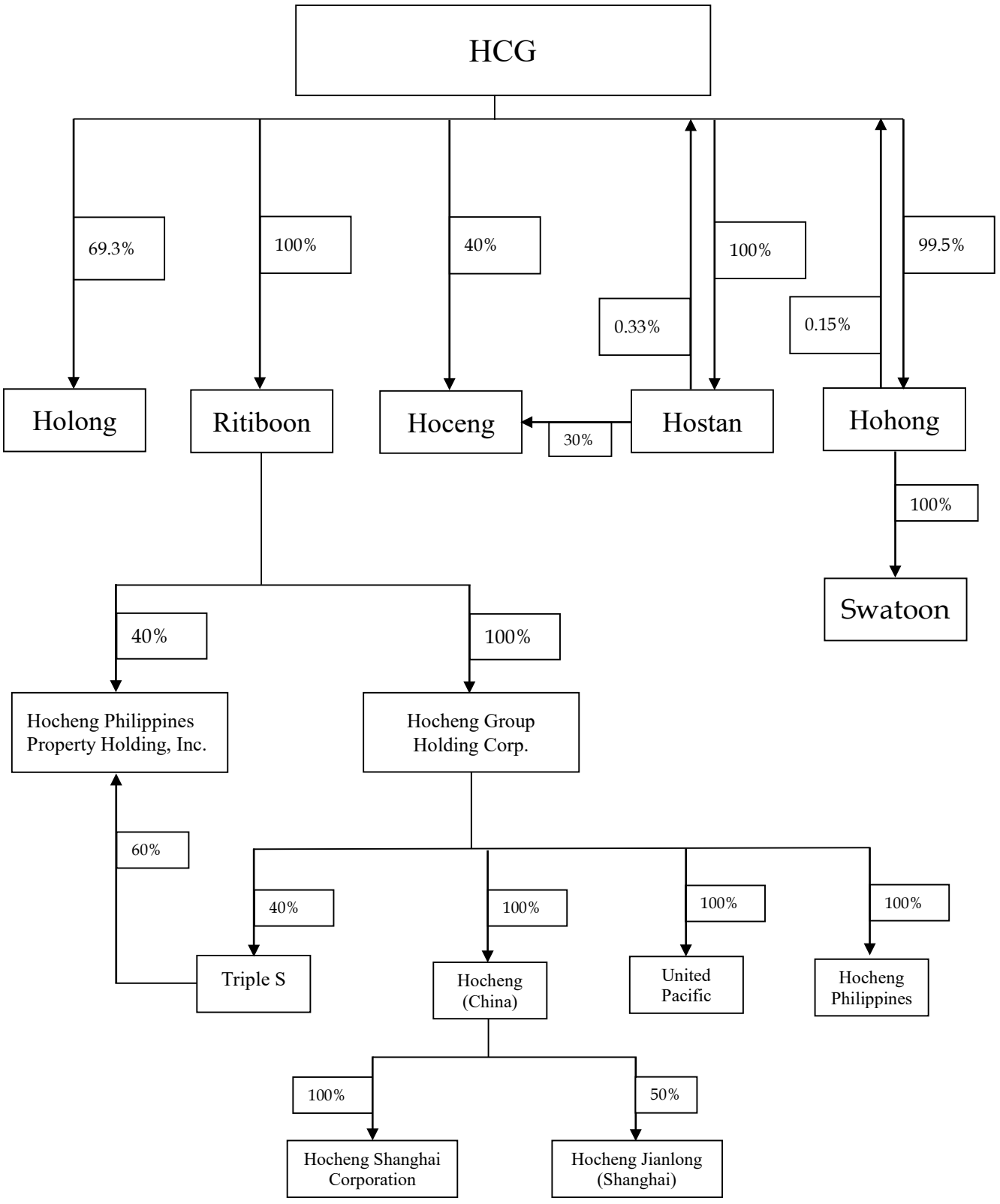
   In response to supplier strategic adjustments, the company will integrate and adjust resources in a timely manner to accelerate the growth of other suppliers and add new and competitive suppliers and products in order to pursue the company's maximum benefits.

7.7. Other important matters: None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organizational Structure of Affiliates 2021/12/31



8.1.2. Basic information of affiliates:

December 31, 2021; Unit: thousand

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.
Hohong 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
Hoceng Service 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.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
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. Ceramic panels, high-pressure molding machines, ceramic manufacturing machinery, import and export, wholesale business (not involving goods subject to the administration of state-run trade. If it involves goods subject to quota control or licensing administration, it shall apply for the required quota or license pursuant to the relevant state provisions). (Business items subject to approval pursuant to law are engaged in only upon approval by the relevant authorities).

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Hocheng Shanghai Corporation	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	CNY 6,737	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 507,844	Engage in, operate and maintain the business of manufacturing, importing exporting, buying, selling marketing sanitary ware products.
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.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Holong Ceramic Co., Ltd.	September 26, 1973	No. 135, Houzhuang St., Bade Dist., Taoyuan City	NT$ 10	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.
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.
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	June 30, 2021	No. 1700 Gangyan Highway, Gangyan Town, Chongming District, Shanghai (Shanghai Gangyan Economic Community)	CNY 2,000	Sanitary ware, kitchen equipment, hotel equipment, Packaging materials, daily necessities, building materials, Craft gifts (except ivory and products), Wujinjiaodian, sales of paper products, machinery and equipment, and e-commerce (not allowed to engage in value-added telecommunications and financial services).

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, 2021; 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
Hohong 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
Hoceng Service Co., Ltd.	Chairman	Wu, Yue-Cheng	30,000	2
	Director	Hostan Corporation	450,000	30
	Director	Yuhuang Co., Ltd	180,000	12
	Director	Xinjiexu Co., Ltd	180,000	12
	Director	Chiu, Chi-Hsin	30,000	2
	Director	Chiu, Li-Chieh	30,000	2
	Supervisor	Hocheng Corporation (Legal Representative Chiu, Li-Yih)	600,000	40

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
Hocheng (China) Co., Ltd.	Chairman	Chiu, Shi-Kai (Ritiboon International Ltd. Legal Representative)		100
	Director	Chiu, Li-Chien (Ritiboon International Ltd. Legal Representative)		100
	Director	Chiu, Chi-Hsin (Ritiboon International Ltd. Legal Representative)		100
	Director	Chiu, Chi-Chuan (Ritiboon International Ltd. Legal Representative)		100
	Director	Wu, Yue-Cheng (Ritiboon International Ltd. Legal Representative)		100
	Director	Chiu, Yuan-Yi (Ritiboon International Ltd. Legal Representative)		100
	Supervisor	Chiu, Po-Chun (Ritiboon International Ltd. Legal Representative)		100
Hocheng Shanghai Corporation	Chairman	Chiu, Shi-Kai		100
United Pacific Express Trading Co., Ltd.	Shareholder	HOCHENG GROUP HOLDING CORP.		100
	Chairman	Chiu, Yuan-Yi (Legal Representative)		0
	Director	Chiu, Chi-Hsin		0
	Director	Chiu, Li-Chien		0
	Director	Chiu, Po-Chun		0
	Director	Chiu, Chun-Chieh		0
	Director	Chiu, Chi-Chuan		0
	Director	Wu, Yue-Feng		0
	Supervisor	Chen, Shang-Xian		0

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
Hocheng Philippines Corporation	Stockholder	Hocheng Group Holding Corp.	507,843,872	100
	Chairman	Patrick Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Stepahinie Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Scott Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Michael Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Casey Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Wu, Yue-Long (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Chen, Shian-Hsien (Hocheng Group Holding Corp. Representative)	1	0
Hocheng Philippines Property Holding, Inc.	Stockholder	Ritiboon International Ltd.	13,974,569	40
	Stockholder	Patrick Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Stockholder	Chen, Shian-Hsien (Hocheng Group Holding Corp. Representative)	1	0
	Chairman	Mornaliza Belardo	1	0
	Stockholder	Sharon Rose Filardo	1	0
	Stockholder	Irene Calubiran	1	0
	Stockholder	Triple S Holding Corporation	20,962,496	60
Holong Ceramic Co., Ltd.	Chairman	Wu, Yue-Feng (HCG Legal Representative)	693	69.3
	Vice Chairman	Chiu, Po-Chun	1	0.1
	Director	Chiu, Chih-Chong	0	0
	Director	Chiu, Li-Chien (HCG Legal Representative)	693	69.3
	Director	Hsu, Rong-De (Hoshun Legal Representative)	6	0.6
	Supervisor	Chiu, Chi-Hsin	2	0.2
Hocheng Group Holding Corp.	Director/ Chairman	Chiu, Li-Chien (Ritiboon Legal Representative)	49,389,182	100
Swatton International Corp.	Director	Chiu, Li-Chien (Hohong Legal Representative)	13,004	99.97

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	Chairman	Chiu, Shi-Kai		50

8.1.4. Business Overview of Affiliated Companies.

Unit：$1,000/ 2021.12.31

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	2,437,358	417,568	2,019,790	494,804	9,810	15,653	0.16
Hohong Co., Ltd.	NTD	348,536	670,932	4,506	666,426	20,302	13,311	11,294	0.32
Ritiboon International Limited	USD	78,646	31,256	2	31,254	0	-56	-2,506	-0.03
Hoceng Service Co., Ltd.	NTD	15,000	170,395	71,152	99,243	252,003	5,830	5,625	3.75
Hocheng (China) Co., Ltd.	CNY	264,891	218,063	222,490	-4,426	119,255	-30,280	-26,438	
Hocheng Shanghai Corporation	CNY	1,000	15,735	22,249	-6,514	49,701	-4,128	-4,227	
United Pacific Express Trading Co., Ltd.	CNY	6,737	5,187	1,135	4,052	1,843	-902	-870	
Hocheng Philippines Corporation	PHP	507,844	1,455,793	514,799	940,994	1,326,864	115,534	76,061	0.15
Hocheng Philippines Property Holding, Inc.	PHP	83,848	192,687	27,834	164,852	20,118	10,214	10,301	0.12
Holong Ceramic Co., Ltd.	NTD	10	179,792	28,805	150,987	15,442	-46,421	1,615,979	161.56
Hocheng Group Holding Corp.	USD	49,389	22,247	696	21,551	0	-9	-2,549	-0.05
Swatton International Corp.	USD	1,300	6,517	0	6,517	0	0	72	5.56
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	CNY	2,000	3,309	1,635	1,675	2,116	-322	-325	

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：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	NTD 1,005,938	Private Capital	100	This year ends on December 31, 2021	0	0	0	1,190,538 shares 21,013	0	0	0
Hohong	NTD 348,536	Private Capital	99.5	This year ends on December 31, 2021	0	0	0	543,274 share 9,589	0	0	0
Ritiboon	USD 78,646	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	0	0
Hoceng	NTD 15,000	Private Capital	70	This year ends on December 31, 2021	0	0	0	0	0	0	0
Hocheng (China)	CNY 264,891	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	166,080	0
Hocheng (Shanghai)	CNY 1,000	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	0	0
UPEX	CNY 6,737	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	0	0
Hocheng Philippines	PHP 507,844	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	185,479	0
Hocheng Philippines Property Holding	PHP 83,848	Private Capital	64	This year ends on December 31, 2021	0	0	0	0	0	0	0
Holong	NTD 10	Private Capital	69.3	This year ends on December 31, 2021	0	0	0	0	0	0	0
Hocheng Group Holding	USD 49,389	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	0	0
Swatton	USD 1,300	Private Capital	100	This year ends on December 31, 2021	0	0	0	0	0	0	0
Hocheng Jianlong (Shanghai)	CNY 2,000	Private Capital	50	This year ends on December 31, 2021	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