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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.

Over the past year, the global economy has shown signs of recovery due to the slowdown of the pandemic and quantitative easing. However, comprehensive inflation has occurred due to the expansion of money supply and the outbreak of the Russo-Ukrainian war. In the second half of the year, central banks around the world started to raise interest rates substantially to tighten the money supply in order to avoid the impact of inflation on economic consumption and people's lives, casting a shadow over the economic outlook. Internationally, the Russo-Ukrainian war is not yet over, and conflicts between the U.S. and China continue. Domestically, the pandemic has not been fully lifted. Additionally, the central bank's interest rate hike, the stock market plunge, the depreciation of the Taiwanese dollar, and the impact of government policies have caused a strong wait-and-see atmosphere among property buyers. The bleak outlook for the future has significantly shrunk the transaction volume in the near term, and it is expected that the construction market will not easily rebound in the short term. Facing signs of global economic recession, the impact of interest rate hikes and inflation on the public's consumption capacity and willingness, and the unexpectedly fast pace of economic reversal, the economic outlook for this year is not optimistic. Furthermore, the scale of presale housing may shrink and the transaction volume in the bathroom market may decrease, so we must be more careful and prudent in our response.

1.1. Performance of Enterprise:

We hereby report to our shareholders on the results of operations in 2022.

Consolidated revenue of Hocheng Co., Ltd. in 2022

Item	Revenue	
Operating income.	5,004,444	thousand dollars (net)
Operating gross profit.	1,308,655	thousand dollars
Operating profit.	102,533	thousand dollars
Net income after tax.	158,132	thousand dollars
Earnings per share.	0.46	dollars

1.2. Outline of 2023 Annual Business Plan

(1) Sales Channel Integration and Development: In the past two years, housing prices have been continuously rising due to the increase in labor and raw material costs. However, the rise in interest rates in the second half of the year has gradually affected people's willingness to buy houses. The average land rights reform bill may also be put on the legislative agenda, and if passed, it will affect the future sales speed of presale houses. The company has a very high market share in the new house sales market, which will affect the company's contract volume and future sales volume in the presale housing market. The company will respond early, integrate different channels, and make appropriate adjustment and distribution to improve the overall performance.

(2) New Product and Technology Development: In recent years, the Company has launched the Haifin series of bathroom products and LAZULI carbon fiber flippers, which have been recognized by the domestic product quality awards. In the future, we need to consider consumer needs and continuously develop products that meet market demand. In recent years, we have developed technology ceramics, composite materials, and electric clothes dryers. Not only have they achieved actual performance, but they have also accumulated many unique technologies. We will continue to utilize and refine these technologies to develop more products for different industries, expand the product range, and provide consumers with better usage options.

(3) Supply Chain Integration and Adjustment: The outbreak of the COVID-19 pandemic and the US-China trade conflict have led to frequent crises of global supply chain disruptions. The supply chain is no longer as stable as expected. In response to the crisis of supply chain

nterruption at any time, we need to think about how to quickly transfer and adjust from raw materials, components to finished product stages, and actively make quick changes to avoid major operational losses caused by supply chain interruptions.

(4) Towards ESG Goals: The Company completed its first "Sustainability Report" in 111 years, showing the company's considerable efforts and achievements in environmental, social, and corporate governance. Facing the future, we need to further implement environmental protection and fulfill our responsibilities to all stakeholders. Adhering to the corporate culture thinking of coexisting with the Earth, sharing with humans, co-creating with society, and benefiting everyone, we actively improve the shortcomings to comply with future energy-saving and carbon-reducing environmental regulations and fulfill the Company's social responsibilities.

1.3. Future Development Strategy

1.Actively develop markets and channels to achieve annual business goals.
2.Strengthen logistics management, disperse supply chain risks, and expand the use of the company's cash flow.
3.Accelerate the development of new products and technologies to enhance market competitiveness.
4.Enhance advertising and marketing to increase product market share.
5.Strengthen talent training and implement performance management.
6.Implement ISO quality, information security, and environmental policies.
7.Strengthen budget control and implement unit cost management.
8.Complete the implementation of the "Sustainability Report" policy.

In addition to setting annual business goals for 2023, the Company also aims to strengthen and integrate channels, personnel training, and product display stores. In the past, the total dealership and dealer channels were one of the important factors for HCG to establish the number one brand. However, with the development of professional hypermarkets and online marketing, the prevalence of all-round sales models, our existing channel model is no longer sufficient to cope with this change. Therefore, we should plan and adjust comprehensively and effectively for the overall channel model, resource allocation, product development and talent training, and task organization, to meet the challenges of more intense competition in the future. In the future market where brands, prices, and product conditions are compared, we will no longer have the advantages of the past. We actively promote "TechHocheng", use electronic composite materials, and develop differentiated products with a sense of technology to establish the image of "TechHocheng". Through the outstanding performance of team cooperation, we will continuously innovate, integrate, and grow sustainably.

四、The Effect of External Competition, Legal Environment, and Overall Business Environment

The Company is operating in the bathroom industry, which is directly facing the rapidly changing consumer market. In addition to consolidating existing channels and markets, the company actively develops new products, expands operation sites, increases showroom centers across the province, actively sells imported branded products, and reduces production costs and raw material procurement costs to increase revenue and ensure sustainable business operation. The industry competition is fierce, with homogeneous and substitutable products and intense price competition. To maintain competitiveness, the Company will continue to improve the production process, constantly introduce new product lines, and provide complete solutions to enhance overall performance. The Company will strengthen product development and design, increase product differentiation and innovation to increase added value. The management team will handle all affairs responsibly and prudently, creating better revenue and profits for shareholders, customers, and employees to share.

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.

In 2022 March- Donated “LENUS”smart epidemic prevention device to the National Museum of Marine Science and Technology.

March-Gorfin series of products won the 2022 Taiwan Excellence Award.

June-Participated in the ESG Summit, promoting sustainable environment and Implementing social responsibility. During the exhibition, sponsored “LENUS”smart epidemic prevention device to strengthen on-site epidemic control.

June-AFC6699 intelligent super toilet seat won the MIT Taiwan Golden Selection.

July-The new formula SAE was unveiled by the Department of Power Mechanical Engineering of Tsinghua University. The aerodynamic kit and many structural parts were produced under the guidance of carbon fiber composite material technology. In October of the same year, they participated in the Formula SAE competition in Europe, achieving 5th place in the Croatia competition; and in the Germany competition, they surpassed 70% of the teams worldwide, achieving third place in the 'Figure-of-eight' project.

August-PERFIT, Formosa Plastics, and the Company jointly unveiled a carbon fiber safety shoe tip.

August-Taiwan Stock Exchange approved the Company's cash capital reduction of NT$665,736,500 (letter ref no. 1111803912). After the reduction, the Company's capital was NT$3,032,799,600.

September-Sponsored the Ocean Rehabilitation Fund of the National Museum of Marine Science & Technology.

October-Yingge and Taoyuan Factory passed the ISO consolidated examination.

October- The Racing Factory of the Department of Power Mechanical Engineering at Tsinghua University participated in the Student Formula competition in Europe. They achieved an impressive 5th place in the event held in Croatia. Furthermore, they surpassed 70% of the teams worldwide in the German event and achieved a remarkable 3rd place in the "Figure Eight Endurance" category.

November-The LAZULI AQUAMARINE series of carbon fiber frog shoes received recognition with the 2023 Taiwan Excellence Award.

December-The Company's Education Foundation held a "My Hometown, My Land – Taiwanese Folk Symphony - Gratitude to Medical Staff Charity Concert".

December-The Company was awarded the 2021 Green Store Outstanding Performance Award by Taoyuan City.

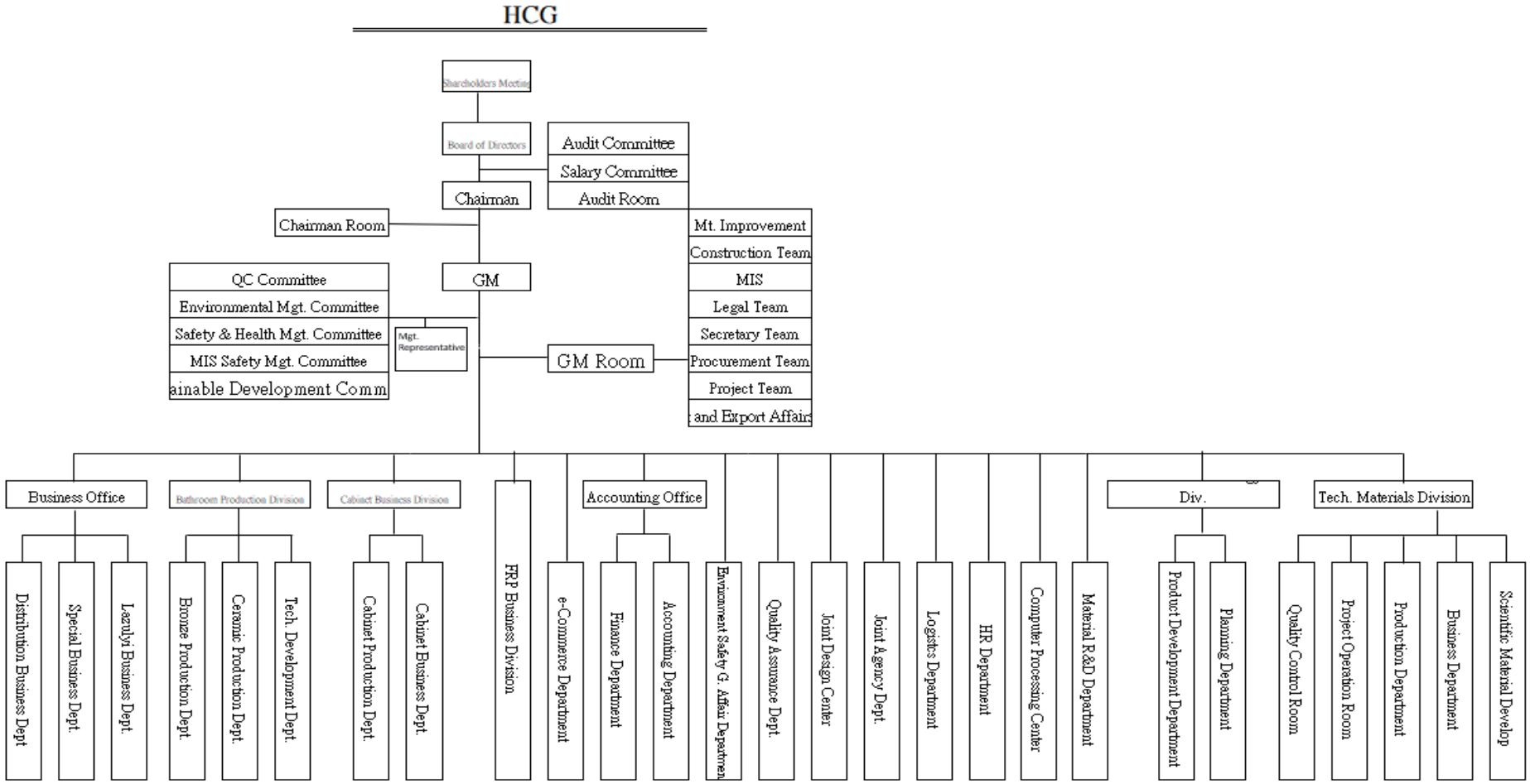
December-The Company received a certificate of appreciation from the Environmental Protection Administration for promoting environmental protection and green consumption in 2021.

December-The AFC6699 intelligent super toilet seat was awarded the MIT Smile Product Taiwan Golden Selection Certificate.

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%	10,522,267	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%	2,243,416	0.74%	65,768	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%	1,113,542	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%	176,702	0.06%	207,351	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%	11,507,634	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%	4,926,461	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.	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, 2022

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, 2022

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

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	3,009	0%	0	0%	0	0%	University of Leeds (UK) Ph.D.					
Deputy General Manager	R.O.C.	Huang, Jian-Cheng	Male	2012.08.01	0	0%	147	0.00005%	0	0%	Tatung University					
CFO	R.O.C.	Chiu, Chi-Hsin	Male	1998.03.01	176,702	0.06%	207,351	0.07%	0	0%	Columbia University (USA)Master of BA	Yuhuang Co., Ltd., Director (Xinjiexu, Representative)				
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	7,646	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	2,063	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					
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-Ch	Male	2021.04.16	0	0%	0	0%	0	0%	Guangwu Engineering College					

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.	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	141	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	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	
																Cash	Stock	Cash	Stock			
Directors	Chiu, Li-Chien Wu, Yue-Long Fuho Investment: Chiu, Chi-Hsin Yuhuang: Chiu, Shi-Kai	0	0	0	0	7,460	7,460	0	0	7460	7460	6,556	6,556	0	0	0	0	0	0	14,016 & 8.9109%	14,016 & 8.9109%	None
Independent Director	Fan, Wei-Guang Wang, Cheng-Wei Wang, Min-Chi	0	0	0	0	0	0	878	878	0	0	0	0	0	0	0	0	0	0	878 & 0.5582%	878 & 0.5582%	None

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 Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi	Directors: Wu, Yue-Long, Independent Director： Wang, Cheng-Wei, Fan, Wei-Guang 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	7	7	7	7

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	3,518	3,518	224	324	3,205	3,205	707	0	0	0	7,654 and 4.8662%	7,654 and 4.8662%	None
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)		
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	2	2

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	2021				2022			
	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	6,556	0.5267%	7,801	4.0782%	7,460	3.2966%	7,460	3.2966%
General Manager Deputy General Manager	11,001	0.8838%	11,001	0.8838%	7,654	4.8662%	7,564	4.8662%
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	1,032,024	1,032,024	0.66%
	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 5 meetings in the recent year (A); 2022.5.10-2023.3.14; 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	5	0	100%	2021/7/9 re-elected
Director	Wu, Yue-Long	1	0	20%	2021/7/9 re-elected
Director	Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	3	1	60%	2021/7/9 re-elected
Director	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai	5	0	100%	2021/7/9 re-elected
Independent Director	Wang, Cheng-Wei	5	0	100%	2021/7/9 re-elected
Independent Director	Fan, Wei-Guang	5	0	100%	2021/7/9 re-elected
Independent Director	Wang, Min-Chi	3	2	60%	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 5 meetings in the recent year (A); 2022.5.10-2023.3.14; the attendance of Independent Directors is as follows:

Independent Director	2022.05.10	2022.08.09	2022.11.08	2023.01.10	2023.01.10	2023.03.14	
Wang, Cheng-Wei	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	
Wang, Min-Chi	Attendance in person	By proxy	By proxy	Attendance in person	Attendance in person	Attendance in person	

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the Board of Directors meeting, please indicate the date of the Board meeting, session number, contents of the motion, the opinions of all Independent Directors and the Company's handling of the opinions of the Independent Director:

(1) Matters listed in Article 14-3 of the Securities Exchange Act.

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
2023.3.14	Board of Directors	1. Assessment of the independence of the CPAs 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. Amendment of internal control system and corporate governance related regulations. 7. Change of the custodian of the Company's seal. 8. Establishing general principles for pre-approval of non-audit services policy. 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
2023.1.10	Board of Directors	1. 2021 Director's Compensation and Manager's Year-End Bonus Case 2. Application for extension of bank financing quota in the first half of 2023. 3. .Application by Hocheng China Co., Ltd. for a USD 2 million loan for operating capital. 4. Reappointment of the general manager. 5. Donation to the Hocheng Cultural and Educational Foundation Resolution: Proposal 1: Except for the directors mentioned above who abstained from voting due to their conflicts of interest, the proposal was approved by all other directors in attendance..	No opinion in the meeting	None	None
2022.11.8	Board of Directors	1. The company's financial statements for the third quarter of 2022 2. 2022 Internal Audit Plan 3. 2022 annual operation plan 4. Amendment of internal control operation 5.Hocheng Philippines Corporation application for bank financing endorsement guarantee 6. Cash capital increase of HoLong Industry Co., Ltd. Resolution: Approved by all presented directors.	No opinion in the meeting	None	None
2022.8.09	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. Acquisition of subsidiaries and other equity of HoLong Industry Co., Ltd. directors approved. All the other resolutions were approved by all attending 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
2022.5.10	Board of Directors	1. Change of Auditor of the Company - Jiang Chung-Yi 2. Assessment of the independence of the CPAs 3. Acknowledge the financial report for the first quarter of 2022 4. Acknowledge the 2021 business report 5. Acknowledge the 2021 surplus distribution 6. Motion on handling the cash capital reduction and refund of share capita. 7. To review the 2020 annual employee and director remuneration distribution 8. To set up a corporate governance supervisor 9. Change of the approved credit limit from the Panhsin Bank. 10. To review the proposal of shareholders at the 2022 General Meeting. 11. Matters to be added to the agenda of the 2022 General Meeting. 12GHG Inventory Timeline Planning Resolution: Proposal7, 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 Chiu, Shi-Kai	To review the compensation distribution for employees and directors for 2021.	Involvement in a stake in the motion	Did not participate for the voting	2022.05.10
Chiu, Li-Chien Chiu, Chi-Hsin Chiu, Shi-Kai	Acquisition of subsidiaries and other equity of HoLong Industry Co., Ltd.	Involvement in a stake in the motion	Did not participate for the voting	2022.08.09

Chiu, Li-Chien Chiu, Chi-Hsin Chiu, Shi-Kai	1.Directors' remuneration and managers' year-end bonuses for 2022. 2.Donation to the Hocheng Cultural and Educational Foundation	Involvement in a stake in the motion A conflict of interest	Did not participate for the voting	2023.01.10

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, 2022 to December 31, 2022	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 14, 2023. 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.

(4) The Company completed the performance evaluation of the Remuneration Committee and the Audit Committee in February, 2022 and reported to the Board of Directors on March 14, 2023. According to the overall evaluation results of 2022, the efficiency and operation of the functional committees were good, and they were able to fully perform their functions.

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); 2022.5.10-2023.3.14; 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	5	0	100%	2021/7/9 re-elected
Independent Director	Fan, Wei-Guang	5	0	100%	2021/7/9 re-elected
Independent Director	Wang, Min-Chi	3	2	60%	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 2022 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 2023 2023.3.14	The second meeting in 2023 2023.3.14	1. Assessment of the independence of the CPAs 2. Acknowledge the company's 2022 financial report 3. Propose a statement of internal control system 4. Amendment of internal control system and corporate governance related regulations. 5. Establishing general principles for pre-approval of non-audit services policy. 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
Session 2 The first meeting in 2021 2023.01.10	The first meeting in 2023 2023.01.10	1.Application for extension of bank financing quota in the first half of 2023. 2.Application by Hocheng China Co., Ltd. for a USD 2 million loan for operating capital. 3.Donation to the Hocheng Cultural and Educational Foundation 4. 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 fifth meeting in 2022 2022.11.08	The seventh meeting in 2022 2022.11.08	1. The company's financial statements for the third quarter of 2022 2. 2023 Internal Audit Plan 3. 2023 annual operation plan 4. Amendment of internal control operation 5. Application for bank financing endorsement and guarantee by Hocheng Philippines Corporation. 6.Cash capital increase of HoLong Industry Co., Ltd. 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

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 fourth meeting in 2022 2022.08.09	The sixth meeting in 2022 2022.08.09	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. Acquisition of subsidiaries and other equity of HoLong Industry Co., Ltd. 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 2 The third meeting in 2022 2022.05.10	The third meeting in 2022 2022.05.10	1. Change of Auditor of the Company - Jiang Chung-Yi 2. Assessment of the independence of the CPAs 3. Acknowledge the financial statements for the first quarter of 2022 4. Acknowledge of the 2021 business report 5. Acknowledge the 2021 surplus distribution proposal 6.cash reduction of capital and return of stock payment of the Company 7. The application of Hecheng China Co., Ltd. for endorsement guarantee 8. Change of the approved credit limit from the Panhsin Bank. 9. 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
2022/01/11 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
2022/03/22 Audit Committee	1. Implementation of the audit plan for 2021 and 2022 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
2022/05/10 Audit Committee	1. Implementation of the audit plan for 2022	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2022/08/09 Audit Committee	1. Implementation of the audit plan for 2022	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2022/11/08 Audit Committee	1. Implementation of the audit plan for 2022 2.Internal audit plan for 2023	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
2022/03/22 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports 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
2022/05/10 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 1st quarter of 2022 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
2022/08/09 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 2nd quarter of 2022 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
2022/11/08 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 3rd quarter of 2022 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) Yes	No	Summary Description		Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance	
		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 14, 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) Yes	No	Summary Description		Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance	
	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 2022. (9) Implementation Status of Risk Management Policies and Risk Measurement Standards: Each department has formulated risk management strategies based on their risk items, and there are no major deficiencies.	
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	✓		This Company has completed the corporate governance self-evaluation for 2022 and conducted the review and improvement, subject to the evaluation results in anticipation of complying with more related regulations.	There is no significant variance.

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

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

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
8.	Have the CPAs received any disciplinary actions or penalties?	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(Please refer to Attachment 1 on page 15 for the director's information.)	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(Please refer to Attachment 1 on page 15 for the director's information.)	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 commerce, legal, finance, accounting, or otherwise 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 10, 2022 to January 10, 2023) 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 (2022/05/10-2023/01/10) and the independent directors attend status as follows:

Committeeman	2022/05/10	2023/01/10
Wang, Cheng-Wei	Attendance in person	Attendance in person
Fan, Wei-Guang	Attendance in person	Attendance in person

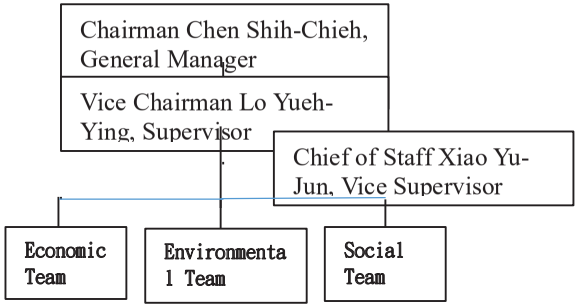
Resolution Items of the Remuneration Committee:

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 2023 2023.01.10	The first meeting in 2023 2023.01.10	1. Deliberation on the remuneration for the reappointment of general manager 2. To review the appropriation of directors' remuneration and managers' year-end bonuses for the	Submitted to the board of directors for resolution and approved by all directors present	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.
		year of 2022. 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.		
Session V The second meeting in 2022 2022.05.10	The third meeting in 2022 2022.05.10	1. To review the proposal for the distribution of directors' and managers' remuneration for the year of 2021. Resolution: Motion 1: 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: None.

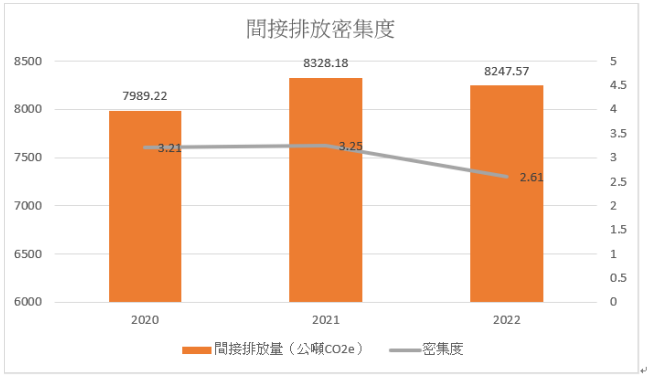
3.3.6. Sustainable Development Implementation Status and the differentiation with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies":

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?	✓		1.Governance Framework for Promoting Sustainable Development:  2.Implementation of each organization of the Company: The Company authorized the General Manager to establish the Sustainable Development Committee and appointed the General Manager as the Chairman. The Sustainable Development Committee formulated the sustainable development policy, which is responsible for implementing and implementing it within the Company, and gradually integrating the concept of sustainable management into the culture of the Company. In response to the various aspects of sustainable development, including Environment, Social and Governance (ESG), the Sustainable Development Committee has established a specialized team. The team is responsible for collecting concerns on issues such as environmental protection, occupational safety, supply chain management,	There is no variance yet.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			labor rights, operational performance, and corporate governance from relevant departments and stakeholders. Respecting stakeholders' rights, we have set up a dedicated section for stakeholders on our company website to adequately respond to their major concerns on sustainability. In the future, we also plan to report ESG performance results to the Board of Directors annually, enhancing the Board's involvement in the company's ESG achievements.	
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)	✓		1.The disclosed information of the Company covers the business information as of December 31, 2021. The risk assessment boundary is mainly based on the Company, including factories and operating locations. 2.The Company communicates with internal and external stakeholders, and evaluates significant ESG issues by reviewing research reports and literature to develop effective risk management policies and take concrete action plans for identification, measurement, assessment, supervision, and control to mitigate the impact of related risks.	There is no variance yet.
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	✓		(1) The Company, focusing on the potential occupational health and safety hazards and specific risk factors in the working environment, centers on the policy of safety and health to implement safety and health management, and enhances management performance. (2) In order to reduce the impact on the environment, the Company has updated process	There is no variance yet.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company make the statistics on the volume of room temperature gas emission, water use as well as the gross weight of waste and establish the policy of room temperature gas & water use or other waste management?			equipment in both factories. For example, outdated automatic grinding machines have been replaced, and reciprocating air compressors have been changed to spiral air compressors. It has been estimated that a total of 1,216.5 kilowatt-hours of electricity has been saved in the past three years. (3) The Company refers to the TCFD (Task Force on Climate-related Financial Disclosures) for climate-related financial information disclosure. According to the four core principles of "Governance", "Strategy", "Risk Management", and "Metrics and Targets", we have established a risk framework. This allows us to understand the impact of climate change risks on the Company and formulate corresponding measures. Please refer to Section 4.8 of the 2021 Sustainability Report for climate change risk management and response. (4) GHG inventory is planned for 2024. 1.GHG Emission Intensity:	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	



註 溫室氣體排放密集度:間接溫室氣體排放量/百萬銷售額

2.Water Usage:

耗水量（百萬公升）	總取水量	總排水量	耗水量
2020	233.54	123.55	109.99
2021	225.71	138.79	86.92
2022	219.51	51.93	167.58

註 耗水量＝總取水量-總排水量

水源皆為自來水，其總溶解固體皆為≤1,000 mg/L 之淡水。

Note: Water consumption = Total water intake - Total water discharge

All water sources are tap water, with total dissolved solids all being ≤1,000 mg/L fresh water.

3.Policy on waste management:

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			In terms of waste management, HCG strives to reduce waste output as much as possible. Control measures require both factories to properly sort waste, avoid random disposal of waste that could cause handling problems. In addition, there is control at the source of waste, classifying the waste generated in the process according to its nature. ● The general industrial waste in the Yingge Plant includes waste fibers, waste foundry sand, waste cotton cloth, and non-hazardous dust collection ash. Hazardous industrial waste is electroplating sludge. ● The general industrial waste in the Taoyuan Plant includes waste plastic mixtures, waste ceramics, waste gypsum molds, and inorganic sludge. There are no hazardous industrial wastes in the Taoyuan factory. In the use of copper raw materials, the dust of wheel chips and copper powder after grinding are separately collected, reducing waste generation. In addition, we advocate reducing waste paper from documentation, with general documents being printed double-sided or using the blank side of discarded documents as much as possible. Waste that cannot be reused in the process, such as waste porcelain, waste molds, body bubble bags, water tank accessory cartons, and pallets, are recycled and reused by relevant manufacturers. The remaining waste is disposed of off-site and handled by licensed contractors.	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
IV. Social Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Does the company formulate and implement the reasonable employee welfare measures (including remuneration, vacation and other welfares, etc.) and properly reflect its operation performance or results on the employee' remuneration? (3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company build up an effective career ability development plan for the employees? (5) Does the company comply with the related regulations and international standards pertinent to the customers' health and safety, customers' privacy, marketing and labeling, of the product & service, and establish the policy and appealing procedures related to the protection of the consumer or client's rights?	✓		(1) The Company values employees' rights, fostering a friendly environment for the protection of human rights. We respect the freedom of association of employees, care for vulnerable groups, prohibit child labor, eliminate all forms of forced labor, eradicate employment and occupational discrimination, and prevent any infringement and violation of human rights. We ensure gender equality and fair treatment of all employees. The Company's salary policy guarantees that employees' salaries are not differentiated due to an individual's gender, age, race, religion, or political stance. At the same time, we adhere to labor and human rights laws at each operating location, and we promote important information about human rights protection and labor rights to both new hires and current employees. In addition, we provide a whistleblowing channel for employees to use. After receiving reports, dedicated personnel will conduct thorough investigations, and we ensure the confidentiality of the whistleblower's personal information. If the investigation verifies the claims, we promise not to treat the whistleblower unfavorably. (2) 1. The Company determines employee compensation based on the achievement rate of annual operational goals and the company's profitability, providing colleagues with	(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)	
(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?			remuneration that exceeds local legislation and is competitive in the market. In order to ensure that colleagues' work performance is appropriately reflected in their personal compensation, all employees regularly undergo performance and career development assessments. The results of these assessments are considered for employee career advancement, allowing colleagues with specific technical strengths to grow into professionals in their respective fields through their own efforts. Employees with management capabilities and leadership potential can also rise to management positions, providing ample room for colleagues' career development. Overall, the Company's employee remuneration primarily takes into account individual service years, educational background, and professional capabilities, and does not differentiate compensation based on personal physiological or psychological differences. As employees' tenure in the Company increases and they become proficient in industry knowledge and experience, the Company is happy to share its profits with its colleagues. This is reflected in the annual growth of the average and median annual salary of non-managerial employees in Taiwan, ensuring that while employees contribute their strengths to the company, they also have financial stability in their personal lives, enhancing colleagues' centripetal force and sense of belonging to the company.	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			(3) 1.Employees are entitled to a company-funded health check-up every five years of employment. Those aged over 40 but under 65 are entitled to a company-funded health check-up every three years. Special operation personnel are entitled to a company-funded health check-up every year. Our company values the results of employee health check-ups and, with employee consent, actively assists those with abnormal or special conditions in follow-up treatment or observation to ensure employee health. 2. We have medical personnel in place to enhance employees' knowledge of health management. They provide related improvement consultation and follow-up reexamination arrangements and reminders for those with abnormal health check results. They also assess the level of cardiovascular disease risk using the WHO cardiovascular disease risk prediction chart through abnormal labor health check reports, for further management. 3. We have qualified first aid personnel in place to handle emergency situations. The Company has installed AEDs in the office building and provided comprehensive guidance for emergency rescue, thereby reducing the pre-hospital mortality rate of such patients. 4. To strengthen employees' awareness of fire prevention and disaster prevention, and prevent disasters from happening, we have established a	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			self-defense fire brigade and conduct regular drills. (4)The Company's training unit formulates an annual training plan based on the Company's business policy, business goals, training needs raised by each department, and actual budget situation. Each unit sets out professional skill development plans for their employees every year and executes them according to the content of the plans. 1.This ensures that employees clearly understand the skills they should possess in their own roles and related knowledge in quality/environmental safety. 2.It diversifies the skills of employees and sets promotion goals as guidelines for development. 3.It allows managers at all levels to study scientific and rational management methods and cultivate management abilities. 4.It enables managers at all levels to actively carry out personnel training, pass on work experience, and meet future talent needs. 5.It enhances the overall standards of employees, thoroughly achieving quality assurance and environmental performance, enabling employees to achieve full coordination, and increasing work efficiency. (5)The Company adheres to relevant laws and international standards in marketing products and services. The Company does not sell directly to general consumers. For corporate customers,	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			The Company has a dedicated after-sales service unit to provide after-sales services and consultations on product use, and to handle customer complaints. (6)The Company adheres to the principle of strictly complying with national laws and social norms, we require the signing of a supplier commitment letter. The Company is actively developing excellent suppliers, subcontractors, and secondary sources, conducting visits and evaluations in accordance with related assessment methods, and establishing a supplier grading management system. Supplier selection criteria: 1.Must have a business registration certificate and a legal factory registration. 2.Must have a sound system and good reputation, and no major violations of laws. 3.The main raw materials must comply with HCG's restricted substances. 4.Priority is given to those who obtained ISO management systems such as ISO 14001 and ISO 45001.	
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?	✓		The Company has prepared the sustainability report in accordance with the core option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016. The report also meets the requirements of the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies." However, it has not obtained confirmation from a third-party verification unit.	We would enhance the disclosure of the related corporate social responsibility in keeping with the establishment of the future systems.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
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.On June 24-25, 2022, the Company participated in the ESG Summit to promote the achievements in environmental, social, and governance practices. 2. 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. 3. This Company has built up the appealing mechanism and channels for the employees with proper treatment. 4. This Company provides the employees with a safe and healthy work environment and conducts on a regular basis the safety and health education for the employees. 5. This Company offers the high-quality employment opportunities, sets up the employees’ welfare committee, implements the pension system, and arranges the regular physical examination, etc. We put much emphasis on the labor harmony. 6. In order to protect and co-exist with our natural environment, attain to the objective of the corporate sustainable management and well perform the social responsibility, this Company establishes the environmental policy and the labor safety & health system. We also introduce the ISO-9001 system and put it into full implementation. Besides, we continuously upgrade the environmental management performance for the purpose of the corporate sustainable operation. 7. This Company legally executes the recycling of resources subject to the contents of the business waste cleaning plan. 8. This Company encourages the use of environmental-friendly packing materials, reduce waste and increase the cycle of resources. 9. This Company advocates via the educational training the co-workers’ awareness of such basic sense of responsibility as environmental protection, resources recycling and energy saving. Certification passed: 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: 45001 (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) The Company has established a code of conduct for business ethics, which has been approved by the Board of Directors and is clearly stated in the Company's operating procedures. The policy for ethical business conduct is to be actively implemented by the Board of Directors and management, and is implemented effectively in internal management and external business activities. The Company's procedures for ethical management and guidelines for conduct are disclosed on the website. (2) The Company designates the General Manager's Office as the dedicated unit and allocates sufficient resources and competent personnel to handle the revision, implementation, interpretation, consultation, and notification of the Ethical Corporate Management Best Practice Principles, as well as related operations such as filing and monitoring the implementation.	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) In addition to establishing the Ethical Corporate Management Best Practice Principles, the Company has also established an effective internal control system through the audit mechanism of the internal audit unit. Our dedicated department will prepare an annual report on the implementation of business integrity and submit it to the Board of Directors for review and revision to prevent risks of dishonest behavior in business activities.	
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) Before conducting any business activities with customers or suppliers, the Company evaluates them to ensure that all commercial activities are conducted in a fair and transparent manner, and that contracts clearly state the rights and obligations of both parties to prevent any possible unethical behavior.	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? (3) Does the company establish the conflict of interest prevention policy, provide the adequate appealing channel, and carry out the execution?			(2) The responsible personnel for the Company's integrity management policy are the corporate governance executives, who are in charge of establishing and revising the integrity management policies and ensuring their implementation. They report on the performance to the board of directors on a regular basis. (3) The Company's integrity management policy, meeting procedures for the board of directors, and practical guidelines for corporate governance specify rules for avoiding conflicts of interest and providing explanations in such situations for directors, executives, and other stakeholders.	

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? (5) Does the company regularly conduct the internal and external educational training in respect of ethical corporate management?			(4) The Company has established effective accounting and internal control systems in accordance with relevant regulations of the competent authority, and timely revised them to ensure the continued effectiveness of the system design and implementation. The audit unit also formulates relevant audit plans based on the internal audit and self-assessment results of internal controls, and audits the compliance of anti-fraud action plans, and produces audit reports and issues internal control system statements to the board of directors. (5) The Company has disclosed the ethical corporate management best practice principles on its website and promotes it to enhance the effectiveness of the Company's ethical business practices.	
III. Implementation Status of the Company's Reporting System	✓			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) To implement the policy of integrity management and prevent non-compliant behavior, the Company has established a whistle-blower system and designated appropriate personnel to handle reported cases. We have also set up a section on the Company's website for stakeholders to report and file complaints. (2) The Company has established a standard operating procedure for the investigation of reported matters in the whistleblowing system, the follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms. The Company also provides a proper whistleblowing channel and ensures the confidentiality of the identity of the whistleblower and the content of the report. (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?	✓		The Company has disclosed its profiles, basic information, and financial information on the corporate website, and the Company-related information will be updated on the MOPS.	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.				

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	
VI. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): A.The Company's board of directors' meeting procedures include a conflict of interest avoidance system. If a director or their represented legal entity has an interest in any matter to be discussed at a board meeting that may harm the Company's interests, the director may express their opinions and answer inquiries but cannot join the discussion or vote. They should recuse themselves during the discussion and voting and may not exercise the voting rights of other directors on their behalf. B.The Company's insider trading prevention measures stipulate that directors, managers, and employees must not disclose significant internal information that they are aware of to others. They must not inquire or collect unpublicized significant internal information of the Company from those who are aware of it, which is unrelated to their duties. Also, they must not leak any unpublicized significant internal information of the Company that they know about, not related to their business execution, to third-party.				

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

3.3.10.1. Statement of Internal Control System

HOCHENG Corporation

Statement of Internal Control System

Date: March 14, 2023

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, 2022, 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 14, 2023. 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

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

(11) Recent year and until the printing date of the annual report, the company and its internal personnel have not been punished according to the law, and the company has not imposed any penalties on its internal personnel for violations of internal control system regulations. There are no major deficiencies and improvement situations.

(12) Important resolutions of the shareholders' meeting and the board of directors in the recent year and until the printing date of the annual report:

1. Important resolutions of the board of directors: Date Important Resolution Items Mar 14, 112 1. Evaluation of the independence of the certifying accountant 2. Approval of the financial statements for the year 111 3. Agenda for the 112th annual general meeting of shareholders 4. Date of receipt of written proposals from shareholders 5. Submission of the statement of internal control system 6. Revision of internal control system and related governance regulations 7. Change of company seal custodian 8. Establishment of general principles for pre-approval of non-assurance services policy Resolution Result: Unanimously approved by all attending directors Jan 10, 112 1. Directors' remuneration and executive year-end bonus for the year 111 2. Application for extension of bank financing limit for the first half of 112 3. Application for operational funds borrowing of USD 2 million from Hocheng China Co., Ltd. 4. Renewal of general manager's contract 5. Donation to Hocheng Cultural and Educational Foundation Resolution Result: For items 1 and 5, except for the directors who abstained due to conflicts of interest, all other attending directors approved the resolutions. For the remaining items, all attending directors unanimously approved the resolutions. Nov 8, 111 1. Financial statements for the third quarter of the year 111 2. Internal audit plan for the year 112 3. Operational plan for the year 112 4. Amendments and additions to internal control procedures 5. Application for bank financing endorsement guarantee by Hocheng Philippines Corporation 6. Cash capital increase for Holoong Industries Co., Ltd. Resolution Result: Unanimously approved by all attending directors Aug 9, 111 1. Financial statements for the second quarter of the year 111 2. Application for extension of bank financing limit for the second half of the year 111 3. Application for endorsement guarantee by Hocheng Philippines Corporation 4. Acquisition of other shares of subsidiary Holoong Industries Co., Ltd. Resolution Result: For item 4, except for the directors who abstained due to conflicts of interest, all other attending directors approved the resolution. For the remaining items, all attending directors unanimously approved the resolutions

May 10, 111

1. Change of the company's signing certified public accountant, Ms. Jiang Zhongyi
2. Evaluation of the independence of the signing certified public accountant
3. Approval of the financial statements for the first quarter of the year 111
4. Approval of the business report for the year 110
5. Approval of the profit distribution for the year 110
6. Cash reduction and refund of share capital by the company
7. Review of the distribution of employee and director remuneration for the year 110
8. Application for endorsement guarantee by H&H China Co., Ltd.
9. Approval change of the financing limit from Bank Sincere
10. Examination of shareholder proposals for the annual general meeting of the year 111
11. Addition of agenda items for the annual general meeting of the year 111
12. Schedule planning for greenhouse gas inventory

Resolution result: Except for the directors who abstained due to conflicts of interest, all attending directors agreed to pass the resolution. All other resolutions were agreed upon by all attending directors.

2. Review of the resolutions and implementation status of the annual general meeting of the year 111:

Meeting Date Important Resolutions Result and Implementation Status Shareholders' Meeting 06/27/111

1. Approval of the business report and financial statements for the year 110 Passed the vote and followed the revised procedures.
2. Approval of the profit distribution for the year 110 Passed the vote. A statutory surplus of NTD 119,639,048 was allocated from the distributable profits of the year 110.
3. Shareholder proposal - Profit distribution for the year 110 Not passed the vote.
4. Partial amendment of the business processing procedures for the acquisition or disposal of assets by the company Passed the vote and followed the revised procedures.
5. Cash reduction and refund of share capital by the company Passed the vote and followed the procedures.

(Thirteen) Recent year and until the date of printing the annual report, there were no records or written statements of disagreement by directors or supervisors on significant resolutions passed by the Board of Directors.

(Fourteen) Recent year and until the date of printing the annual report, summary of resignations and dismissals of individuals related to the company (including Chairman, General Manager, Chief Accountant, Financial Manager, Internal Audit Manager, Corporate Governance Manager, and R&D Manager): None.

3.4 information on auditors' fees Amount in NTD thousand dollars Name of Accounting Firm Name of Auditor Audit Fee Non-audit Fee Total Remarks Anhou Jianye & Partners Jiang Xiaoling Year 111 3,800 471 4,271 Xu Shumin Year 111 Anhou Jianye & Partners:

1. Review fee for the capital reduction in the year 111: NTD 1,959.
2. Translation service for individual financial statements and annual consolidated financial statements in English for the year 110 (final payment): NTD 130,000.
3. Review fee for the deduction item of undistributed profit of the business income tax for the year 110: NTD 100,000.
4. Review fee for non-executive full-time employee information for the year 110: NTD 30,000.
5. Registration fee for company capital reduction change (including capital verification): NTD 166,000.
6. Year-end inventory check fee for Anhou: NTD 1,239.
7. 4/12-4/14 111Q1 Anhou review travel expense + 3/22 board meeting travel expense + 3/29-3/30 internal control travel expense: NTD 3,255.
8. 7/12-7/14 111Q2 Anhou review travel expense: NTD 1,878.
9. 7/28 111Q2 Anhou close meeting travel expense, etc.: NTD 1,575.

10. 10/13-10/19 111Q3 Anhou review, 10/26 111Q3 Anhou close meeting travel expense: NTD 3,365.
11. 10/31-11/3 Mid-term tax audit travel expense by Anhou: NTD 1,299.
12. 11/21-11/25 Mid-term internal control travel expense by Anhou: NTD 2,239. Total: NTD 442,809.

Integrity Joint Accountants Firm:

1. Audit fee for the verification of the concurrent business operator's business tax direct offset method for the year 110: NTD 18,000.
2. Audit fee for the production records (authorized products) for the year 110: NTD 10,000. Total: NTD 28,000.

3.5.In the year 111 of the Republic of China, the company replaced the signing certified public accountant due to the internal rotation required by relevant laws and regulations:

In the year 111, due to the internal rotation within the accounting firm, Mr. Jiang Zhongyi, the signing certified public accountant, was replaced by Ms. Xu Shumin.

3.6.The Chairman, General Manager, or manager responsible for finance or accounting of the company, who has served in the accounting firm or its affiliated enterprises in the past year, shall disclose their name, position, and period of service in the accounting firm or its affiliated enterprises: 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	(2,309,766)	0	0	0
Director	Wu, Yue-Long	(492,555)	0	0	0
Director	Fuho Investment Co., Ltd. - representative: Chiu, Chih-Hsin	(244,437)	0	0	0
Director	Yuhuang Co., Ltd. - representative: Chiu, Shi-Kai	(2,526,066)	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	3,009	0	0	0
Vice general manager	Kang, Shui-Shu	0	0	0	0
Vice general manager	Huang, Jian-Cheng	(38,789)	0	0	0
Chief financial officer of finance department	Chiu, Chi-Hsin				
Associate	Xu,Zhao-Shan	0	0	0	0
Associate	Chen,Yao-Song	(1,679)	0	0	0
Associate	Huang,Zhao-Jie	0	0	0	0
Associate	Chen,Jin-Ye	0	0	0	0
Associate	Xu,Ting-Jia	(454)	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 ,	0	0	0	0
Associate	Yong-Chang	0	0	0	0
	Tong, Qing-Wei	0	0	0	0
Associate	You, Rong-Dan	(32)	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 2, 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.	16,294,430	5.29%					None	None	
Yuhuang Co., Ltd.: Chiu, Shi-Kai	11,507,634	3.79%					None	None	
Chiu, Li-Chien	10,522,267	3.47%					None	None	
Li, Kai-Ping	9,213,789	3.07%					Chiu, Shi-Kai	Mother and son	
Chiu Lin, Tsui	8,015,343	2.64%					None	None	
Chiu, Chun-Chieh	7,416,922	2.45%					None	None	
Chiu, Hung-Yu	7,224,529	2.38%					Chiu Chen, Hui-Mei	Couple	
Chiu Chen, Hui-Mei	5,896,287	1.94%					Chiu, Hung-Yu	Couple	

Yishui Tang Investment Co., Ltd.	5,377,000	1.77%					None	None	
Chiu, Shi-Kai	4,926,461	1.62%					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.	6001	100	--	--	6001	100

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
2022.08	10	570,000,000	5,700,000,000	303,279,960	3,032,799,600	cash capital reduction 665,736,500	--	Note9

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: In accordance with the approval letter issued by the Ministry of Economic Affairs, letter number 10001266250, dated November 24, 2011.

Note 9:In accordance with Taiwan Stock Exchange letter no. 1111803912, dated August 16, 2022.

4.1.2 Shareholder Structure

April 23, 2023

Shareholder Structure / Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	0	0	62	23,146	53	23,261
Number of shares held	0	0	64,513,269	277,177,715	11,588,976	303,279,960
Shareholding Ratio	0%	0%	21.27%	74.91%	3.82%	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 23, 2023

Shareholding Classification	Number of shareholders	Number of shares held	Shareholding Ratio
1 to 999	6,740	2,244,404	0.74%
1,000 to 5,000	13,119	27,213,184	8.97%
5,001 to 10,000	1,866	15,485,965	5.11%
10,001 to 15,000	396	5,159,774	1.70%
15,001 to 20,000	399	7,463,473	2.46%
20,001 to 30,000	251	6,574,214	2.17%
30,001 to 40,000	104	3,715,811	1.23%
40,001 to 50,000	89	4,189,594	1.38%
50,001 to 100,000	124	9,336,689	3.08%
100,001 to 200,000	70	9,887,399	3.26%
200,001 to 400,000	26	7,041,885	2.32%
400,001 to 600,000	11	5,675,372	1.87%
600,001 to 800,000	7	4,666,553	1.54%
800,001 to 1,000,000	7	6,041,695	1.99%
1,000,001 or more depending on Actual situation	52	188,583,948	62.18%
Total	23,261	303,279,960	100.00%

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

4.1.4 List of major shareholders

April 23, 2023

Shares / Name Of major shareholders	Number of shares held	Shareholding ratio (%)
Dorkay Investment Company Ltd.	16,034,045	5.29
Yuhuang Co., Ltd.	11,507,634	3.79
Chiu, Li-Chien	10,522,267	3.47
Li,Kai-Ping	9,213,781	3.04
Chiu,Lin-Cui	8,015,343	2.64
Chiu,Jun-Jie	7,416,922	2.45
Chiu,Hong-You	7,224,529	2.38
Chiu,Chen-Hui-Mei	5,896,287	1.94
Yishui Tang Investment Co., Ltd.	5,377,000	1.77
Chiu, Shi-Kai	4,926,461	1.62

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

Item \ Year			2021	2022	Current year, as of March 31, 2023 (note 8)
Market price per share (note 1)	The highest		18.3	23.35	20.3
	The lowest		8.9	9.87	16.95
	Average		12.31	13.79	18.02
Net worth per share (note 2)	Before distribution		19.62	21.26	21.61
	After distribution		---	---	---
Earnings per share	Weighted average number of shares		368,120 thousand shares	343,727 thousand shares	301,859 thousand shares
	Earnings per share (note 3)		3.33	0.46	(0.04)
Dividends per share	Cash dividends		0.2	0.2	---
	Bonus shares	Stock dividends	0		---
		Capital reserve dividends	0		---
	Accumulated unpaid dividends (note 4)		---		---
Analysis of return on investment	Earnings ratio (note 5)		3.67	29.98	---
	Dividend ratio (note 6)		61.55	68.95	---
	Cash dividend yield rate (note 7)		1.62%	1.45%	---

＊ 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 2022 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 2022 was NT$157,290,246, setting aside NT$22,910,303 as ten percent legal reserve pursuant to articles of incorporation of the company, and distributable surplus in the end of the period was NT$1,514,475,242. Distributable surplus in 2022 was NT$1,514,475,242 and was proposed to allocate for shareholders' cash dividends of NT$60,655,992 (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 2022 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 2023 was NT$226,292,000, by proposal of the second remuneration committee in the fifth session of 2023, the compensation of employees (including managerial officers) is 6%, totaling NT$14,902,000 and the remuneration of directors 3%, NT$7,460,000, 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.

2022	
Employee Compensation	NT$14,920,394
Directors Remuneration	NT$7,460,197

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:

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

4.1.9. Status of the company repurchasing its own shares: In 2022 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:

4.1. Financing Plans and Implementation of Corporate Bonds: None
4.2. Financing Plans and Implementation of Preferred Shares: None
4.3. Financing Plans and Implementation of Overseas Depositary Receipts: None
4.4. Financing Plans and Implementation of Employee Stock Option with Warrants: None
4.5. Restrictions on the handling of new shares of employees' rights: None
4.6. Implementation of Mergers and Acquisitions or Issuance of New Shares in connection with any acquisition of shares of another company: None
4.7. Implementation of Assets Process and Planning:

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

V. Operational Highlights

5.1. Business Activities:

(I) Scope of Business:

Main Business Activities and the Business Proportion:

The scope of business of this Company is mainly manufacture, processing, sales, repair & maintenance, etc. of the general sanitary ceramics, water supply copper, bathtub, kitchen utensils and bathroom accessories. The rate for import is 75.47%, while that for export is 24.53% (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 33% 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 39% of the total operational revenue.

Bathtub and countertop: SMC bathtub, jaccuzi, automatic clotheshorse, shower sliding door, marble countertop, etc.; the sales volume accounts for 6% of the total operational revenue.

Others: toilet cover, kitchenware, Ker Taur, etc.; the sales volume accounts for 21% 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	2020	2021	2022	The Current Year up to March 31, 2023
Amount	136,010	131,188	111,059	23,144

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

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	13	Related Products of Series of Assistive

	Forming Toilet		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

Research and Development Results 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

3. Research and Development Plan in the Future:

I Items Scheduled for Development in 2023

No.	Product Item	No.	Product Item
1	BADEN 2.0 Series	12	New Shower Columns Improvement
2	LEGATO 2.0 Series	13	150cm Stand-alone Cylinder
3	Tube Series for Round Tap	14	Zinc Die-casting Tap
4	Cuboid Series for Square Tap	15	New S12C Stainless Steel Emergency Shower and Eye Washer
5	AFC3306 Super Toilet	16	New Rotating Shower Chair
6	AF8900 Health Value-added Smart Toilet	17	High Protection Ceramic Composite Module
7	C2140 High-pressure Molded Toilet	18	New Materials for Anti-Ballistic Materials
8	C4394 Standing-pouring Molded Toilet	19	Application of Composite Structural Parts
9	C4293 Standing-pouring Molded Toilet	20	LAZULI Colored Carbon Fiber
10	C4399 Standing-pouring Molded Toilet	21	LAZULI Short Fins

No.	Product Item	No.	Product Item
11	Mechanical Urinal U283		

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

1.Short-term business development plans

(1)Improve customer service to establish trust and facilitate the sales of related products.

(2)Actively develop and sell products related to the demand for composite materials, bulletproof ceramics, and environmental-friendly ceramic faucets, among others.

(3)Make customers deeply recognize the concept of "quality first" and "service first" for our products.

(4)Use "customer satisfaction is our responsibility" as the working principle for all employees.

2.Long-term business development plans

(1)Actively develop markets and channels to achieve annual business goals.

(2)Reduce costs, strengthen logistics management, and increase operating profits.

(3)Accelerate new product development and improve market competitiveness.

(4)Strengthen advertising and marketing to increase market share of products.

(5)Enhance talent training and implement performance management.

(6)Implement ISO quality and environmental policies.

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

1. Short-term Business Development Plan

(1) Due to the impact of the global political and economic situation, Taiwan's economy has been declining since the outbreak of the Russo-Ukrainian War. The energy and food prices have fluctuated sharply due to the war. Although the supply chain bottleneck has been improved, the global recession has put pressure on major countries/regions to face strikes, wage increases, and layoffs. The GDP estimate shows that affected by the decline in exports, the annual economic growth rate has also dropped to 2.43%, the lowest in six years.

(2)Consumer Confidence Index:

The consumer confidence index is a comprehensive index of the satisfaction of regional consumers with the current economic situation and their expectations for the future economic trend. It reflects consumers' willingness and degree of consumption. According to statistics, the Taiwan consumer confidence index in 2022 hit a new low of 50.12 (December 2022), a decrease of 20.36 compared to the lowest index of 70.48 (June 2021), and the lowest in 13 years.

(3)Economic Signal:

According to statistics, the economic signal turned blue in December 2022. Among the nine constitutive items, except for the slight increase in the operating income of the wholesale, retail, and catering industries, the rest are in a downward trend. Currently, the economic signal and the simultaneous index are still declining, indicating that the current domestic economy is still in a state of recession.

(4)Consumer Price Index:

Due to the supply chain bottleneck, the price of fertilizers has risen, adverse weather has pushed up food costs, and rent has increased. The seven major categories of indexes have shown an obvious upward trend. According to the survey, the consumer price index in 2022 was 107.4, with an annual growth rate of 2.71%, an increase of 2.95% compared to 2021, and a 14-year high.

5.2. Market and Production & Marketing Overview

(I) Market Analysis

(1)This year, the overall residential property market started off hot, but gradually cooled down, especially in the southern region where transactions decreased due to high base period and government monitoring. In the commercial property investment and land markets, buyers were not as active as last year, and the land market was constrained by limited availability of properties and tight land purchase loan policies by the central bank.

(2)Due to the shift in monetary policy, regulatory measures, and differing price perceptions, the real estate market has cooled down this year. In the future, government agencies will have limited room for loosening policies on curbing speculation in the housing market. Meanwhile, developers will face challenges of high building material and land costs, labor shortages, and the demand for green building materials, which will compress their profit margins.

(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
2022	21.4	13.1	3.7	3.1	11.2	2.2	5.1	3.5	1
	41.3.				22				1

Unit: %

Area	Southern Area					Eastern Area		
Rate of Operational Revenue	Kaohsiung	Tainan	Chiayi	Yunlin	Pingtung	Hualien	Ilan	Taitung
2022	13	54.5	3.9	4.9	4.1	1.2	3.4	0.7
	30.4					5.3		

(2)Participated in ESG summit to promote a sustainable environment and fulfill social responsibility. Sponsored the "LENUS" intelligent epidemic prevention and protection device to strengthen on-site epidemic control during the exhibition.

(3)AFC6699 intelligent super toilet seat won the MIT Taiwan Golden Selection award.

(4)The Racing Team of the Department of Power Mechanical of Tsing Hua University presented a new generation of Formula SAE, with aerodynamic kits and multiple structural components manufactured with the guidance of Hocheng's carbon fiber composite material technology.

(5)PERFIT, Formosa Plastics, and Hocheng jointly released carbon fiber safety toe cap.

(6)Sponsored the National Museum of Marine Science and Technology's marine restoration fund.

(7)The LAZULI AQUAMARINE series of carbon fiber frog shoes received recognition at the 2023 Taiwan Boutique Awards.

(8)The Hocheng Cultural and Educational Foundation held the "My Homeland, Taiwan Folk Symphony - Hocheng Appreciation Concert for Medical Staff" charity concert.

(9)The AFC6699 intelligent super toilet seat received the Taiwan Smile Product MIT Golden Selection certificate.

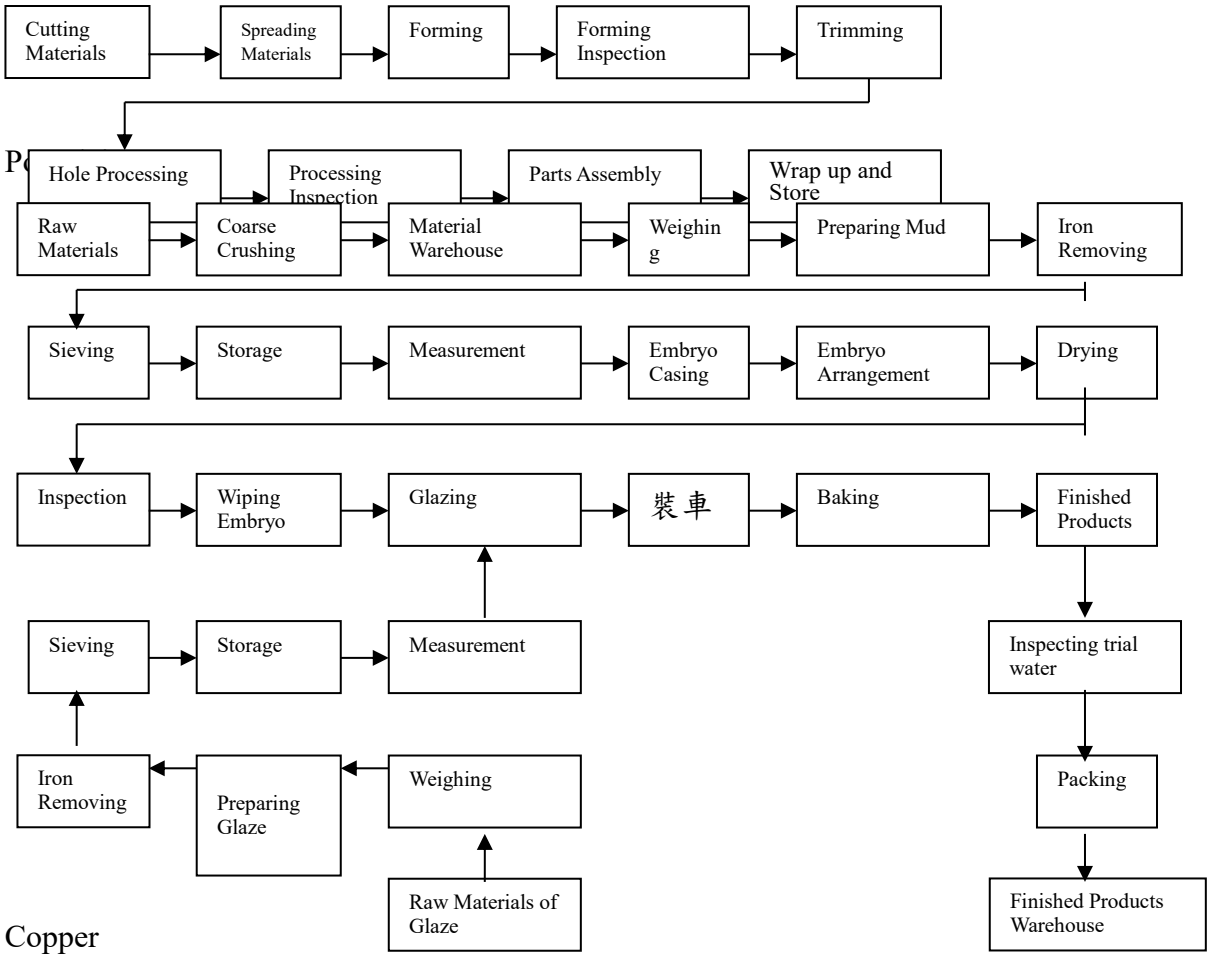
(II) Important Usage and Production Process of Main Products

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

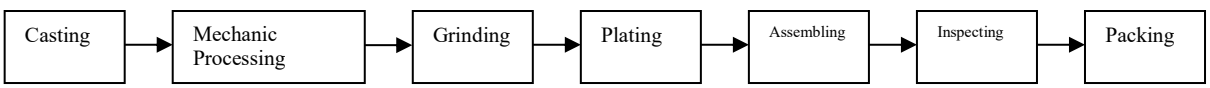
2. The production process of products is as follows:

(1) SMC Bathtub

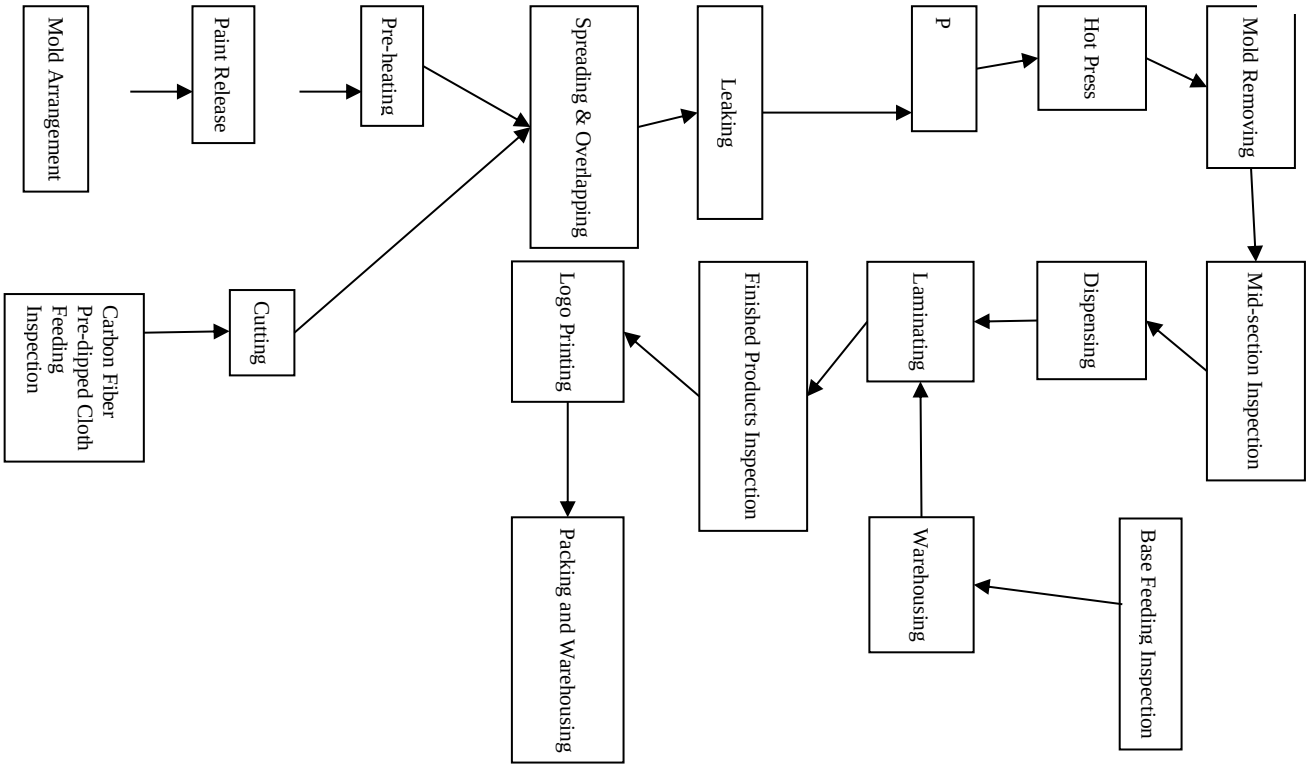


(2) P

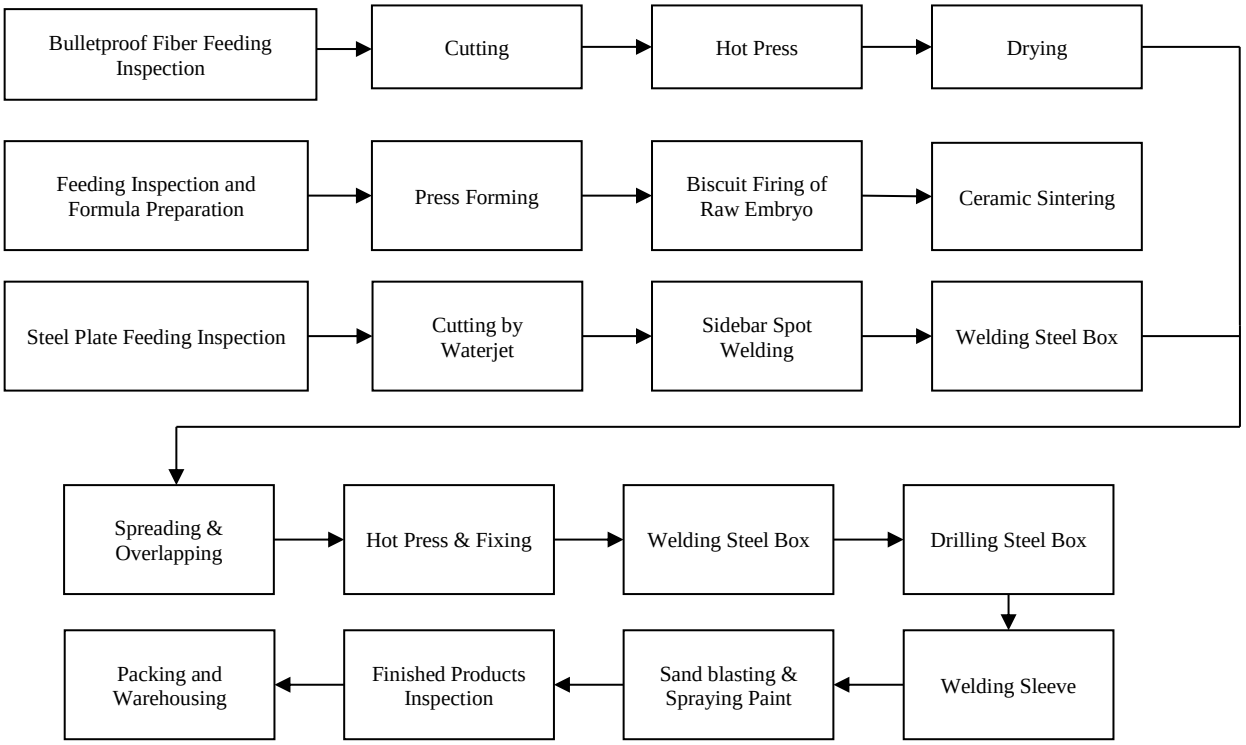
(3) Copper



(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

	2021				2022				2023 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	1,184,870	22.3%	Distributor	A	367,512	7.34%	Distributor	A	74,817	6.83	Distributor
2	B	680,105	12.8%	Distributor	B	144,763	2.89%	Distributor	B	30,527	2.79	Distributor
3	C	669,478	12.6%	Distributor	C	127,166	2.54%	Distributor	C	30,264	2.76	Distributor
4	Others	2,778,866	52.3%		Others	4,365,004	87.22%		Others	959,392	87.62	
	Net Sales Amount	5,313,319	100%		Net Sales Amount	5,004,444	100%		Net Sales Amount	1,095,000	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

	2021				2022				2023 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	280,420	13,95%	Nil	Wen Hung	327,003	15.34%	Nil	Wen Hung	66,460	16.49%	Nil
2	Yuhuang	149,431	7.43%	Affiliate	Yuhuang	150,298	7.05%	Affiliate	Yuhuang	30,710	7.62%	Affiliate
3	ALLFINE	124,513	6.20%	Affiliate	Hostan	109,555	5.14%	Affiliate	Hostan	21,701	5.39%	Affiliate
4	Others	1,455,829	72.42%	Nil	Others	1,544,893	72.47%	Nil	Others	284,135	70.50%	Nil
	Net Purchase Amount	2,010,193	100%		Net Purchase Amount	2,131,749	100%		Net Purchase Amount	403,006	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)	2021			2022		
	Production Capacity	Yield	Output Value	Production Capacity	Yield	Output Value
Porcelain	700,000	462,662	878,749	700,000	401,143	843,879
Copper	1,700,000	1,419,945	1,237,653	1,700,000	1,434,741	1,145,117
Kitchenware	78,500	65,400	312,029	66,000	55,200	268,252
SMC	121,440	86,810	53,020	121,440	70,429	50,970
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)	2021				2022			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Porcelain	854,294	1,173,273	15,020	9,252	1,227,672	1,302,195	66,470	37,816
Copper	925,955	857,240	10,013	6,169	1,879,688	1,382,402	19,596	15,991
Kitchenware	45,407	292,709	0	0	44,730	258,198	5	11
SMC	116,662	182,798	0	0	95,061	206,644	33,812	9,323
Find Ceramic Composite Materials	Note	364,250	Note	0	Note	234,219	Note	1,469
Mainland China + Philippines + Other Affiliates	Note	754,090	Note	1,673,538	Note	392,824	Note	1,211,393
Total	Note	3,624,360	Note	1,688,959	Note	3,776,482	Note	1,227,962

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, 2023

Year		2021	2022	March 31, 2023
Employee No.	Key Management Staff	281	267	250
	Staff	357	355	338
	Operator	428	436	446
	Total	1,066	1058	1034
Average Age		42.43	42.46	42.34
Average Years of Service		13.54	13.39	13.27
Distribution Rate of Education	Ph. D.	0.28	0.19	0.29
	Master	2.44	2.65	2.42
	University & College	37.90	38.00	37.23
	Senior High School	26.64	24.95	24.47
	Below Senior High School	32.74	34.21	35.59

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

	2023	2024	2025
Pollution Prevention Equipment Intended for Purchase or Contents of Expenditure	Waste recycling and reuse	Efficient wastewater separation and treatment	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	6,500	6,700	6,000
Effect on Net Profit after Improvement	The preceding expenditure makes no remarkable effect on the company's net profit.	The preceding expenditure makes no remarkable effect on the company's net profit.	The preceding expenditure makes no remarkable effect on the company's net profit.
Effect on Competition Status	1. Meet the requirements of the environmental protection act. 2. Promote the corporate image. 3. Reduce waste generation. 4. Reduce production costs and increase corporate competitiveness. 5. Increase reuse rate.	1. Increase the waste water disposal efficiencyReduce the repair and maintenance expenses for the waste water disposal equipment. 2. Meet the requirements of the environmental protection act. Promote the corporate image. Increase the corporate competitiveness 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. 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) Year-end Bonus.

(8) Compensation for Employees.

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

2. Educational Training and Further Study

(1) This Company conducted a total of 14 internal trainings in 2022 with total 180 class hours, in which 384 person participated; the external training hours amounted to 789.5hours, in which 69 person times participated; the total training expenses was NT$474,346.

(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 2022, the balance of the pension fund is NT$690,467,000.

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.

VI.Information Security Management:

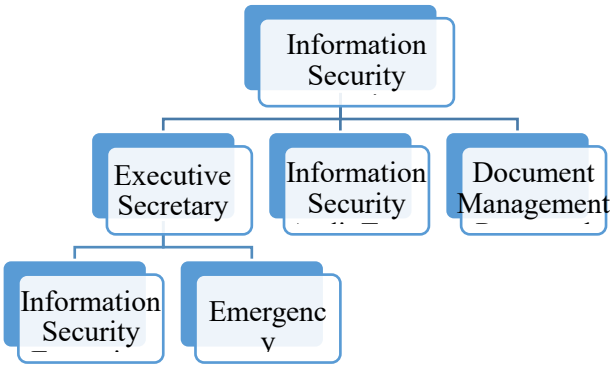
(1)Information security risk management framework, policy, specific management plans, and resources invested in information security management:

1.Information security risk management framework:

In order to enhance information security management, the Company established an "Information Security Committee" in 2021, with the management representative as the convener. We have also introduced ISO27001:2013 and assigned department-level managers to establish information security teams. The Information Technology (IT) department has established an information security execution team and an emergency response team, responsible for daily information security operations. We have also set up an information security audit team, conducting at least one internal security audit each year and holding information security management review meetings. The IT department head reports the results of information security execution to the information security manager regularly each year. External units such as SGS perform external audits to complete the annual review of ISO27001.

To promote the effectiveness of the Company's information security management system, we have formulated the HCS-IS-BI-04 Information Supervision and Measurement Business Standard to evaluate the effectiveness of information security performance and the information security management system to ensure the conformity and appropriateness of information security objectives. We have established measurement items and indicators and filled them in the "ISMS Effectiveness Measurement Table" (R-IS-BI-04-01), reporting the execution results in the annual management review meeting.

The information security committee structure is as shown below:



The Company passed SGS's ISO/IEC27001:2013 certification in June 2021 and continues to maintain the effectiveness of its ISO27001 information security management system (ISMS). The certificate is valid from June 14, 2021, to June 14, 2024, and was re-audited through an external audit on April 21, 2022, maintaining the validity of the certification.

2.Information Security Policy

Purpose:

To strengthen information security management, ensure the confidentiality, integrity, and availability of the company's information assets, provide a secure information environment for the company's information business operations, and comply with relevant regulations to prevent intentional or accidental threats from internal and external sources. This policy sets the guidelines.

Policy:

(1)Conduct information security education and training, promote employee awareness of information security, and enhance their understanding of related responsibilities.

(2)Regularly conduct internal and external audits to ensure that related operations are implemented effectively.

(3)Protect the Company's business information to prevent unauthorized access and modification and ensure its accuracy and completeness.

(4)Ensure that the company's core business maintains a certain level of system availability.

3.Description of Information Security Policy and Management Plan:

Item	Specific management methods
Firewall protection	Set connection rules for the firewall. Special connection requests require additional applications for access. Monitor and analyze firewall data reports.
Password setting principles	Passwords should be at least 8 characters long. Mix letters and numbers, and include uppercase and lowercase letters or other symbols as much as possible. Passwords should be changed every 180 days at least. Server passwords should be changed every 90 days.
Antivirus software	Use antivirus software and automatically update virus definitions to reduce the chance of infection. Check antivirus software and virus definitions every six months.
Operating system updates	The operating system is automatically updated. If it is not updated due to any reason, the information department will assist in updating.
Email security control	Automatically scan email for threats, prevent unsafe attachments, phishing emails, spam, and expand protection against malicious links before users receive emails. The antivirus software will scan for unsafe attachments after personal computers receive emails.
Website protection mechanism	The website has a firewall to block external network attacks.
Data backup mechanism	Important information system databases are regularly fully backed up, the ERP has an off-site backup system, and there are tape backups.
Off-site storage	Server and various information system backup files are stored separately in different locations.
Disaster recovery drill	Perform an important system disaster recovery drill once a year.
Control of the access to server room	Registration form for accessing the server room, equipment access logs, and the change logs.

(2)List the losses, potential effects, and response measures incurred due to significant information security incidents in the latest fiscal year and up to the date of the annual report printing. If it is impossible to make a reasonable estimate, it should be stated as such: The Company has not experienced any significant information security incidents up to the date of this annual report.

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 01, 2023 to December 31, 2026	The trademark of "HCG", which this Company obtains the registration with the National Bureau of Standards with reference to No. 174736 of No. 76 Merchandise was used via authorization by our reinvested company, Hostan Corporation. For use of this trademark, Hostan Corporation shall pay this Company the royalty at NT$30 per selling unit. This royalty shall be paid on the 15th day of January, April, July and October of each year. Whenever Hostan Corporation pays the royalty, they should provide this Company with one written report, describing the sales conditions of the "product authorized to be manufactured" during the said period.`	1. Hocheng shall assign at any time in writing a representative to supervise and inspect the "product authorized to be manufactured", produced by Hostan Corporation and its way of production. 2. Any packing or advertisement shall be produced with Hocheng's agreement and improved subject to Hocheng's requirements till its agreement.
This Company authorizes the copper hardware category in Mainland	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	(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

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
China to Yu Da (China) Co., Ltd.			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.	extending the operation term or the assessing authority does not approve the application for extending the operation term. (b) The authorized person incurs material loss and is incapable of repaying his/her mature debt. (c) Either party of this contract is announced bankrupt, or enters into the proceeding of bankruptcy, dissolution or liquidation or is incapable of repaying the mature debt. (d) Either party involves a material breaching behavior and fails to make correction with the written notice. (e) Either party is entitled to propose the termination of the contract; if with the written agreement of the other contracting party, he/she can terminate the contract. (f) When the authorizer violates the agreement in this Contract, both parties agree to manage it pursuant to the essence as set forth in Article 12.2 of this Contract. When the conditions of termination as specified in (b), (c) & (d), the exercise of the compensation claim for breach of contract by the other party

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
				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, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current assets		4,945,882	4,682,802	4,818,266	5,550,655	4,245,339	4,295,193
Property, Plant and Equipment (Note 2)		4,265,038	4,301,102	3,846,594	3,520,840	3,594,970	3,589,506
Intangible assets		53,074	51,855	45,075	37,788	37,757	36,056
Other assets (Note 2)		1,522,255	1,877,759	2,028,726	2,361,593	1,986,122	2,060,043
Total assets		10,786,249	10,913,518	10,738,661	11,470,876	9,864,188	9,980,798
Current liabilities	Before distribution	3,712,070	3,791,624	3,632,989	3,107,407	2,477,584	2,588,947
	After distribution	3,786,041	3,791,624	3,706,960	3,181,378	Note 6	Note 6
Non-current liabilities		1,532,127	1,415,384	1,154,090	1,004,174	877,912	807,229
Total liabilities	Before distribution	5,244,197	5,207,008	4,787,079	4,111,581	3,355,496	3,396,176
	After distribution	5,318,168	5,207,008	4,861,050	4,185,552	Note 6	Note 6
Equity attributable to shareholders of the parent		5,462,045	5,636,873	5,888,286	7,255,061	6,448,029	6,523,346
Capital stock		3,698,536	3,698,536	3,698,536	3,698,536	3,032,800	3,032,800
Capital surplus		13,0791	13,079	13,293	13,478	15,223	15,221
Retained earnings	Before distribution	1,645,991	1,627,397	1,759,275	2,881,696	3,036,828	3,025,297
	After distribution	1,572,020	1,627,397	1,685,304	2,807,725	註 6	Note 6
Other equity interest		121,021	314,443	433,764	677,933	376,639	463,489
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(13,461)	(13,461)
Non-controlling interest		80,007	69,637	63,296	104,234	60,663	61,276
Total equity	Before distribution	5,542,052	5,706,510	5,951,582	7,359,295	6,508,692	6,584,622
	After distribution	5,468,081	5,706,510	5,877,611	7,285,324	註 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 2022 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, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	5,466,174	5,526,252	5,102,207	5,313,319	5,004,444	1,095,000
Gross profit	1,303,457	1,388,507	1,254,786	1,357,367	1,308,655	264,224
Income & loss from operations	2,011	78,837	185	66,675	102,533	(10,105)
Non-operating revenue & expenses	(3,768)	10,861	129,033	1,912,563	147,697	2,183
Income before tax	(1,757)	89,698	129,218	1,979,238	250,230	(7,922)
Income from continuing operation for this term	(1,757)	89,698	129,218	1,979,238	250,230	(7,922)
Loss on discontinuing operation	--	--	--	--	--	--
Income (loss) for this term	(77,232)	35,942	79,404	1,745,927	158,132	(12,308)
Other comprehensive income & loss for this term (net amount after tax)	(115,726)	202,569	165,542	214,818	(234,225)	88,860
Total amount of comprehensive income & loss for this term	(192,958)	238,511	244,946	1,960,745	(76,093)	76,552
Income attributable to shareholders of the parent	(65,536)	47,916	86,793	1,224,801	157,290	(12,817)
Income attributable to non-controlling interest	(11,696)	(11,947)	(7,389)	521,126	842	509
Total amount of comprehensive income & loss attributable to shareholders of the parent	(181,661)	248,799	251,199	1,440,561	(72,192)	75,319
Total amount of comprehensive income & loss attributable to non-controlling interest	(11,297)	(10,288)	(6,253)	520,184	(3,901)	1,233
Earnings per share	(0.18)	0.13	0.24	3.33	0.46	(0.04)

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, 2023 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)				
		2018	2019	2020	2021	2022
Current assets		2,652,071	2,552,170	2,471,400	3,592,751	2,439,987
Property, Plant and Equipment		1,224,857	1,233,299	1,216,013	1,187,862	1,182,769
Intangible assets		36,864	32,618	27,951	23,524	19,594
Other assets		4,845,559	5,267,283	5,150,089	5,219,695	4,734,881
Total assets		8,759,351	9,085,370	8,865,453	10,023,832	8,377,231
Current liabilities	Before distribution	2,395,750	2,280,028	2,069,914	2,015,992	1,333,098
	After distribution	2,469,721	2,280,028	2,143,885	2,089,963	Note 6
Non-current liabilities		901,556	1,168,469	907,253	752,779	596,104
Total liabilities	Before distribution	3,297,306	3,448,497	2,977,167	2,768,771	1,929,202
	After distribution	3,371,277	3,448,497	3,051,138	2,842,742	Note 6
Capital stock		3,698,536	3,698,536	3,698,536	3,698,536	3,032,800
Capital surplus		13,079	13,079	13,293	13,478	15,223
Retained earnings	Before distribution	1,645,991	1,627,397	1,759,275	2,881,696	3,036,828
	After distribution	1,572,020	1,627,397	1,685,304	2,807,725	Note 6
Other equity interest		121,021	314,443	433,764	677,933	376,639
Treasury stock		(16,582)	(16,582)	(16,582)	(16,582)	(13,461)
Total equity	Before distribution	5,462,045	5,636,873	5,888,286	7,255,061	6,448,029
	After distribution	5,388,074	5,636,873	5,814,315	7,181,090	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 2022 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)				
	2018	2019	2020	2021	2022
Operating revenue	3,440,254	3,444,399	3,548,446	3,624,360	3,400,227
Gross profit	864,543	895,722	1,003,942	991,570	936,135
Income & loss from operations	121,667	125,316	246,394	150,549	162,221
Non-operating revenue & expenses	(132,649)	(57,331)	(126,615)	1,110,285	64,071
Income before tax	(10,982)	67,985	119,779	1,260,834	226,292
Income from continuing operation for this term	(10,982)	67,985	119,779	1,260,834	226,292
Loss on discontinuing operation				--	--
Income (loss) for this term	(65,536)	47,916	86,793	1,224,801	157,290
Other comprehensive income & loss for this term (net amount after tax)	(116,125)	200,883	164,406	215,760	(229,482)
Total amount of comprehensive income & loss for this term	(181,661)	248,799	251,199	1,440,561	(72,192)
Income attributable to shareholders of the parent	(65,536)	47,916	86,793	1,224,801	157,290
Income attributable to non-controlling interest	0	0	0	0	0
Total amount of comprehensive income & loss attributable to shareholders of the parent	(181,661)	248,799	251,199	1,440,561	(72,192)
Total amount of comprehensive income & loss attributable to non-controlling interest	0	0	0	0	0
Earnings per share	(0.18)	0.13	0.24	3.33	0.46

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 2022, 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
2018	Hsu, Shu-Min & Chiang, Chung-Yi	Unqualified Opinion
2019	Chiang, Chung-Yi & Yang, Liu-Feng	Unqualified Opinion
2020	Chiang, Chung-Yi & Chiang, Hsiao-Ling	Unqualified Opinion
2021	Chiang, Chung-Yi & Chiang, Hsiao-Ling	Unqualified Opinion
2022	Chiang, Hsiao-Ling&Xu Shumin	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, 2023 (note 2)
		2018	2019	2020	2021	2022	
Financial structure	Debt to asset ratio (%)	48.62	47.71	44.58	35.84	34.02	34.03
	Long term capital to property, plant and equipment ratio (%)	154.53	152.95	173.11	225.94	195.09	195.7
Liquidity	Current ratio (%)	133.24	123.50	132.63	178.63	171.35	165.91
	Quick ratio (%)	77.74	67.81	86.93	123.80	91.34	88.75
	Interest coverage ratio (%)	0.98	2.12	2.76	37.03	5.92	0.49
Operating capacity	Receivables turnover (times)	3.28	3.75	3.88	3.95	3.86	3.73
	Average cash recovery day	111.28	97.33	94.07	92.41	94.55	97.86
	Inventory turnover (times)	2.13	2.05	2.12	2.49	2.13	1.76
	Payable turnover rate (times)	5.68	5.67	6.05	6.33	5.79	5.81
	Days sales outstanding	171.36	178.04	172.16	146.59	171.36	207.39
	Property, plant and equipment turnover rate (times)	1.28	1.28	1.33	1.51	1.39	1.22
	Total asset turnover (times)	0.51	0.51	0.48	0.46	0.51	0.44
Profitability	Return on assets (%)	(0.15)	0.92	1.28	16.12	1.86	0.00
	Return on equity (%)	(1.36)	0.64	1.36	26.23	2.28	(0.19)
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	(0.05)	2.43	3.49	53.51	8.25	(0.26)
	Net profit ratio (%)	(1.41)	0.65	1.56	32.86	3.16	(1.12)
	Earnings per share (dollar)	(0.18)	0.13	0.24	3.33	0.46	(0.04)
Cash flow	Cash flow ratio (%)	5.38	8.67	17.82	6.59	4.24	(1.39)
	Cash flow adequacy ratio (%)	116.93	115.02	168.61	96.74	73.31	(166.82)
	Cash reinvestment ratio (%)	1.61	2.64	5.25	0.94	0.24	(0.27)
Leverage	Operating leverage	793.89	21.22	10,160.76	21.11	14.08	(33.32)
	Financial leverage	(0.03)	(79.63)	0.00	5.68	1.98	0.40

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. Current Ratio: The current ratio decreased compared to the same period last year due to a significant decrease in current assets, primarily driven by the repayment of bank loans, and a slight increase in net inventory.

2.Interest Coverage Ratio: The interest coverage ratio decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting from the sale of assets by a subsidiary in the previous year. As a result, pre-tax net profit also decreased significantly.

3.Return on Assets: The return on assets decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting from the sale of assets by a subsidiary in the previous year. This decrease led to a significant decline in post-tax net profit.

4.Return on Equity: The return on equity decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting from the sale of assets by a subsidiary in the previous year. As a result, post-tax net profit also decreased significantly.

5.Pre-tax Net Profit to Paid-in Capital Ratio: The ratio of pre-tax net profit to paid-in capital decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting from the sale of assets by a subsidiary in the previous year.

6.Net Profit Margin: The net profit margin decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting from the sale of assets by a subsidiary in the previous year. This decrease led to a significant decline in post-tax net profit.

7.Earnings per Share (EPS): Earnings per share decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, resulting in a significant decrease in post-tax net profit.

8.Cash Flow Ratio: The cash flow ratio decreased due to a slight decrease in net cash inflow related to operating activities compared to the same period last year.

9.Cash Flow Adequacy Ratio: The cash flow adequacy ratio decreased compared to the same period last year due to a significant increase in inventory and a slight decrease in net cash inflow related to operating activities.

10.Cash Reinvestment Ratio: The cash reinvestment ratio decreased significantly compared to the same period last year due to a decrease in net cash inflow related to operating activities and other factors.

11.Operating Leverage: The operating leverage decreased compared to the same period last year as operating variable costs and expenses slightly decreased, along with a decrease in operating expenses, resulting in an increase in operating net profit.

12.Financial Leverage: The financial leverage decreased compared to the same period last year due to a decrease in operating expenses, resulting in an increase in operating net profit.

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

Note 2: As of the date of publication of the annual report, when listed companies or the companies with stocks traded on the Taipei Exchange have financial information of the most recent

year audited, certificated or reviewed by CPAs, the information shall be consolidated to analyze.

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

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

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

1. Use weighted average number of ordinary shares as standards, instead of basing on the number of issued shares in the end of the year.
2. When a company has capital increase or treasury stock trading, shall consider to calculate weighted average number of shares within the circulation period.
3. When a company has surplus to increase capitalization or capital surplus to increase capitalization, and as earnings per share of the past year and half of the year were calculated, the company shall retrospectively adjust by the ratio of increase capitalization, and it’s not necessary to consider the issued period of increase capitalization.

4. If preferred shares are unconvertible accumulated preferred shares, the dividends of the current year (whether distribute or not) shall be deducted from net profit after tax, or added net loss after tax. If preferred shares are non-accumulative, under the circumstance of existing net profit after tax, preferred shares dividends shall be deducted from net profit after tax; if the balance is a loss, it shall not be adjusted.

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

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

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

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

Individual financial analysis-adopted international accounting standards

Items of analysis (note 2) \ Year (note 1)		Financial analysis of the last five years				
		2018	2019	2020	2021	2022
Financial structure	Debt to asset ratio (%)	37.64	37.96	33.58	27.62	23.03
	Long term capital to property, plant and equipment ratio (%)	507.98	521.37	534.57	654.54	582.36
Liquidity	Current ratio (%)	110.70	111.94	119.4	178.21	183.03
	Quick ratio (%)	62.03	57.84	68.01	125.38	88.35
	Interest coverage ratio (%)	0.70	2.60	4.39	45.47	11.58
Operating capacity	Receivables turnover (times)	2.84	3.16	3.72	3.76	3.59
	Average cash recovery day	128.52	115.51	98.12	97.07	101.67
	Inventory turnover (times)	2.36	2.19	2.31	2.61	2.21
	Payable turnover rate (times)	5.84	6.02	7.37	8.28	7.55
	Days sales outstanding	154.66	166.67	158.01	139.85	165.16
	Property, plant and equipment turnover rate (times)	2.81	2.79	2.92	3.05	2.87
	Total asset turnover (times)	0.39	0.38	0.40	0.36	0.41
Profitability	Return on assets (%)	(0.40)	0.92	1.28	13.21	1.90
	Return on equity (%)	(1.17)	0.86	1.51	18.64	2.30
	Ratio of pre-tax net profit to paid-up capital (%) (note 7)	(0.30)	1.84	3.24	34.09	7.46
	Net profit ratio (%)	(1.90)	1.39	2.45	33.79	4.63
	Earnings per share (dollar)	(0.18)	0.13	0.24	3.33	0.46
Cash flow	Cash flow ratio (%)	7.68	12.84	30.73	65.89	31.07
	Cash flow adequacy ratio (%)	56.10	74.46	124.97	1355.96	888.60
	Cash reinvestment ratio (%)	2.18	3.41	7.33	12.11	3.60
Leverage	Operating leverage	7.32	8.73	4.98	7.43	6.85
	Financial leverage	1.43	1.51	1.17	1.23	1.15

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

1. Quick Ratio: The current period's quick ratio decreased compared to the same period last year due to a significant decrease in current assets, mainly driven by the repayment of bank loans, and a slight increase in net inventory.
2.Interest Coverage Ratio: The interest coverage ratio decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year. As a result, pre-tax net profit also decreased significantly.
3.Return on Assets: The return on assets decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year. This decrease led to a significant decline in post-tax net profit.
4.Return on Equity: The return on equity decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year. As a result, post-tax net profit also decreased significantly.
5.Pre-tax Net Profit to Paid-in Capital Ratio: The ratio of pre-tax net profit to paid-in capital decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year.
6.Net Profit Margin: The net profit margin decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year. This decrease led to a significant decline in post-tax net profit.
7.Earnings per Share (EPS): Earnings per share decreased significantly compared to the same period last year due to a substantial reduction in non-operating income, primarily resulting from adopting the equity method to recognize the income from subsidiary, associated companies, and joint ventures, which was lower than the previous year.
8.Cash Flow Ratio: The cash flow ratio decreased significantly compared to the same period last year due to a significant decrease in net cash inflow related to operating activities.
9.Cash Flow Adequacy Ratio: The cash flow adequacy ratio slightly decreased compared to the same period last year, as net cash inflow related to operating activities increased slightly in the current period's recent five-year period, and inventory and cash dividends paid also increased slightly.
10.Cash Reinvestment Ratio: The cash reinvestment ratio decreased significantly compared to the same period last year due to a significant decrease in net cash inflow related to operating activities, with no significant difference in other factors.

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 2022 final accounts report

HOCHENG Corporation
Audit Committee Review Report

The board of directors prepared the 2022 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 2023 shareholders meeting

Convener of the Audit Committee: Wang, Cheng-Wei

2023/3/14

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, 2022 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 International Financial Reporting Standard No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission. 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.

In witness thereof, the Declaration is hereby presented.

Company name: Hocheng Corporation

Chairman: Patrick Chiu

Date: March 14, 2023

Independent Auditors' Report Translated from Chinese

To the Board of Directors of Hocheng Corporation:

Audit 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, 2022 and 2021, 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 paragraph Other Matters), 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission.

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. 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 the 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 for our opinion. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the 2022 consolidated financial statements of the current period for the Group. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

I. Accounts receivable valuation

Refer to Note 4(7) for the accounting policy of accounts receivable valuation, Note 5(1) for accounting assumption, judgments and estimation uncertainty of accounts receivable and Note 6(4)

for the disclosure of the valuation of accounts receivable to the consolidated financial statements.

Description of key audit matters:

The Group's sales and accounts receivable are mainly concentrated in Taiwan, China, and the Philippines. The valuation of allowance for doubtful accounts 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 CPAs' 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, and evaluating whether the disclosure of receivable aging and changes of allowance for accounts receivable is appropriated for the management of the Group.

II. Valuation of inventories

Refer to Note 4(8) and Note 5 (2) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainty of the valuation of inventory, respectively. Information on the estimation of the valuation of inventory is disclosed in Note 6(6) of the consolidated financial statements.

Description of key audit matters:

Inventories are measured at the lower of cost or net realizable value in the consolidated financial statements. The Group's products 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 due to obsolete products or inconsistency with consumers' preferences.

How the matter was addressed in our audit:

Our and other CPAs' audit procedures for the above key audit matters included understanding the accounting policies of the Group for impairment loss provision, examining whether inventory write-down or obsolescence allowance had been provided for inventories according to the Company's existing accounting policies (including implementing sampling procedures, verifying relevant forms and certificates to verify and accuracy of its calculation), and evaluating the adequacy of the Group's disclosures related to inventory write-down or obsolescence allowance.

Other Matters

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 expressed for the abovementioned consolidated financial statements, insofar as they relate to the financial statements of such subsidiaries, is based solely on the reports of other CPAs. Total assets of the abovementioned subsidiaries accounted for 15% and 16% of the consolidated total assets as of December

31, 2022 and 2021, respectively; their net operating revenue accounted for 7% and 10% of the consolidated net operating revenue for the years ended December 31, 2022 and 2021, respectively.

Hocheng Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, 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 the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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) of the Group are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 will always detect a material misstatement when it exists in the consolidated financial statements. Misstatements can arise from fraud or error. 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 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 conclude 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 within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion of the Group.

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, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the 2022 consolidated financial statements of the Group and are, therefore, 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.

KPMG

Accountants:

No. of approval and certification from the competent authority of securities	:	Jin-Guan-Zheng-Shen-Zhi No.1080303300 Jin-Guan-Zheng-Liu-Zi No.0940100754
March 14, 2023		

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

		2022.12.31		2021.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 665,867	7	2,162,265	19
1110	Current financial assets at fair value through profit or loss (Note 6(2))	317,790	3	274,547	2
1151	Notes receivable (Notes 6(4) and 7)	443,331	4	436,858	4
1170	Accounts receivable, net (Notes 6(4) and 7)	717,144	7	884,639	8
1200	Other receivables, net (Notes 6(5) and 7)	69,549	1	46,100	-
130X	Inventories, net (Note 6(6))	1,877,243	19	1,588,641	14
1470	Other current assets	154,415	2	157,605	1
		4,245,339	43	5,550,655	48
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(3))	960,614	10	1,325,608	12
1550	Investments accounted for using the equity method, net (Note 6(7))	51,758	-	52,044	-
1600	Property, plant and equipment (Notes 6(8) and 8)	3,594,970	36	3,520,840	31
1755	Right-of-use assets (Note 6(9) and 8)	109,550	1	118,351	1
1760	Investment property, net (Note 6(10) and 8)	671,722	7	681,440	6
1840	Deferred income tax assets (Note (18))	31,367	-	48,341	-
1920	Guarantee deposits paid (Note (8))	62,061	1	92,096	1
1975	Net defined benefit assets – Non-current (Note (17))	72,679	1	-	-
1990	Other non-current assets - Others (Note 8)	64,128	1	81,501	1
		5,618,849	57	5,920,221	52
	Total Assets	**$ 9,864,188**	**100**	**11,470,876**	**100**

		2022.12.31		2021.12.31	
	Financial liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Notes 6(11) and 8)	$ 927,415	9	1,419,164	12
2110	Short-term notes and bills payable (Notes 6(12))	105,000	1	105,000	1
2150	Notes payable (Note 7)	123,366	1	172,328	2
2170	Accounts payable (Note 7)	476,817	5	504,333	5
2200	Other payables (Notes 6(19) 7)	537,907	6	618,505	5
2230	Tax liability	54,040	1	8,010	-
2250	Debt allowance – Current (Note 6(15))	19,089	-	20,867	-
2280	Lease liabilities - Current (Note 6(14))	30,788	-	28,087	-
2300	Other current liabilities	111,049	1	120,942	1
2320	Long-term liabilities due within one year (Notes 6(13) and 8)	92,113	1	110,171	1
		2,477,584	25	3,107,407	27
	Non-current liabilities:				
2540	Long-term borrowings (Notes 6(13) and 8)	504,603	5	595,602	5
2570	Deferred income tax liabilities (Note (18))	295,665	3	292,816	3
2580	Lease liabilities – Non-current (Note 6(14))	54,012	1	65,090	1
2640	Net defined benefit liability - Non-current (Note 17)	-	-	26,984	-
2600	Other non-current liabilities	23,632		23,682	
		877,912	9	1,004,174	9
	Total liabilities	3,355,496	34	4,111,581	36
	Equity attributable to owners of the Company (Note 6(19)):				
3100	Capital stock	3,032,800	31	3,698,536	32
3200	Capital surplus	15,223	-	13,478	-
3300	Retained earnings	3,036,828	30	2,881,696	25
3400	Other equity	376,639	4	677,933	6
3500	Treasury stock	(13,461)	-	(16,582)	-
	Equity attributable to shareholders of the parent company	6,448,029	65	7,255,061	63
36XX	Non-controlling interests	60,663	1	104,234	1
	Total equity	6,508,692	66	7,359,295	64
	Total Liabilities and Equity	**$ 9,864,188**	**100**	**11,470,876**	**100**

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6(21))**	$ 5,004,444	100	5,313,319	100
5000	**Operating costs (Note 6(6))**	3,695,789	74	3,955,952	75
5950	**Operating gross profit**	1,308,655	26	1,357,367	25
	Operating expenses:				
6100	Sales and marketing expenses	725,026	15	744,637	14
6200	General and administrative expenses	353,025	7	414,969	8
6300	Research and development expenses	111,059	2	131,188	2
6450	Expected credit impairment losses (reversal gains)	17,012	-	(102)	-
6300	**Subtotal**	1,206,122	24	1,290,692	24
6900	**Net profit**	102,533	2	66,675	1
	Non-operating income and expenses: (Note 6(7) and (23))				
7100	Interest income	5,689	-	2,616	-
7010	Others	260,346	5	157,294	3
7020	Other gains and losses	(66,328)	(1)	(29,609)	(1)
7050	Finance costs	(50,848)	(1)	(54,928)	(1)
7229	Gain on disposal of non-current assets classified as held for sale	-	-	1,836,843	35
7370	Share of gains of associates and joint ventures recognized by using the equity method	(1,162)	-	347	-
	Subtotal	147,697	3	1,912,563	36
	Net profits before tax	250,230	5	1,979,238	37
7950	**Less: Income tax expenses (Note 6(18))**	92,098	2	233,311	4
	Net profits for the period	158,132	3	1,745,927	33
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	81,243	1	(10,886)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(350,306)	(7)	295,970	5
8349	Income tax related to items that will not be reclassified	(16,398)	-	1,214	-
	Total amount of items that will not be reclassified to profit or loss	(285,461)	(6)	286,298	5
8360	**Items that may be reclassified to profit or loss subsequently**				
8361	Exchange differences on translation of foreign operations	55,876	1	(68,418)	(1)
8370	Share of other comprehensive income of associates and joint ventures under the equity method	(4,640)	-	(3,062)	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total amount of items that may be reclassified to profit or loss subsequently	51,236	1	(71,480)	(1)
8300	**Other comprehensive income for the year**	(234,225)	(5)	214,818	4
8500	**Total comprehensive income for the period**	**$ (76,093)**	**(2)**	**1,960,745**	**37**
	Net profits attributable to:				
8610	Owner of the parent company	$ 157,290	3	1,224,801	23
8620	Non-controlling interests	842	-	521,126	10
		$ 158,132	**3**	**1,745,927**	**33**
	Comprehensive income attributable to:				
8710	Owner of the parent company	$ (72,192)	(2)	1,440,561	27
8720	Non-controlling interests	(3,901)	-	520,184	10
		$ (76,093)	**(2)**	**1,960,745**	**37**
	Earnings per share (NT$) (Note 6(20))				
9750	**Basic earnings per share (NT$)**	**$**	**0.46**		**3.33**
9850	**Diluted earnings per share (NT$)**	**$**	**0.45**		**3.28**

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

	Equity attributable to owners of the parent company										
	Capital stock		Retained earnings			Other Components of Equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized profit and loss on the financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 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
Net profits for the period	-	-	-	-	1,224,801	-	-	-	1,224,801	521,126	1,745,927
Other comprehensive income for the year	-	-	-	-	(10,292)	(69,411)	295,463		215,760	(942)	214,818
Total comprehensive income for the period	-	-	-	-	1,214,509	(69,411)	295,463		1,440,561	520,184	1,960,745
Earnings distribution and appropriation:											
Legal reserve	-	-	13,188	-	(13,188)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)	-	(73,971)
Other changes in capital reserve	-	185	-	-	-	-	-	-	185	-	185
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-		(479,246)	(479,246)
Balance as of 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
Net profits for the period	-	-	-	-	157,290	-	-	-	157,290	842	158,132
Other comprehensive income for the year	-	-	-	-	62,465	58,063	(350,009)	-	(229,481)	176	(229,305)
Total comprehensive income for the period	-	-	-	-	219,755	58,063	(350,009)	-	(72,191)	1,018	(71,173)
Earnings distribution and appropriation:											
Legal reserve	-	-	119,639	-	(119,639)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)	-	(73,971)
Changes in the net equity of subsidiaries recognized using the equity method	-	1,617	-	-	-	-	-	-	1,617	-	1,617
Other changes in capital reserve	-	128	-	-	-	-	-	-	128	-	128
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	9,348	-	(9,348)	- 21	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	3,121	3,121	(44,589)	(41,468)
Capital reduction in cash	(665,736)	-	-	-	-	-	-	-	(665,736)	-	(665,736)
Balance at December 31, 2022	**$ 3,032,800**	**15,223**	**980,671**	**458,116**	**1,598,041**	**(1,184)**	**377,823**	**(13,461)**	**6,448,029**	**60,663**	**6,508,692**

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

		2022	2021
Cash flows from operating activities:			
Profit before tax from continuing operations	$	250,230	1,979,238
Net income before tax			
Adjustments to reconcile profit (loss)			
Depreciation		221,376	222,618
Amortization expense		9,501	9,234
Expected credit impairment losses (reversal gains)		17,012	(102)
Net loss on financial assets at fair value through profit or loss		2,273	2,979
Interest expenses		50,848	54,928
Interest income		(5,689)	(2,616)
Dividend income		(161,554)	(66,809)
Share of losses (gains) of associates and joint ventures recognized by using the equity method		1,162	(347)
Gains on disposal and scrapping of property, plant and equipment		(1,441)	(3,173)
Gains on disposal of right-of-use assets		(186)	(312)
Gain from disposal of non-current assets		-	(1,836,843)
Reversal of allowance for sales returns and discounts		(1,778)	(738)
Total items of income and expenses		131,524	(1,621,181)
Changes in assets/liabilities related to operating activities:			
Net changes in assets related to operating activities:			
Notes receivable		(6,473)	(76,369)
Accounts receivable		150,483	18,178
Other receivables		(23,449)	(28,805)
Inventory		(288,602)	(4,548)
Other current assets		2,713	(3,835)
Total net changes in assets related to operating activities		(165,328)	(95,379)
Net changes in liabilities related to operating activities			
Notes payable		(48,962)	43,808
Accounts payable		(27,516)	59,804
Other payables		(80,465)	79,128
Other current liabilities		(9,893)	10,111
Net confirmed benefit debt		(18,420)	(35,877)
Total net changes in liabilities related to operating activities		(185,256)	156,974
Total net changes in assets and liabilities related to operating activities		(350,584)	61,595
Total item of adjustments		(219,060)	(1,559,586)
Cash inflows generated from operations		31,170	419,652
Interest received		5,689	2,616
Dividends received		161,554	66,809
Interest paid		(50,848)	(54,928)
Income tax paid		(42,431)	(229,460)
Net cash inflows from operating activities		105,134	204,689

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows (cont'd)

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(21,574)	(102,579)
Disposal of financial assets measured at fair value through other comprehensive income	49,779	164,166
Proceeds from the 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	(125,766)	(169,247)
Disposal of financial assets at fair value through profit or loss	85,395	142,634
Acquisition of investments accounted for under the equity method	(5,332)	(5,026)
Proceeds from disposal of non-current assets classified as held for sale	-	1,839,109
Acquisition of property, plant and equipment	(239,795)	(85,674)
Proceeds from disposal of property, plant and equipment	4,541	7,253
Refundable deposits	30,035	7,713
Acquisition of intangible assets	(9,298)	(2,192)
Other non-current assets	17,343	(11,569)
Net cash outflows (inflows) from investing activities	(214,672)	1,833,301
Cash flows from financing activities:		
Short-term borrowings	(492,514)	(126,373)
Short-term notes payable	-	(10,000)
Increase in long-term loans	-	16,935
Decrease in long-term loans	(110,386)	(198,828)
Guarantee deposits	(50)	867
Repayment of principal of lease liabilities	(31,784)	(29,896)
Cash dividends paid	(73,623)	(73,971)
Capital reduction in cash	(662,615)	-
Changes in non-controlling interests	(40,022)	(479,246)
Net cash outflows from financing activities	(1,410,994)	(900,512)
Effect of exchange rate changes on cash and cash equivalents	24,134	(30,062)
Net increase (decrease) in cash and cash equivalents during the period	(1,496,398)	1,107,416
Cash and cash equivalents at beginning of year	2,162,265	1,054,849
Cash and cash equivalents at end of year	**$ 665,867**	**2,162,265**

HOCHENG CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in NT$ thousand, unless otherwise specified)

I. Company History

Hocheng Corporation (the "Company") was incorporated in 1961 under the approval of the Ministry of Economic Affairs. The address of its registered office is 1F, No.398, Xingshan Rd., Neihu District, Taipei City 114, Taiwan. The consolidated financial statements of the Company as of December 31, 2022 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 primarily engages in the manufacturing and trading of residential equipment (i.e., bathtubs, toilets), kitchen equipment, copper pipe equipment and construction of national housing.

II. Approval date and procedures of the consolidated financial statements:

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 14, 2023.

III. New standards, amendments and interpretations adopted:

(I) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, 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, 2022:

· Amendments to IAS16 "Property, Plant and Equipment - Proceeds before Intended Use"

· Amendments to IAS37 "Onerous Contracts - Cost of Fulfilling a Contract"

·Annual improvements to IFRSs 2018–2020 cycle

·Amendments to IFRS3 "References to the Conceptual Framework"

(II) The impact of IFRS endorsed by the FSC but not adopted

The Group assesses that the adoption of the following new amendments, effective for the annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

·Amendments to IAS1 "Disclosure of Accounting Policies"

·Amendments to IAS8 "Definition of Accounting Estimates"

·Amendments to IAS 12 "Deferred Income Tax Related to Assets and Liabilities Arising from A Single Transaction"

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

The Group assesses that the following IFRS issued by IASB but not yet endorsed by the FSC will not have significant effects on the consolidated financial statements.

·Amendments to IFRS10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"

·Amendments to IAS1 "Classification of Liabilities as Current or Non-current"

·Amendments to IAS1 "Non-current Liabilities with Contractual Terms"

· Amendments to AFRS16 "Requirements for Sale and Leaseback Transactions"

IV. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(I) 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.

(II) Basis of preparation

1. Basis of measurement

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

(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 net 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(19).

2. 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.

(III) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and entities controlled by the Group (i.e., subsidiaries). 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.

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.

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements:

Name of the investors	Name of subsidiaries	Main Business Activity	Shareholding 2022.12.31	Shareholding 2021.12.31	Explanation
The Company	Hostan Corporation	Engaged in the manufacture and sale of various products such as water heaters, gas stoves, oil excretes, and computer toilets, as well as the construction of residential buildings by commission, lease and sale of commercial buildings	100.00%	100.00%	
〃	Ritiboon International Limited	Holding company	100.00%	100.00%	
〃	Hohong Co., Ltd.	Invested in production, securities, construction, tourism and trading	99.50%	99.50%	
〃	Hoceng Service Co., Ltd.	Engaged in the installation, maintenance, and import and export of bathroom, kitchen appliances and other parts	70.00%	70.00%	
〃	Bao Long Interior Crafts Co., Ltd.	Engaged in manufacturing, processing, and trading of porcelain, ceramic boards, and tiles.	100.00%	69.30%	Note 1 and Note 2
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Land lease	40.00%	40.00%	As the Company has control over the financial and business operation of the company and possesses 75% of the distribution rights of the company, it is deemed as a subsidiary.
〃	Hocheng Group Holding Corp.	Holding company	100.00%	100.00%	
Hocheng Group Holding Corp.	Hocheng (China) Corporation	Engaged in the production and sale of plumbing products	100.00%	100.00%	
〃	UPEX	Trading business	100.00%	100.00%	
〃	Hoceng Philippines Corporation	Engaged in the production and sale of plumbing products	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%	

Note 1: Corporate name of Holong Ceramic Co., Ltd. was changed to Bao Long Interior Crafts Co., Ltd. in November 2022.

Note 2: In September 2022, the Company acquired 30.7% of the equity of Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.) from other shareholders and resulted in changes in its shareholding; please see the description in Note 7.

3. Subsidiaries excluded from the consolidated financial statements:

Name of the investors	Name of subsidiaries	Main Business Activity	Shareholding 2022.12.31	Shareholding 2021.12.31	Explanation
The Company	Lazuli International Co., Ltd.	Engaged in the 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 NT$1,000 thousand as of December 31, 2022, and 2011, representing 0.03% of the Group's capital. Since the products are similar to the Group, 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 21, 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	Holding company	40.00%	40.00%	Established in 2004, Hocheng Group Holding Corp. held 40% of the 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.

(IV) Foreign currency

1. 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 functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

(1) an investment in equity securities designated as at fair value through other comprehensive income;

(2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

(3) qualifying cash flow hedges to the extent the hedge are effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, 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 re-attributed 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 is considered 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.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. 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.

1. It is expected to be settled in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting date; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that 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 that 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.

(VII) Financial assets

Trade receivables are initially recognized when they 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 (excluding 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, 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.

1. Financial assets

All regular way purchases or sales of financial assets classified in the same category are recognized and derecognized on a trade date basis.

On initial recognition, financial assets are classified as financial assets at amortized cost and financial assets at fair value through profit or loss. Financial assets are not reclassified subsequently 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 fair value through profit or loss:

·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 costs add/less 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) Financial assets at fair value through other comprehensive income

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 fair value through other comprehensive income. However, they are included in the 'trade receivables' line item.

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

Equity investments at fair value through other comprehensive income 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 (generally, ex-dividend date).

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

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income described above are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Group may

irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, notes and accounts receivable, other receivables, guarantee deposits 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 a 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 is the ECL that results from all possible default events over the expected life of a financial instrument.

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

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

ECLs are probability-weighted estimates 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 is discounted at the effective interest rate of the financial asset.

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

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 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 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 the 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 all of the risks and rewards of ownership substantially. It does not retain control of the

financial asset.

2. 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 are 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 reserve or retained earnings (if the capital reserve is not sufficient to be written down).

(4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss 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 canceled, 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 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.

(VIII) 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.

The net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(IX) 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.

(X) Investment in associates

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

Investments in the equity of associates are accounted for using the equity method. Under the equity method, the costs were recognized upon initial acquisition. The cost of the investment includes transaction costs. The carrying amount of the investment in associates

includes goodwill identified on the 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 in the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital reserve.

Gains and losses resulting from transactions between the Group and an associate are recognized in the financial statements only to the extent of a non-related investor's equity 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 a 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.

(XI) Joint Arrangements

A joint arrangement is an arrangement in 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 (i.e., 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 ventures) 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 note 4(10) for the application of the accounting of equity method.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Group

reevaluates whether the classification of the joint arrangement has changed.

(XII) 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.

(XIII) Property, plant and equipment

1. 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.

2. 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.

3. 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.

Lands are 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) Houses and 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.

4. 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.

(XIV) Leases

At the 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.

1. As a lesee

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 c;

(2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;

(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;

(4) there is a change in its assessment of the lease period on whether it will exercise an extension or termination option;

(5) there is a lease modification

When the lease liability is remeasured, when are changes in an index or rate to determine lease payments, changes in the amount of residual value guarantee, or changes in the assessment of purchase, extension, or termination options above, 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 separate line items, respectively, in the balance sheets.

The Group has elected not to recognize the 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 meet 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.

2. As a lessor

When the Group is the lessor in the transactions, it classifies lease contracts based on whether substantially all risks and compensations from the ownership of target assets are transferred; if yes, the contracts are classified as financing leases, and if no, operating leases. 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 sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(XV) Intangible assets

1. 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 useful lives that are measured at cost less accumulated amortization and any accumulated impairment losses.

2. 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 expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. 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 property, plant and equipment for the current and comparative years are as follows:

Computer software cost 2~15 years

Residual values, useful lives, and amortization methods of intangible assets are reviewed at each reporting date and adjusted if appropriate.

(XVI) 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 income 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 CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed

the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(XVII) Debt allowance

A debt allowance is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Debt allowances 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 amortization of the discount is recognized as interest expenses.

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

(XVIII) Revenue recognition

1. 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 Group recognizes revenue when it satisfies a performance obligation by transferring control of goods or services to a customer. Descriptions based on the major revenue items of the Group are as follows:

(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, a transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. For domestic shipments, a transfer occurs upon loading the goods delivered to the customer's

premises.

(2) Services

The Group offers 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) Rental 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 are deemed as part of the overall rent income, and it is credited to the rental 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 rental 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.

(XIX) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each of the plans 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 comprises 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 prior service costs 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.

3. 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.

(XX) Income tax

Income taxes comprise both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income tax includes estimated income tax payable or tax refund receivable calculated based on the taxable income (losses) of the year and any adjustment made to the income tax payable in prior years. The amount is the best estimate of estimated amounts payable or receivable measured based on the tax rates enacted or substantively enacted on the reporting date.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes are recognized except for the following:

1. temporary differences in 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;
2. 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

3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred income 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 income 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 income 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 income tax assets and liabilities are offset if the following criteria are met:

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred income tax assets and the deferred income 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 income tax liabilities or assets are expected to be settled or recovered.

(XI) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share are 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. Potential ordinary shares of the Group include the remuneration of employees.

(XII) 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). The 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.

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements in accordance with IFRS endorsed by the FSC, 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:

(I) 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. For relevant assumptions and input values, please refer to note 6(4).

(II) 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(6) for further description of the valuation of inventories.

VI. Explanation of significant accounting items

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash and petty cash	$ 4,602	5,016
Checking account deposits	25,862	53,871
Demand deposit	471,615	1,892,830
Time deposits	163,788	210,548
Cash and cash equivalents presented in the consolidated statement of cash flows	**$ 665,867**	**2,162,265**

Please refer to Note 6(24) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

	2022.12.31	2021.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates - open-end fund	$ 315,923	273,088
Stocks listed on TWSE (TPEx)	1,867	1,459
Total	**$ 317,790**	**274,547**

As of December 31, 2022 and 2021, none of the financial assets at fair value through profit or loss have been pledged as collateral.

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

	2022.12.31	2021.12.31
Equity investments at fair value through other comprehensive income:		
Domestic and foreign listed stocks	$ 957,467	1,236,043
Domestic non-listed stocks	3,147	89,565
Total	**$ 960,614**	**1,325,608**

1. Equity investments at fair value through other comprehensive income

The Group holds such equity instruments as long-term strategic investments, not for transaction purposes; therefore, they are designated as measured at fair value through other comprehensive income.

In 2022 and 2021, the Group recognized a dividend income of NT$161,554 thousand and NT$66,809 thousand, respectively, for the investments in equity instruments designated as measured at fair value through other comprehensive income.

Due to changes in investment strategy in 2022 and 2021, the Group has disposed of its financial assets designated at fair value through other comprehensive income. The fair value upon the disposals was NT$49,779 thousand and NT$164,166 thousand, and the Group recorded cumulative disposal gains (losses) of NT$9,348 thousand and NT$(18,117) thousand in 2022 and 2021, respectively. The cumulative disposal gains or losses have been transferred to retained earnings.

2. For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(24).

3. The financial assets above had not been pledged as collateral.

(IV) Notes and accounts receivables

	2022.12.31	2021.12.31
Notes receivable	$ 443,331	436,858
Accounts receivables	780,793	930,769
Less: loss allowance	(63,649)	(46,130)
	$ 1,160,475	**1,321,497**

The Group applies the simplified approach to provide for its ECL for all notes and accounts receivable (i.e., the use of lifetime ECL provision for all receivables) in Taiwan, Mainland China, and other regions. Notes and accounts receivables have been grouped based on shared credit risk characteristics of customers' capacity in settling the amount past due according to the contractual terms, with reference to the net amount after deducting the value of the collateral provided by customers, as well as incorporated forward-looking information, including macroeconomic and relevant industry information, to recognize loss allowance based on the expected loss rate of each group.

The ECL of notes and accounts receivable of the Group in Taiwan and other countries is analyzed as follows:

	2022.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
Current	$ 1,034,801	0%~0.1%	680
1 to 30 days past due	25,170	0%~2%	514
31 to 120 days past due	23,661	0%~5%	1,238
121 to 365 days past due	11,614	0%~27%	3,184
More than one year past due	17,524	100%	17,524
	$ 1,112,770		**23,140**

	2021.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
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**

The ECL of notes and accounts receivable of the Group in Mainland China is analyzed as follows:

	2022.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
Current	$ 65,684	0%~1%	442
1 to 90 days past due	6,372	0%~19%	1,225
91 to 180 days past due	958	0%~53%	503
181 to 365 days past due	3	0%~67%	2
More than one year past due	13,083	100%	13,083
Individual assessment	25,254	100%	25,254
	$ 111,354		**40,509**

	2021.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
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**

The movements in the loss allowance for notes and accounts receivables of the Group are set out in the following table:

	2022	**2021**
Beginning balance	$ 46,130	60,275
Impairment losses recognized	17,012	(102)
Amounts written off due to the inability to recover during the year	(122)	(12,008)
Exchange gains or losses	629	(2,035)
Ending balance	**$ 63,649**	**46,130**

(e) Other receivables

	2022.12.31	2021.12.31
Others	$ 86,173	63,574
Less: loss allowance	(16,624)	(17,474)
	$ 69,549	**46,100**

(VI) Inventories

	2022.12.31	2021.12.31
Raw material	$ 297,837	247,650
Supplies	23,357	23,577
Work in progress	200,878	195,408
Finished goods	932,121	794,952
Merchandise	408,234	312,092
In transit inventory	14,816	14,962
	$ 1,877,243	**1,588,641**

For the years ended December 31, 2022 and 2021, the cost of goods sold and expenses amounted to NT$3,695,789 thousand and NT$3,955,952 thousand, respectively. The Group recognized inventory write-down and obsolescence losses of NT$14,843 thousand and NT$10,738 thousand due to inventory written down to net realizable value in 2022 and 2021, respectively. The amounts are included in the cost of sales primarily due to the provision of obsolescence inventory losses by the Group.

The Group scrapped its inventories due to a fire accident in September 2022, and the amount of NT$21,685 thousand was accounted for under non-operating income - other gains and losses; for details, please refer to Note 6(23).

As of December 31, 2022 and 2021, none of the Group's inventories was pledged as collateral.

(VII) Investments accounted for using the 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:

	2022.12.31	2021.12.31
Associates	$ 49,747	48,408
Joint venture	2,011	3,636
	$ 51,758	**52,044**

1. Associates

Investments in associates accounted for using the equity method are individually insignificant, and the summary of their financial information is as follows (the financial information is the amount included in the consolidated financial statements of the Group):

	2022.12.31	2021.12.31
Total carrying amount of individually insignificant associates' equity	**$ 49,747**	**48,408**

	2022	2021
Share attributable to the Group:		
Net profits for the period from continuing operations	$ 522	1,055
Other comprehensive income	(4,361)	(3,111)
Total comprehensive income	**$ (3,839)**	**(2,056)**

2. Joint venture

Investments in joint ventures accounted for using the equity method are individually insignificant; the financial information is the amount included in the consolidated financial statements of the Group:

	2022.12.31	2021.12.31
Total carrying amount of individually insignificant joint ventures' equity	**$ 2,011**	**3,636**

	2022	2021
Share attributable to the Group:		
Net profits for the period from continuing operations	$ (1,684)	(708)
Other comprehensive income	(279)	49
Total comprehensive income	**$ (1,963)**	**(659)**

3. Collateral

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

(VIII) Property, Plant and Equipment

The breakdown of changes in the cost and depreciation of property, plant and equipment of the Group is as follows:

	Land	Land Improvements	Buildings	Machinery and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Equipment pending inspection and construction in progress	Total
Costs:									
Balance at January 1, 2022	$ 2,416,781	56,809	2,081,718	3,011,129	120,128	458,941	880,889	-	9,026,395
Addition	-	59	102,082	34,741	8,966	24,761	47,300	21,886	239,795
Disposal	(658)	-	-	(17,578)	(17,723)	(1,170)	(16,930)	-	(54,059)
Effects on changes in exchange rates	9,078	604	10,659	22,288	383	2,560	3,395	181	49,148
Balance on December 31, 2022	**$ 2,425,201**	**57,472**	**2,194,459**	**3,050,580**	**111,754**	**485,092**	**914,654**	**22,067**	**9,261,279**
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
Addition	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)
Reclassification to investment properties	-	-	(313,413)	-	-	-	-	-	(313,413)
Effects on changes in exchange rates	(9,213)	(3,401)	(25,664)	(74,433)	(1,394)	(4,530)	(18,368)	-	(137,003)
Balance on December 31, 2021	**$ 2,416,781**	**56,809**	**2,081,718**	**3,011,129**	**120,128**	**458,941**	**880,889**	**-**	**9,026,395**
Depreciation:									
Balance at January 1, 2022	$ -	39,378	1,511,573	2,739,681	97,515	389,113	728,295	-	5,505,555
Depreciation this period	-	1,613	54,688	51,472	7,882	21,198	40,006	-	176,859
Disposal	-	-	-	(17,578)	(16,712)	(1,130)	(15,539)	-	(50,959)
Effects on changes in exchange rates	-	357	8,127	20,753	333	2,241	3,043	-	34,854
Balance on December 31, 2022	**$ -**	**41,348**	**1,574,388**	**2,794,328**	**89,018**	**411,422**	**755,805**	**-**	**5,666,309**
Balance at January 1, 2021	$ -	39,747	1,584,514	2,765,846	98,641	374,986	708,651	-	5,572,385
Depreciation this period	-	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)
Reclassification to investment properties	-	-	(114,857)	-	-	-	-	-	(114,857)
Effects on changes in exchange rates	-	(1,959)	(15,045)	(69,807)	(1,276)	(4,179)	(16,014)	-	(108,280)
Balance on December 31, 2021	**$ -**	**39,378**	**1,511,573**	**2,739,681**	**97,515**	**389,113**	**728,295**	**-**	**5,505,555**
Carrying amount:									
December 31, 2022	**$ 2,425,201**	**16,124**	**620,071**	**256,252**	**22,736**	**73,670**	**158,849**	**22,067**	**3,594,970**
January 1, 2021	**$ 2,424,585**	**20,084**	**832,618**	**305,720**	**29,596**	**76,971**	**157,020**	**-**	**3,846,594**
December 31, 2021	**$ 2,416,781**	**17,431**	**570,145**	**271,448**	**22,613**	**69,828**	**152,594**	**-**	**3,520,840**

The Group leased out part of its factories located in Shanghai for asset revitalization. For the year ended December 31, 2021, the carrying amount of property, plant, and equipment was reclassified to investment property.

As of December 31, 2022 and 2021, the Group's real estate of Yingge factory and office amounted to NT$95,184 thousand and NT$95,689 thousand, respectively. The real estate has

not yet transferred the account in the name of the Group as it is a piece of agricultural land. For the years ended December 31, 2022 and 2021, the real estate had temporarily registered under Patrick Chiu 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, 2022 and 2021, regarding the execution of the deed of real estate trust for the property, plant and equipment of the Group and the breakdown of those that have been pledged as collateral for long-term and short-term borrowings and financing limits, please refer to note 8.

(IX) Right-of-use assets

The breakdown of changes in costs and depreciation of lands, houses and buildings, machinery equipment, and transportation equipment leased by the Group are as follows:

	Land	Buildings	Transportation equipment	Others	Total
Costs of right-of-use assets:					
Balance at January 1, 2022	$ 61,601	145,245	14,051	4,906	225,803
Addition	-	21,090	7,831	-	28,921
Decrease	-	(17,797)	(6,335)	-	(24,132)
Effects on changes in exchange rates	892	278	-	-	1,170
Balance on December 31, 2022	**$ 62,493**	**148,816**	**15,547**	**4,906**	**231,762**
Balance at January 1, 2021	$ 62,061	138,496	12,854	4,906	218,317
Addition	-	12,156	3,555	-	15,711
Decrease	-	(4,987)	(2,358)	-	(7,345)
Effects on changes in exchange rates	(460)	(420)	-	-	(880)
Balance on December 31, 2021	**$ 61,601**	**145,245**	**14,051**	**4,906**	**225,803**
Depreciation of right-of-use assets:					
Balance at January 1, 2022	$ 32,954	63,173	9,651	1,674	107,452
Depreciation this period	1,399	26,159	3,865	492	31,915
Other decreases	-	(11,544)	(6,288)	-	(17,832)
Effects on changes in exchange rates	474	203	-	-	677
Balance on December 31, 2022	**$ 34,827**	**77,991**	**7,228**	**2,166**	**122,212**
Balance at January 1, 2021	$ 31,815	39,309	7,699	1,181	80,004
Depreciation this period	1,376	25,975	4,310	493	32,154
Other decreases	-	(1,863)	(2,358)	-	(4,221)
Effects on changes in exchange rates	(237)	(248)	-	-	(485)
Balance on December 31, 2021	**$ 32,954**	**63,173**	**9,651**	**1,674**	**107,452**
Carrying amount:					
December 31, 2022	**$ 27,666**	**70,825**	**8,319**	**2,740**	**109,550**
January 1, 2021	**$ 30,246**	**99,187**	**5,155**	**3,725**	**138,313**
December 31, 2021	**$ 28,647**	**82,072**	**4,400**	**3,232**	**118,351**

Please refer to Note 8 for the breakdown of right-of-use assets pledged as collateral for long-term and short-term borrowings and financing limits as of December 31, 2022 and 2021.

For details of offices, warehouses, transportation equipment and other equipment under operating leases, please refer to Note 6(16).

(X) 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 one to ten 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, but some leases require the lessee to reimburse the insurance costs of the Group. In this case, the amounts of insurance costs are determined annually.

The breakdown of the Group's investment properties is as follows:

	Land and land improvements	Buildings	Total
Costs:			
Balance at January 1, 2022	$ 466,138	575,611	1,041,749
Transferred from property, plant and equipment	-	-	-
Effects on changes in exchange rates	-	4,620	4,620
Balance on December 31, 2022	**$ 466,138**	**580,231**	**1,046,369**
Balance at January 1, 2021	$ 466,138	262,004	728,142
Transferred from property, plant and equipment	-	313,413	313,413
Effects on changes in exchange rates	-	194	194
Balance on December 31, 2021	**$ 466,138**	**575,611**	**1,041,749**
Depreciation:			
Balance at January 1, 2022	$ 5,285	355,024	360,309
Depreciation during the year	-	12,602	12,602
Transferred from property, plant and equipment	-	-	-
Effects on changes in exchange rates	-	1,736	1,736
Balance on December 31, 2022	**$ 5,285**	**369,362**	**374,647**
Balance at January 1, 2021	$ 5,285	229,697	234,982
Depreciation during the year	-	10,396	10,396
Transferred from property, plant and equipment	-	114,857	114,857
Effects on changes in exchange rates	-	74	74
Balance on December 31, 2021	**$ 5,285**	**355,024**	**360,309**
Carrying amount:			
December 31, 2022	**$ 460,853**	**210,869**	**671,722**
January 1, 2021	**$ 460,853**	**32,307**	**493,160**
December 31, 2021	**$ 460,853**	**220,587**	**681,440**
Fair value:			
December 31, 2022			**$ 1,626,593**
December 31, 2021			**$ 1,313,297**
January 1, 2021			**$ 1,344,811**

Please refer to note 6(8) for the information on the Group's investment property reclassified from property, plant, and equipment in 2021.

Investment properties include multiple commercial properties leased to others. For details of relevant information (including rental income and direct operating expenses occurred), please refer to note 6(16).

The fair value of investment property is based on the valuation of the market value.

As of December 31, 2022 and 2021, for the breakdown of investment properties of the Group that had been pledged as collateral for long-term and short-term borrowings and financing limits, please refer to Note 8.

(XI) Short-term borrowings

The breakdown of the Group's short-term borrowings is as follows:

	2022.12.31	2021.12.31
Borrowings on unsecured letters of credit	$ 19,050	20,877
Unsecured bank borrowings	343,322	772,941
Secured bank borrowings	565,043	625,346
Total	**$ 927,415**	**1,419,164**
Outstanding limits	**$ 2,369,333**	**1,763,552**
Interest rates	**1.45%~6.50%**	**1.07%~4.97%**

For details of collateral for short-term borrowings on the pledge of assets as collateral, please refer to note 8.

(XII) Short-term notes and bills payable

The breakdown of short-term notes and bills payable by the Group is as follows:

	2022.12.31		
	Guarantee or acceptance institution	Interest rates	Amount
Commercial papers payable	Bills finance company	2.02%~2.10%	**$ 105,000**
Outstanding limits			**$ 325,000**

	2021.12.31		
	Guarantee or acceptance institution	Interest rates	Amount
Commercial papers payable	Bills finance company	1.22%~1.29%	**$ 105,000**
Outstanding limits			**$ 325,000**

(XIII) Long-term borrowings

The breakdown, conditions, and terms of the Group's long-term borrowings are as follows:

	2022.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	2.24%	2024.10.19	$ 520,000
Secured bank borrowings	RMB	5.15%	2024.1.24	76,716
				596,716
Less: Portion due within one year				(92,113)
Total				**$ 504,603**
Outstanding limits				**$ 37,891**

	2021.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	1.615%~1.65%	2024.10.19	$ 618,234
Secured bank borrowings	RMB	5.5%	2024.1.24	87,539
				705,773
Less: Portion due within one year				(110,171)
Total				**$ 595,602**
Outstanding limits				**$ 181,180**

For information on the Group's interest risk, currency risk and liquidity risk, please refer to Note 6(24).

For details of collateral for short-term borrowings on the pledge of assets as collateral, please refer to note 8.

(XIV) Lease liabilities

The carrying amount of lease liabilities of the Group is as follows:

	2022.12.31	**2021.12.31**
Current	**$ 30,788**	**28,087**
Non-current	**$ 54,012**	**65,090**

For details of the maturity analysis, please refer to Note 6(24) financial instruments.

The amount recognized in profit or loss is as follows:

	2022	2021
Interest expenses on lease liabilities	**$ 1,521**	**1,798**
Expenses relating to short-term leases	**$ 4,224**	**7,681**
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	**$ 772**	**635**
COVID-19-related rent concessions (recognized as a deduction of rent expenses)	**$ 50**	**32**

The amount recognized in the statements of cash flows is as follows:

	2022	2021
Total cash used in leases	**$ 38,301**	**40,010**

1. Land, house and building leases

As of December 31, 2022 and 2021, the Group leases land and houses and buildings for its office space and factories. The leases of office space typically run for one to five years.

2. Other leases

The Group leases transportation equipment and other equipment, with lease terms of two to five years.

(XV) Debt allowance

	Debt allowance for discount
Balance at January 1, 2022	$ 20,867
Debt allowance increased during the period	15,826
Debt allowance used during the period	(17,604)
Debt allowance reversed during the period	-
Balance on December 31, 2022	**$ 19,089**
Balance at January 1, 2021	$ 21,605
Debt allowance increased during the period	17,247
Debt allowance used during the period	(12,987)
Debt allowance reversed during the period	(4,998)
Balance on December 31, 2021	**$ 20,867**

For debt allowance for discounts, the Group assesses potential product discounts based on historical experience, the management's judgment and other known reasons. Such allowances are recognized as a deduction item for the operating revenue of the year in which relevant products are sold.

(XVI) Operating lease

The Group leases out investment properties. The Group has classified these leases as operating leases because it does not substantially transfer all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(10) for details of investment properties.

The maturity analysis of the lease payment based on the total undiscounted lease payment to be collected after the reporting date is set out in the following table:

	2022.12.31	2021.12.31
Less than 1 year	$ 54,180	55,362
1 to 5 years	200,751	167,215
> 5 years	173,155	208,961
Total undiscounted lease payment	**$ 428,086**	**431,538**

For the years ended December 31, 2022 and 2021, the rental revenue from investment properties amounted to NT$45,859 thousand and NT$52,953 thousand, respectively.

(XVII) Employee benefits

1. Defined benefit plans

The reconciliation of the present value of defined benefit obligations and the fair value of plan assets is as follows:

	2022.12.31	2021.12.31
Defined benefit obligation	$ 790,897	843,374
Fair value of plan assets	(863,576)	(816,390)
Net defined benefit liabilities (assets)	**$ (72,679)**	**26,984**

The Group makes contributions to the labor pension fund account with the Bank of Taiwan that is under the defined benefit plan. If the Labor Standard Act applies to an employee, the retirement payment shall be calculated based on the base points obtained in accordance with the seniority and the average salaries six months before 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 be no less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the Group's labor pension reserve account balance amounted to NT$863,576 thousand. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund.

(2) Movements in the present value of the defined benefit obligations

For the years ended December 31, 2022 and 2021, the movements in the present

value of the defined benefit obligations of the Group are as follows:

		2022	2021
Defined benefit obligations as at January 1	$	843,374	905,837
Current service costs and interest		13,503	12,617
Remeasurements of net defined benefit liability			
- Actuarial gains or losses arising from demographic assumptions		(3,431)	16,906
- Actuarial gains or losses arising from financial assumptions		(31,237)	(21,569)
- Adjustments based on experiences		12,859	24,185
Gains or losses from prior service costs and settlement		2,061	(2,439)
Exchange differences from overseas plans		828	(4,791)
Benefits paid under the plan		(47,060)	(87,372)
Defined benefit obligations as at December 31	**$**	**790,897**	**843,374**

(3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 are as follows:

		2022	2021
Fair value of plan assets as at January 1	$	816,390	854,942
Interest income		6,443	4,209
Remeasurements of net defined benefit liability			
- Return on plan assets (excluding interest income of the current period)		59,434	8,636
Contributions appropriated to the plan		27,948	38,504
Exchange differences from overseas plans		421	(2,529)
Benefits paid under the plan		(47,060)	(87,372)
Fair value of plan assets as at December 31	**$**	**863,576**	**816,390**

(4) Expenses recognized as profit or loss

The breakdown of expenses recognized by the Group as of December 31, 2022 and 2021 is as follows:

	2022	2021
Current period service costs	$ 1,257	7,421
Prior service costs	3,464	704
Net interest of net defined benefit liabilities	5,804	987
	$ 10,525	**9,112**

	2022	2021
Operating cost	$ 4,101	5,575
Sales and marketing expenses	899	1,527
General and administrative expenses	5,319	1,607
Research and development expenses	206	403
	$ 10,525	**9,112**

(5) Actuarial assumptions

The principal actuarial assumptions used by the Group to determine the present value of defined benefit obligations on the reporting date are as follows:

	2022.12.31	2021.12.31
Discount rate	1.38%~7.16%	0.63%~5.01%
Future salary increase	1.25%~5.00%	1.00%~5.00%

The expected allocation payment to be made by the Group to the defined benefit plan within one year after the reporting date of 2022 is NT$13,147 thousand.

The weighted average lifetime of the defined benefits plans is 6.6~10.2 years.

(6) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimates to determine the actuarial assumptions on the balance sheet date, including the discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation as of December 31, 2022 and 2021 shall be as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%~1.00%	Decreased by 0.25%~1.00%
December 31, 2022		
Discount rate	$ (15,748)	16,537
Future salary increase	16,605	(15,902)
December 31, 2021		
Discount rate	$ (18,629)	19,630
Future salary increase	19,486	(18,609)

The sensitivity analysis above analyzed the effects of changes in a single assumption, and other assumptions remained unchanged. In practice, multiple assumptions may be correlated. The method used in the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities on the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

2. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act under the defined contribution plan. Under the plan, the Group is exempted from the legal or constructive obligations for additional payments after appropriating a fixed amount to the Bureau of Labor Insurance.

The Group confirmed that the pension expenses to the Bureau of Labor Insurance under the defined pension contribution plan for the years ended December 31, 2022 and 2021 amounted to NT$26,162 thousand and NT$27,519 thousand, respectively, have been appropriated to the Bureau of Labor Insurance. Except for the above, pension expenses of other foreign subsidiaries recognized by the Group according to relevant local laws and regulations were NT$8,142 thousand and NT$9,432 thousand for the years ended December 31, 2022 and 2021, respectively.

(XVIII) Income taxes

1. Income tax expenses

The breakdown of the income tax expenses of the Group is as follows:

	2022	2021
Current income tax expense		
Arising during the period	$ 88,106	201,314
Current income tax with adjustments to the prior period	520	10,463
	88,626	211,777
Deferred income tax expense		
Occurrence and reversal of temporary differences	3,472	19,310
Changes in income tax rates	-	2,224
	3,472	21,534
Income tax expenses for continuing operations	**$ 92,098**	**233,311**

The breakdown of income tax expenses recognized in other comprehensive income by the Group for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit plans	**$ 16,398**	**1,214**

Reconciliation of income tax and profit before tax of the Group for 2022 and 2021 is as follows:

	2022	2021
Net profits before tax	**$ 250,230**	**1,979,238**
Income tax calculated at the domestic tax rate at the place where the Company locates	$ 50,046	395,848
Effect of tax rate differences in foreign jurisdictions	(24,609)	(14,301)
Changes in income tax rates	-	2,224
Basic income tax	-	2,061
Non-temporary differences	(17,508)	19,512
Tax-exempted income	(3,790)	(388,482)
Tax incentives	(6,767)	(7,818)
Land value increment tax	-	158,831
Changes in unrecognized temporary differences	47,470	54,674
Prior over (under) estimation	520	10,463
Additional tax on undistributed earnings	46,736	299
Total	**$ 92,098**	**233,311**

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

As of December 31, 2022 and 2021, the temporary differences related to 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.

(2) Unrecognized deferred income tax assets

Items of deferred income tax assets not recognized by the Group are as follows:

	2022.12.31	2021.12.31
Deductible temporary differences	$ 211,292	212,741
Aggregate amount of temporary differences related to investments in subsidiaries	321,084	310,798
	$ 532,376	**523,539**

For taxation losses, losses of the Group for the preceding five to ten years accessed by the taxation agency shall be deducted from the net profits of the year before accessing income tax according to the requirements of the Income Tax Act. Such items are not recognized as deferred income tax assets as the Group is not likely to have abundant taxable income in the future for such temporary differences.

As of December 31, 2022, for taxation losses of the Group (domestic subsidiaries) not recognized and recognized as deferred income tax assets, the deduction period is as follows:

Year of losses	Unrecognized losses not deducted	Last year available for deduction
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
2022	8,087	2032
	$ 229,202	

As of December 31, 2022, for taxation losses of the Group (foreign subsidiaries) not recognized as deferred income tax assets, the deduction period is as follows:

Year of losses	Unrecognized losses not deducted	Last year available for deduction
2018	$ 153,710	2023
2019	140,582	2024
2020	64,280	2025
2021	155,680	2026
2022	147,555	2027
	$ 661,807	

(3) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

	Defined benefit plans	Provision for land value increment tax	Others	Total
Deferred income tax liabilities:				
Balance at January 1, 2022	$ 4,454	276,574	11,788	292,816
Debit (credit) on the income statement	638	-	228	866
Debit (credit) on other comprehensive income	1,983	-	-	1,983
Balance on December 31, 2022	**$ 7,075**	**276,574**	**12,016**	**295,665**

	Defined benefit plans	Provision for land value increment tax	Others	Total
Balance at January 1, 2021	$ 3,317	276,574	11,799	291,690
Debit (credit) on the income statement	621	-	(11)	610
Debit (credit) on other comprehensive income	516	-	-	516
Balance on December 31, 2021	**$ 4,454**	**276,574**	**11,788**	**292,816**

	Defined benefit plans	Loss deduction	Others	Total
Deferred income tax assets:				
Balance at January 1, 2022	$ 16,382	9,306	22,653	48,341
(Debit) credit on the income statement	677	-	(3,236)	(2,559)
(Debit) credit on other comprehensive income	(14,415)	-	-	(14,415)
Balance on December 31, 2022	**$ 2,644**	**9,306**	**19,417**	**31,367**
Balance at January 1, 2021	$ 21,493	18,653	30,002	70,148
(Debit) credit on the income statement	(8,367)	(9,347)	(7,349)	(25,063)
(Debit) credit on other comprehensive income	3,256	-	-	3,256
Balance on December 31, 2021	**$ 16,382**	**9,306**	**22,653**	**48,341**

3. Assessment of tax

The Company's income tax returns for the years through 2020 were assessed by the taxation agency.

The Group - The tax returns of Hoceng Service Co., Ltd., Hohong Co., Ltd., Hostan Corporation, and Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.) through 2020 have been examined and approved by the taxation agency.

(XIX) Capital and other equity

As of December 31, 2022 and 2021, the total authorized capital of the Company was NT$5,700,000 thousand, divided into 570,000 thousand shares with a par value of NT$10 per share. The total authorized capital above comprises ordinary shares, and the issued shares were 303,280 thousand shares and 369,854 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of the Company's outstanding shares for the years ended December 31, 2022 and 2021 is set out in the following table:

(presented in thousand shares)

	Common stock	
	2022	**2021**
Opening balance on January 1	369,854	369,854
Capital reduction	(66,574)	-
Closing balance on December 31	**303,280**	**369,854**

1. Share capital

To optimize the Company's capital structure, the Board approved the proposal for a capital reduction in cash through the repayment of contributions to shareholders on May 10, 2022. The amount of capital reduction in cash was NT$665,736 thousand, 66,574 thousand issued shares were canceled, and the rate of capital reduction in cash was 18%; the base date of the capital reduction was August 19, 2022, and the alteration registration had been made with the Department of Commerce, Ministry of Economic Affairs.

2. Capital reserve

The content of the capital reserve balance of the Company is as follows:

	2022.12.31	**2021.12.31**
Treasury share transactions	$ 11,495	11,500
Changes in net equity of subsidiaries recognized by using the equity method	1,921	304
Consolidation premium	1,275	1,275
Others	532	399
	$ 15,223	**13,478**

According to the Company Act, the capital reserve shall be used to offset deficits first, and the realized capital reserve may be used to distribute new shares or cash based on the initial shareholding of shareholders. The aforementioned realized capital reserve includes the premium on the issuance of shares above par and income received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital reserve that may be appropriate to the capital shall not exceed 10% of the paid-in capital in

aggregate each year.

3. Retained earnings

The Company is in the traditional industry. The life cycle of the Company is in the growing stage. To consider the need of the Company for future capital, long-term financial planning, and the need for cash inflows for shareholders, the distribution of the Company's earnings shall consider the net earnings of the current year as the priority. If the Company records earnings after the final account, apart from paying profit-seeking business income tax and compensating losses from prior years according to the law, it shall appropriate a 10% legal reserve and appropriate special reserve based on the actual requirements of the Company. If there are remaining earnings, the Board shall prepare a proposal for earning distribution and submit it to the shareholders' meeting for the resolution of distribution.

The distribution of shareholders' dividends may be distributed after the Board has formulated the proposal and submitted it to the shareholders' meeting for approval based on the Company's operating status and capital requirements. The distribution of cash dividends shall be prioritized. When cash dividends and share dividends are distributed at the same time, the ratio of cash dividends therein shall not be less than 10% of total dividends.

When the amount of legal reserve has reached the total capital, the shareholders' meeting may resolve to cease the appropriation.

For the distribution of dividends and bonuses from legal reserve and capital reserve, the distribution shall be made after the Board has formulated the proposal and submitted it to the shareholders' meeting for approval according to the requirements of relevant laws and regulations.

(1) Legal reserve

When the Company has no losses, it may, based on the resolution of the shareholders' meeting, distribute new shares or cash from the legal reserve; however, the portion distributable shall be the portion of the reserve that exceeds 25% of the paid-in capital.

(2) Special reserve

For the initial application of IFRS that is approved by the FSC, the Company chose to adopt the exemptions in IFRS1 "First-time Adoption of International Financial Reporting Standards." Therefore, for the unrealized revaluation increment under the shareholder's equity, retained earnings increased by NT$658,175 thousand according to the requirements. Pursuant to the Order Jin-Guan-Zheng-Fa-Zi No.1010012865 of the FSC dated April 6, 2012, the same amount of special reserves should be appropriated, and when relevant assets are used, disposed of, or reclassified, the special reserve appropriated initially shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of the special reserve amounted to

NT$458,116 thousand.

(3) Earnings distribution

The proposal for earning distribution for 2021 and 2020 was approved as a resolution at the shareholders' meeting on June 27, 2022 and July 9, 2021. The amount of dividends distributed to the owners is as follows:

	2021		2020	
	Payout ratio	Amount	Payout ratio	Amount
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.20	**73,971**	0.20	**73,971**

4. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2022 and 2021 is as follows:

Holding		2022.12.31(Note)			2021.12.31		
company	Accounting item	Number of shares (thousand shares)	Costs	Market price	Number of shares (thousand shares)	Costs	Market price
Hostan Corporation	Financial assets at fair value through profit or loss - Current	976	$ 8,680	18,060	1,191	10,823	21,013
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	4,781	8,241	543	5,759	9,589

Note: Due to the capital reduction in cash through repayment of contributions to shareholders performed by the Company in August 2022, the number of shares of the Company held by subsidiaries and costs was reduced based on the rate of capital reduction in cash.

5. Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized profit and loss on the financial assets measured at fair value through other comprehensive income	Non-controlling interests
Balance at January 1, 2022	$ (59,247)	737,180	104,234
Exchange differences arising from the translation of net assets of foreign operations	58,063	-	472
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	(350,009)	(296)
Disposal of equity instruments measured at fair value through other comprehensive income	-	(9,348)	-
Others	-	-	(43,747)
Balance on December 31, 2022	**$ (1,184)**	**377,823**	**60,663**
Balance at January 1, 2021	$ 10,164	423,600	63,296
Exchange differences arising from the translation of net assets of foreign operations	(69,411)	-	(2,069)
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	295,463	507
Disposal of equity instruments measured at fair value through other comprehensive income	-	18,117	-
Others	-	-	42,500
Balance on December 31, 2021	**$ (59,247)**	**737,180**	**104,234**

(XX) Earnings per share

1. Basic earnings per share

(1) Net profit attributable to ordinary shareholders of the Company

	2022	2021
Net profit of the period attributable to the Company	**$ 157,290**	**1,224,801**

(2) Weighted average number of issued ordinary shares (thousand shares)

	2022	2021
Issued ordinary shares as at January 1	369,854	369,854
Effect of treasury shares	(1,619)	(1,734)
Effect of capital reduction in cash	(24,508)	-
Weighted average number of issued ordinary shares as at December 31	**343,727**	**368,120**

2. Diluted earnings per share

(1) Net profit attributable to ordinary shareholders of the Company (diluted)

	2022	2021
Net profit attributable to ordinary shareholders of the Company	**$ 157,290**	**1,224,801**

(2) Weighted average number of issued ordinary shares (diluted) (thousand shares)

	2022	2021
Weighted average number of issued ordinary shares (basic)	343,727	368,120
Effect of employee share bonus	3,024	4,963
Weighted average number of issued ordinary shares as at December 31 (diluted)	**346,751**	**373,083**

3. Earnings per share are as follows:

	2022	2021
Basic earnings per share	**$ 0.46**	**3.33**
Diluted earnings per share	**$ 0.45**	**3.28**

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

	2022				
	Taiwan business department	China business department	Philippine business department	Other departments	Total
Primary geographical markets:					
Taiwan	$ 3,823,126	-	-	-	3,823,126
China	-	309,387	-	2,017	311,404
Philippines	-	-	842,924	42	842,966
Other countries	11,442	554	-	14,952	26,948
Total	**$ 3,834,568**	**309,941**	**842,924**	**17,011**	**5,004,444**
Major products/service lines:					
Porcelain	$ 1,226,578	184,244	312,507	4,353	1,727,682
Copper ware	709,909	80,933	221,825	6,172	1,018,839
Toilet cover	581,231	3,699	35,418	254	620,602
Fine pottery	235,688	-	-	-	235,688
Others	1,081,162	41,065	273,174	6,232	1,401,633
Total	**$ 3,834,568**	**309,941**	**842,924**	**17,011**	**5,004,444**

	2021				
	Taiwan business department	China business department	Philippine business department	Other departments	Total
Primary geographical markets:					
Taiwan	$ 4,059,646	-	-	-	4,059,646
China	-	494,207	-	2,254	496,461
Philippines	-	-	744,135	142	744,277
The U.S.	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
Others	1,105,817	87,080	149,159	423	1,342,479
Total	**$ 4,068,004**	**495,681**	**744,135**	**5,499**	**5,313,319**

Regarding the details of the effects of COVID-19 on the operating revenue of the Group, please refer to the descriptions.

(XXII) Remuneration of employees and remuneration of Directors and supervisors

According to the requirements of the Articles of Incorporation, if the Company records any profits, it shall appropriate 5%~8% as the annual profits. The appropriation ratio for the remuneration of employees and remuneration of Directors and supervisors shall be up to 3% of the annual profits. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses.

For years ended December 31, 2022 and 2021, the estimated remuneration of employees was NT$14,920 thousand and NT$83,159 thousand, and the remuneration of Directors was NT$7,460 thousand and NT$41,580 thousand, respectively. The estimation basis is the net profit of the Company in the respective period before the remuneration of employees and remuneration of Directors and supervisors multiplied by the distribution ratio of the remuneration of employees and remuneration of Directors and supervisors as stated in the Articles of Incorporation, and the amounts were presented as operating costs or operating expenses of the period. If there are differences between the actual distribution amount and the estimated amount, they are treated as changes in accounting estimates, and such differences are recognized as profit or loss in the following year. For the remuneration of employees and remuneration of Directors and supervisors of the Company, the actual distribution amount and the estimated amount in 2021 were equivalent; for relevant information, please visit MOPS for inquiries.

(XXIII) Non-operating income and expenses

1. Interest income

The breakdown of interest income of the Group in 2022 and 2021 is as follows:

	2022	2021
Interest from cash in the bank	**$ 5,689**	**2,616**

2. Other income

The breakdown of other income of the Group in 2022 and 2021 is as follows:

	2022	2021
Rental income	$ 50,529	52,953
Dividend income	161,554	66,809
Royalties and others	48,263	37,532
	$ 260,346	**157,294**

3. Other gains and losses

The breakdown of other gains and losses of the Group in 2022 and 2021 is as follows:

	2022	2021
Currency exchange (losses) gains	$ (20,886)	2,560
Net losses from financial assets at fair value through profit or loss	(2,605)	(4,182)
Disposal of investment gains	332	1,203
Net gains from disposal and scrapping of property, plant and equipment	1,441	3,173
Depreciation of investment properties	(12,602)	(10,396)
Disaster losses of inventory	(21,685)	-
Other gains and losses	(10,323)	(21,967)
	$ (66,328)	**(29,609)**

4. Finance costs

The breakdown of finance costs of the Group in 2022 and 2021 is as follows:

	2022	2021
Interest expenses	**$ 50,848**	**54,928**

5. Disposal gains from non-current assets available for sales

The Group - Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.) disposed of all properties of the production business in Hukou Township, Hsinchu County, and completed the check and handover and transfer procedures in September 2021; the total consideration of the contract (tax included) was NT$2,365,247 thousand, and the total disposal gains or losses amounted to NT$1,836,843 thousand; for details, please refer to the Note 6(7) to the 2021 consolidated financial report.

(XXIV) Financial instruments

1. 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, the Group continues to evaluate the financial status of these customers and request collateral or guarantee when necessary. The Group regularly assesses the likelihood of collectability of accounts receivable and sets aside an allowance for bad debts, and the impairment losses generally fall within the expectations of the management. As of December 31, 2022 and 2021, 49% and 44% of notes receivable balance and 16% and 17% of accounts receivable balance were concentrated on five customers. Thus, the credit risk of the Group is significantly centralized.

2. 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	Cash flows of contract	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2022							
Non-derivative financial instruments							
Secured bank borrowings	$ 1,161,759	1,192,346	471,011	209,051	512,284	-	-
Unsecured bank borrowings	362,372	366,313	233,285	133,028	-	-	-
Short-term notes payable	105,000	105,254	105,254	-	-	-	-
Notes payable	123,366	123,366	123,366	-	-	-	-
Accounts payable	476,817	476,817	476,817	-	-	-	-
Other payables	537,907	537,907	537,907	-	-	-	-
Lease liabilities	84,800	87,295	16,339	15,661	25,100	26,907	3,288
	$ 2,852,021	**2,889,298**	**1,963,979**	**357,740**	**537,384**	**26,907**	**3,288**
December 31, 2021							
Non-derivative financial instruments							
Secured bank borrowings	$ 1,331,119	1,373,532	432,802	312,920	13,213	614,597	-
Unsecured bank borrowings	793,818	797,961	686,641	111,320	-	-	-
Short-term notes payable	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**	**2,535,925**	**437,350**	**36,704**	**648,163**	**9,944**

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

3. Currency risks

(1) Exposure to foreign currency risk

Financial assets and liabilities of the Group that are exposed to significant currency risk are as follows:

	2022.12.31			2021.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 814	30.710	24,998	1,827	27.680	50,571
RMB	5,204	4.408	22,939	4,556	4.344	19,791
Financial liabilities						
Monetary items						
USD	4,565	30.710	140,191	8,137	27.680	225,232

(2) Sensitivity analysis

The Group's exposure to currency risk arises from the exchange gains or losses arising from the translation of cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable, and other payables that are denominated in foreign currencies. As of December 31, 2022 and 2021, if an appreciation or depreciation of 1% of the NTD against the USD and CNY occurs, the net profit after tax of 2022 and 2021 would have decreased by NT$738 thousand and NT$1,239 thousand, respectively.

(3) Exchange gains or losses of monetary items

Exchange gains or losses of monetary items of the Group (including those realized and unrealized) in 2022 and 2021 were losses of NT$20,886 thousand and gains of NT$2,560 thousand.

4. Interest rate analysis

The exposure of the Group's financial assets and financial liabilities are described in the liquidity risk management of the note.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding on 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

the key management internally, which also represents the management's assessment of the reasonable and possible scope of change in interest rates.

The Group's interest rate risk arises from time deposits and borrowings bearing floating interest rates. If the interest rate increases or decreases by 1%, the Group's net profit (loss) before tax will decrease or increase by NT$7,306 thousand and NT$8,393 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variables remain constant.

5. Information on fair value

(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 financial assets and liabilities (including the information on fair value hierarchy; however, fair value information on financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities is not required to be disclosed) are set out as follows:

	2022.12.31				
		Fair value measurement			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 317,790	317,790	-	-	317,790
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	957,467	957,467	-	-	957,467
Domestic non-listed stocks	3,147	-	-	3,147	3,147
Subtotal	960,614	957,467	-	3,147	960,614
Financial assets measured at amortized cost					
Cash and cash equivalents	665,867	-	-	-	-
Notes and accounts receivable	1,160,475	-	-	-	-
Other receivables	69,549	-	-	-	-
Refundable deposits	62,061	-	-	-	-
Subtotal	1,957,952	-	-	-	-
Total	**$ 3,236,356**	**1,275,257**	-	**3,147**	**1,278,404**

	2022.12.31				
		Fair value measurement			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Notes and accounts payable	$ 600,183	-	-	-	-
Other payables	537,907	-	-	-	-
Lease liabilities	84,800	-	-	-	-
Guarantee deposits	19,164	-	-	-	-
Total	**$ 1,242,054**	-	-	-	-
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 274,547	274,547	-	-	274,547
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	1,236,043	1,236,043	-	-	1,236,043
Domestic non-listed stocks	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	92,096	-	-	-	-
Subtotal	3,621,958	-	-	-	-
Total	**$ 5,222,113**	**1,510,590**	-	**89,565**	**1,600,155**
Financial liabilities at amortized cost					
Notes and accounts payable	$ 676,661	-	-	-	-
Other payables	618,505	-	-	-	-
Lease liabilities	93,177	-	-	-	-
Guarantee deposits	19,214	-	-	-	-
Total	**$ 1,407,557**	-	-	-	-

(2) Fair value 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 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 an open bid.

If quoted prices of financial instruments can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing institutes, or authorities, and such prices can reflect those actual trading and frequently happen in the market, the financial instruments are considered to have quoted prices in an active market. The market shall be deemed inactive when not fulfilling the abovementioned conditions. In general, significant gaps in trading prices, significant increases in gaps in trading prices, or minor trading volume are deemed as indicators of an inactive market.

Shares of companies listed on TWSE (TPEX) are financial assets and financial liabilities traded in active markets that fulfill the standard terms and conditions; their fair value shall be based on the market quotations.

(3) Transfers between Level 1 and Level 2

There was no significant transfer of financial assets from Level 1 to Level 2 in 2022 and 2021.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income
	Equity instruments with no open quotation
January 1, 2022	$ 89,565
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(86,418)
December 31, 2022	**$ 3,147**
January 1, 2021	$ 79,530
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	70,888
Capital reduction	(48,713)
Transferred from Level 3	(12,140)
December 31, 2021	**$ 89,565**

The abovementioned total gains or losses are presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income." Those related to assets held in 2022 and 2021 are as follows:

	2022	2021
Total gains or losses		
Recognized in other comprehensive income (presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income")	**$ (86,418)**	**70,888**

(5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that are classified for fair value measurement by using Level 3 inputs include financial assets at fair value through profit or loss – securities

investments and financial assets at fair value through other comprehensive income – securities investments.

Most of the Group's financial assets in Level 3 have only single significant unobservable input, while investments in equity instruments without an active market have multiple significant unobservable inputs. The significant unobservable inputs of investments in equity instruments without an active market are individually independent, and there is no correlation between them.

The quantitative information of significant unobservable inputs is set out as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – investments in equity instruments without an active market	Comparable listed companies approach	·Market multiplier (2021.12.31 is 1.43) ·Market liquidity discount rate (2021.12.31is 20%)	·The higher the multiplier and the premium of control, the higher the fair value ·The higher the market liquidity discount rate, the lower the fair value
Financial assets measured at fair value through other comprehensive income	Net asset value method	·Net asset value	Not applicable

(XXV) Financial risk management

1. Overview

The Group is exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The note presents the Group's exposure information, objectives, policies and procedures for measuring and managing the abovementioned risks. For further quantitative disclosures, please refer to the respective notes in the consolidated financial statements.

2. Risk management framework

The Board has overall responsibility for the establishment and supervision of the risk management framework of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and compliance with limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through training, 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 oversees how the management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. Internal auditors assist the Board of the Group in supervising. Such personnel undertakes regular and ad hoc reviews of risk management control and procedures, and the results are reported to the Board.

3. 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 accounts receivables from customers and investments in securities.

(1) Accounts and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the basic statistics of the Group's customers, including the default risks of the industries and countries of customers, as such factors may affect credit risks.

The Group has the allowance account set up to reflect the estimated losses of the accounts and other receivables and investments. The allowance account mainly includes specific losses related to individually significant exposure and the combined losses of similar asset groups that have incurred but not been identified. The allowance account for combined losses is determined in accordance with the historical payment statistics of similar financial assets.

(2) Investments

The credit risk exposure of bank deposits and other financial instruments is measured and monitored by the Group's Finance Department. As the Group deals with banks and counterparties with good credit standing and financial institutions, corporate organizations and government agencies, which are graded above the investment level, there is no significant performance suspicion; therefore, there is no significant credit risk.

(3) Guarantees

The Group's endorsement/guarantee policy is limited to subsidiaries or associates with business dealings. Please refer to Note 13 for details of endorsements and guarantees provided by the Group to subsidiaries as of December 31, 2022 and 2021.

2. Liquidity risks

Liquidity risk is the risk that the Group has difficulty fulfilling the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has 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.

In general, the Group ensures that it possesses sufficient cash to meet expected operating expenditure requirements, including the performance of financial obligations, but excluding potential effects that cannot be reasonably estimated under extreme circumstances (i.e., natural disasters).

3. Market risk

Market risk is the risk of changes in market prices, such as exchange rates, interest rates, and equity instrument prices, that will affect the Group's revenue or the value of financial instruments we hold. The objective of market risk management is to control the

market risk exposure within the tolerable range and to optimize the investment return.

(1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in the respective functional currencies of the Group's entities. The functional currency of the Group's entities is primarily the NTD, CNY and Philippine Peso (PHP). The currencies used in these transactions are NTD, 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 NTD, CNY, and PHP.

(2) Interest rate risk

The Group manages the interest rates risk by maintaining an adequate portfolio of fixed and variable interest rates.

(XXVI) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the faith of investors, creditors, and the market and support future operations. Capital consists of share capital, capital reserve, retained earnings, other equity and non-controlling interests of the Group. The Board of Directors monitors the return on capital, as well as the level of dividends for ordinary shares.

The Group's debt-to-equity ratio on the reporting date is as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 3,355,496	4,111,581
Less: Cash and cash equivalents	(665,867)	(2,162,265)
Net liabilities	**$ 2,689,629**	**1,949,316**
Total capital	**$ 6,508,692**	**7,359,295**
Debt-to-equity ratio	**41.32%**	**26.49%**

As of December 31, 2022, the Group had not changed its capital management method.

(XXVII) Investing and financing activities of non-cash transactions

Investing and financing activities of non-cash transactions performed by the Group in 2022 and 2021.

The reconciliation of liabilities from financing activities is set out in the following table:

			Non-cash change			
	2022.1.1	Cash flow	Addition	Decrease	Changes in exchange rate	2022.12.31
Short-term borrowings	$ 1,419,164	(492,514)	-	-	765	927,415
Long-term borrowings	705,773	(110,386)	-	-	1,329	596,716
Lease liabilities	93,177	(31,784)	-	-	23,407	84,800
Short-term notes payable	105,000	-	-	-	-	105,000
Guarantee deposits	19,214	(50)	-	-	-	19,164
Total liabilities from financing activities	**$ 2,342,328**	**(634,734)**	-	-	**25,501**	**1,733,095**

			Non-cash change			
	2021.1.1	Cash flow	Addition	Decrease	Changes in exchange rate	2021.12.31
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 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**

VII. Related party transactions

(I) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(II) Names and relationships with related parties

Related parties that have transactions with the Group during the periods covered in the consolidated financial statements are as follows:

Name of the related parties	Relationship with the Group
Triple S Holdings Corporation	An investee accounted for by using the equity method by Hocheng Group Holding Corp. (associate)
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd.	An investee accounted for by using the equity method by Hocheng (China) Corporation
Yuhong Co., Ltd.	Substantial related party (other related parties)
Yuhong (SuZhou) Co., Ltd.	Substantial related party (other related parties)
Hoceng Cultural & Educational Foundation	The chairman of the foundation is the same as the Group (other related parties)
New Swift Enterprises Co., Ltd.	The chairman of the foundation is the same as the Group (other related parties)
Hochun Industry Co., Ltd.	The chairman of the foundation is the same as the Group (other related parties)
Fu Wang Investment Co., Ltd.	The chairman of the foundation is the same as the Group (other related parties)
All Directors and the key management of the Group	The key management of the Group

(III) Significant transactions with related parties

1. Operating revenue

The amounts of significant sales by the Group to related parties are as follows:

	2022	2021
Other related parties	$ 65	276
Associates	30,460	-
	$ 30,525	**276**

The selling price of the Group to other related parties is based on the transfer price. The credit term is not significantly different from general transactions.

2. Purchases

The amounts of purchases by the Group from related parties are as follows:

	2022	2021
Other related parties	**$ 150,927**	**151,543**

The purchasing price of the Group to other related parties is paid at the transfer price. There is no general transaction that is comparable in price and payment terms.

3. Amounts receivable from related parties

The breakdown of the Group's amounts receivable from related parties is as follows:

Accounting item	Type of related parties	2022.12.31	2021.12.31
Notes receivable	Other related parties	$ 7	-
Accounts receivables	Associates	5,844	7,074
Other receivables	Associates	5,046	4,748
Other receivables	Other related parties	608	575
		$ 11,505	**12,397**

4. Amounts payable to related parties

The breakdown of the Group's amounts payable to related parties is as follows:

Accounting item	Type of related parties	2022.12.31	2021.12.31
Notes payable	Other related parties	$ 39,127	39,498
Accounts payable	Other related parties	15,915	15,551
Other payables	Other related parties	68	3
		$ 55,110	**55,052**

5. Others

(1) On August 9, 2022, the Board approved the resolution to acquire 30.7% of the outstanding equity of subsidiary- Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.) from the key management and other related parties of the Group on September 26, 2022, and the transaction amount was NT$782 thousand and NT$3,612 thousand.

(2) In response to the public welfare and cultural education activities organized by Hoceng Cultural & Educational Foundation, the Company made a donation of NT$5,000 thousand in 2022, which is accounted for under operating expenses - general and administrative expenses.

(IV) Key management transaction

The compensation of the key management includes:

	2022	2021
Short-term employee benefits	$ 73,265	69,214
Post-employment benefits	3,518	3,140
	$ 76,783	**72,354**

The Group provided 10 and 11 company cars with a cost of NT$19,942 thousand and NT$20,413 thousand, respectively, for the key management's use in 2022 and 2021.

VIII. Pledged assets

The breakdown of the carrying amount of assets provided by the Group for pledge and security is as follows:

Asset	Target	2022.12.31	2021.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	$ 1,881,237	1,910,343
Investment property - Land and houses	Long-term and short-term borrowings	414,012	420,011
Right-of-use asset - Land	Short-term borrowings	26,102	26,297
Refundable deposits	House lease and deposits for construction and sales	62,061	92,096
		$ 2,383,412	**2,448,747**

IX. Significant contingencies and unrecognized contractual commitments

(I) Promissory notes issued by the Group for engineering and product warranty and subject guarantee:

	2022.12.31	2021.12.31
Promissory notes for engineering and product warranty and subject guarantee	$ 33,133	24,028

X. Losses due to major disasters: None.

XI. Significant events after the period: None.

XII. Others

(I) A summary of employee benefits, depreciation, and amortization, by function is as follows:

Function / Type	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	498,743	490,370	989,113	547,226	570,087	1,117,313
Labor and health insurance	46,872	46,009	92,881	47,566	48,011	95,577
Pension	16,492	28,337	44,829	16,902	29,161	46,063
Other employee benefits expense	21,015	19,425	40,440	19,929	33,087	53,016
Depreciation expenses (Note)	91,049	117,725	208,774	89,141	123,081	212,222
Amortization expense	1,596	7,905	9,501	1,031	8,203	9,234

(Note): The depreciation expenses, excluding the depreciation of investment properties, in 2022 and 2021 amounted to NT$12,602 thousand and NT$10,396 thousand, respectively.

XIII. Other disclosures

(I) Information on significant transactions

Information on significant transactions required to be disclosed by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the Group for the year ended December 31, 2022 is as follows:

1. Loans to others:

Unit: NT$ thousand

No.	Name of financing provider	Name of counter party	Accounting item	Related party?	Maximum balance of the period	Ending balance	Actual drawdown amount	Interest rates	Nature of loans (Note 1)	Amount of sales to (purchase from) counter-party	Reason for short-term financing	Amount of loss allowance provided	Assets pledged		Loans and limits to individual counterparty (Note 2)	Total loan and limit (Note 3)
													Name	Value		
1	Ritiboon International Limited	Hocheng (China) Corporation	Amounts receivable from related parties	Yes	128,860	122,840	122,840	0.8%~1.88%	2	-	Working capital	-		-	159,508	319,015
2	Hocheng Group Holding Corp.	Hocheng (China) Corporation	〃	Yes	22,035	21,988	21,988	1.88%	2	-	Working capital	-		-	101,106	202,212
3	Hocheng Phils. Property Holding, Inc.	Triple S Holdings Corp.	〃	Yes	5,074	5,043	5,043	-	2	-	Working capital	-		-	18,688	37,376

Note 1: 1. A business associate.
2. A company that needs short-term financing.
Note 2: The limit of loans to a single enterprise shall not exceed 20% of the net worth of the lender.
Note 3: The total limit of loans shall not exceed 40% of the net worth of the lender.
Note 4: The intragroup transactions were written off in preparing the consolidated financial statements.

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

2. Guarantees and endorsements for others:

Unit: NT$ thousand

No.	Endorser/guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship (Note 1)	Limit of endorsements/guarantee for a single enterprise (Note 2)	Maximum balance of endorsement/guarantee for the period	Balance of endorsement/guarantee at the end of the period	Actual drawdown amount	Amount of endorsement/guarantee with properties as collateral	Ratio of the accumulated amount of endorsements/guarantee to the net worth of the latest financial statements (Note 4)	Cap of endorsements/guarantee (Note 3)	Endorsement/guarantee provided by the parent company to a subsidiary	Endorsement/guarantee provided by a subsidiary to the parent company	Provision of endorsements/guarantees to the party in China
0	Hocheng Corporation	Hoceng Philippines Corporation	3	6,448,029	229,137	229,053	19,153	-	3.55%	6,448,029	Y		
0	〃	Hocheng (China) Corporation	3	6,448,029	297,200	184,260	122,840	-	2.86%	6,448,029	Y		Y
1	Hostan Corporation	Hocheng Corporation	3	2,014,311	1,110,000	1,110,000	700,000	1,110,000	17.21%	2,014,311		Y	
2	Hoceng Service Co., Ltd.	Hostan Corporation	1	112,176	5,840	5,840	5,840	-	0.09%	112,176			

Note 1: The relationship between the endorser/guarantor and the counterparties is as follows:

1. A Company with business relationships.
2. A company in which the Company, directly and indirectly, holds over 50% of shares with voting rights.
3. A company, directly and indirectly, holds over 50% of shares with voting rights in the Company.
4. A company in which the Company, directly and indirectly, holds over 90% of shares with voting rights.
5. Companies within the industry provide mutual guarantees according to contracts due to the requirement of engineering contracting.

Note 2: The endorsement and guarantee limit made by the Company, Hostan Corporation, and Hoceng Service Co., Ltd. shall not exceed 100% of the net value of their financial statements.

Note 3: The cap of endorsements and guarantees is the net worth of the financial statements.

Note 4: For non-public companies, the ratio is calculated based on the net worth of the parent company.

Note 5: The intragroup transactions were written off in preparing the consolidated financial statements.

3. Securities held at the end of the period (excluding investments in the equity of subsidiaries, associates, and joint ventures):

Unit: NT$ thousand/share

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
The Company	Cathay Financial Holdings Limited	-	Financial assets at fair value through other comprehensive income -- Non-current	651,834	26,073	- %	26,073	- %	
	China Development Financial Holdings Limited	-	〃	452,067	5,696	- %	5,696	- %	
	Taishin Financial Holding Co., Ltd.	-	〃	535,375	8,084	- %	8,084	- %	
	United Microelectronics Corporation	-	〃	800,000	32,560	0.01%	32,560	0.01%	
	Taiwan PCB Techvest Co., Ltd.	-	〃	6,575,315	238,027	2.42%	238,027	2.42%	
	Capital Securities Corporation	-	〃	10,010,000	108,609	0.46%	108,609	0.46%	
	Pegatron Corporation	-	〃	75,000	4,763	- %	4,763	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	16,280	840	- %	840	- %	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	838	- %	838	- %	
	Mega Financial Holding Company Ltd.	-	〃	1,332,500	40,441	0.01%	40,441	0.01%	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	671	- %	671	- %	
	Taishin Financial Holding Co., Ltd. Preferred Stock E II	-	〃	9,753	462	- %	462	- %	
	CTBC Financial Holding Co., Ltd.	-	〃	2,498,000	55,206	0.01%	55,206	0.01%	
	Core Pacific City Co., Ltd.	-	〃	49,205	688	0.49%	688	0.49%	
	Union Securities Investment Trust Co., Ltd.	-	〃	98,869	1,296	0.32%	1,296	0.32%	
	Power Chip Technology Corporation	-	〃	27,816	366	- %	366	- %	
	Power Chip Semiconductor Manufacturing Corp.	-	〃	50,336	1,603	- %	1,603	- %	

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss -- Current	697,122	10,060	- %	10,060	- %	
	Taishin 1699 Money Market Fund	-	〃	1,241,611	17,091	- %	17,091	- %	
	Yuanta Wan Tai Money Market Fund	-	〃	981,110	15,079	- %	15,079	- %	
	Sinopac TWD Money Market Fund	-	〃	498,337	7,039	- %	7,039	- %	
	Capital Money Market Fund	-	〃	613,843	10,058	- %	10,058	- %	
	Hua Nan Phoenix Money Market Fund	-	〃	608,403	10,051	- %	10,051	- %	
	Hua Nan Kirin Money Market Fund	-	〃	1,488,550	18,096	- %	18,096	- %	
Hohong Co., Ltd.	Standard Foods Corporation	-	Financial assets at fair value through other comprehensive income -- Non-current	80,000	3,188	0.01%	3,188	0.01%	
	Formosa Plastics Corporation	-	〃	30,000	2,604	- %	2,604	- %	
	Kian Shen Corporation	-	〃	30,000	1,710	0.04%	1,710	0.04%	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,743	1,278	0.02%	1,278	0.02%	
	Hocheng Corporation	Is its subsidiary	〃	445,484	8,241	0.15%	8,241	0.15%	Note1
	Longchen Paper & Packaging Co., Ltd.		〃	268,152	4,384	0.02%	4,384	0.02%	
	Sheh Kai Precision Co., Ltd.	-	〃	60,000	2,610	0.12%	2,610	0.12%	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	2,759	0.05%	2,759	0.05%	
	Turvo International Co.,Ltd.	-	〃	70,000	7,070	0.12%	7,070	0.12%	
	Compeq Manufacturing Co., Ltd.	-	〃	50,000	2,225	- %	2,225	- %	
	Hong Hai Precision Industrial Co., Ltd.	-	〃	58,480	5,842	- %	5,842	- %	
	Yageo Corporation	-	〃	3,979	1,795	- %	1,795	- %	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	31,365	14,067	- %	14,067	- %	
	Foxconn Technology Co., Ltd.	-	〃	10,000	519	- %	519	- %	
	Elite Material Co., Ltd.	-	〃	20,000	3,420	0.01%	3,420	0.01%	
	Walsin Technology Corporation	-	〃	10,000	790	- %	790	- %	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	12,236	1,994	- %	1,994	- %	

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
	Evergreen International Storage and Transport Corporation	-	〃	100,000	2,780	0.01%	2,780	0.01%	
	Aerospace Industrial Development Corp.	-	〃	100,000	3,575	0.01%	3,575	0.01%	
	Cathay Financial Holdings Limited	-	〃	151,426	6,057	- %	6,057	- %	
	China Development Financial Holdings Limited	-	〃	132,288	1,667	- %	1,667	- %	
	Taishin Financial Holding Co., Ltd.	-	〃	354,585	5,354	- %	5,354	- %	
	Shin Kong Financial Holding Co., Ltd.	-	〃	317,110	2,781	- %	2,781	- %	
	Eslite Spectrum Corporation	-	〃	16,000	976	0.03%	976	0.03%	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,560	0.04%	1,560	0.04%	
	Getac Technology Corporation	-	〃	80,000	3,532	0.06%	3,532	0.06%	
	TXC Corporation	-	〃	20,000	1,654	0.01%	1,654	0.01%	
	Tripod Technology Corporation	-	〃	90,000	8,460	0.02%	8,460	0.02%	
	Ardentec Corporation	-	〃	120,205	5,962	0.02%	5,962	0.02%	
Hohong Co., Ltd.	Xintec Inc.	-	Financial assets at fair value through other comprehensive income -- Non-current	5,000	482	- %	482	- %	
	Shin Zu Shing Co., Ltd.	-	〃	10,000	816	0.01%	816	0.01%	
	Topco Technologies Corp.	-	〃	8,538	627	0.01%	627	0.01%	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	2,678	0.02%	2,678	0.02%	
	Avalue Technology Inc.	-	〃	52,000	4,233	0.07%	4,233	0.07%	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,287	0.02%	1,287	0.02%	
	Shih Her Technologies Inc.	-	〃	120,000	6,900	0.21%	6,900	0.21%	
	Materials Analysis Technology Inc.	-	〃	14,000	2,121	0.02%	2,121	0.02%	
	Arcadyan Technology Corporation	-	〃	45,000	4,307	0.02%	4,307	0.02%	
	TSC Auto ID Technology Co., Ltd.	-	〃	15,000	2,888	0.04%	2,888	0.04%	
	Bizlink Holding Inc.	-	〃	10,000	2,365	0.01%	2,365	0.01%	
	ASE Technology Holding Co., Ltd.	-	〃	80,000	7,512	- %	7,512	- %	
	Rechi Precision Co., Ltd.	-	〃	100,000	1,610	0.02%	1,610	0.02%	
	Global Tek Fabrication Co.,	-	〃	35,000	1,785	0.05%	1,785	0.05%	

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
	Ltd.								
	Pegatron Corporation	-	〃	70,000	4,445	- %	4,445	- %	
	Wistron Information Technology & Services Corporation	-	〃	70,000	5,789	0.10%	5,789	0.10%	
	Zhen Ding Technology Holding Limited	-	〃	70,000	7,350	0.01%	7,350	0.01%	
	Sinher Technology Inc.	-	〃	25,000	918	0.03%	918	0.03%	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,114	0.01%	2,114	0.01%	
	Sino American Silicon Products Inc.	-	〃	50,000	6,975	0.01%	6,975	0.01%	
	Chailease Holding Company Limited	-	〃	38,132	8,275	- %	8,275	- %	
	Chipbond Technology Corporation	-	〃	30,000	1,722	- %	1,722	- %	
	Powertech Technology Inc.	-	〃	65,000	5,148	0.01%	5,148	0.01%	
	Lanner Electronics Inc.	-	〃	125,000	11,500	0.11%	11,500	0.11%	
	GEM Services, Inc.	-	〃	39,450	2,690	0.03%	2,690	0.03%	
	Crystalvue Medical Corporation	-	〃	6,000	312	0.02%	312	0.02%	
	Takizawa Taiwan Technology Co., Ltd.	-	〃	30,000	1,050	0.04%	1,050	0.04%	
	Nova Technology Corp.	-	〃	26,000	2,301	0.04%	2,301	0.04%	
	Acer Cyber Security Inc.	-	〃	10,000	1,135	0.04%	1,135	0.04%	
Hohong Co., Ltd.	Acer E-Enabling Service Business Inc.	-	Financial assets at fair value through other comprehensive income -- Non-current	7,000	952	0.02%	952	0.02%	
	Ruby Tech Corporation	-	〃	102,618	3,325	0.19%	3,325	0.19%	
	Allied Circuit Co., Ltd.	-	〃	28,000	2,842	0.05%	2,842	0.05%	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,303	0.01%	1,303	0.01%	
	Taiwan PCB Techvest Co., Ltd.	-	〃	2,124,000	76,888	0.78%	76,888	0.78%	
	Sunny Friend Environmental Technology Co., Ltd.	-	〃	20,000	3,459	0.02%	3,459	0.02%	
	Cleanaway Company Limited	-	〃	10,000	1,800	0.01%	1,800	0.01%	
	Pou Chen Corporation	-	〃	180,000	6,156	0.01%	6,156	0.01%	
	Macauto Industrial Co., Ltd.	-	〃	30,000	1,953	0.04%	1,953	0.04%	
	Power Chip Technology Corporation	-	〃	66,404	797	- %	797	- %	
	Power Chip	-	〃	50,000	1,593	- %	1,593	- %	

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
	Semiconductor Manufacturing Corp.								
	D NET International Corporation	-	Financial assets at fair value through profit or loss -- Current	10,025	-	- %	-	- %	
	Syntronix Corporation	-	〃	1,150	-	- %	-	- %	
	AbGenomics International,Inc.	-	〃	20,000	-	- %	-	- %	
	UPAMC James Bond Money Market Fund	-	〃	10,777	183	- %	183	- %	
	Yuanta Wan Tai Money Market Fund	-	〃	345,621	5,312	- %	5,312	- %	
	Franklin Templeton Sinoam Money Market Fund	-	-	767,632	8,062	- %	8,062	- %	
	Yunata De-Li Money Market Fund	-	-	302,519	5,012	- %	5,012	- %	
	Yuanta De-Bao Money Market Fund	-	-	124,603	1,520	- %	1,520	- %	
	Capital Money Market Fund	-	〃	185,325	3,037	- %	3,037	- %	
Ritiboon International Limited	JPMorgan Funds–China Fund–JPM	-	〃	5,615	12,630	- %	12,630	- %	
	PYXIS	-	〃	65,000,000	-	- %	-	- %	
	Asia Technology	-	〃	1,400	-	- %	-	- %	
Hostan Corporation	Hocheng Corporation	為其子公司	〃	976,241	18,060	0.32%	18,060	0.32%	Note1
	Capital Money Trust Fund	-	〃	11,711,449	191,891	- %	191,891	- %	
	Capital Tip Customized Taiwan Select High Dividend ETF	-	〃	49,000	802	- %	802	- %	
	TCI Co., Ltd.	-	〃	10,030	1,715	0.01%	1,715	0.01%	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	340	152	- %	152	- %	
Swatton International Corp.	PFBC	-	Financial assets at fair value through other comprehensive income -- Non-current	50,000	114,579	- %	114,579	- %	
	NEXTEER AUTOMOTIVE GROUP LTD	-	〃	50,000	1,005	- %	1,005	- %	
	HKT TRUST AND HKT LTD	-	〃	100,000	3,765	- %	3,765	- %	
	CK HUTCHISON HOLDINGS LTD	-	〃	20,000	3,687	- %	3,687	- %	

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Highest shareholding or capital contribution during the period	Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value (Note 2)		
	FOXCONN INTERCONNECT TECHNOLOGY LTD.	-	〃	95,000	766	- %	766	- %	
	MINTH GROUP LTD	-	〃	60,000	4,993	- %	4,993	- %	
	AMAZON	-	〃	1,000	2,580	- %	2,580	- %	

Note 1: The Company's shares possessed by subsidiaries have been deducted from the carrying amount. The shares are treated as treasury shares.
Note 2: The securities quoted in an active market are 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 intragroup transactions were written off in preparing the consolidated financial statements.

4. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of a property with an amount exceeding NT$300 million or 20% of the paid-in capital: None.
6. Disposal of a property with an amount exceeding NT$300 million or 20% of the paid-in capital: None.

7. Purchases or sales with a related party with an amount exceeding NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

Company of purchase (sales)	Counterparty	Relationship	Transaction status				Differences between transaction conditions and general transactions and the reason therefor		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Ratio to total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
Hocheng Corporation	Yuhuang Co., Ltd.	Other related parties	Purchases	149,570	7.79%	Three months	-	No general transaction is comparable	(51,830)	(16.19)%	
〃	Hostan Corporation	Subsidiary	〃	109,555	5.71%	Three months	-	〃	(36,143)	(11.29)%	

Note 1: The intragroup transactions were written off in preparing the consolidated financial statements.

8. Amount receivable from related parties exceeding NT$100 million or 20% of the paid-in capital: None.

9. Derivative transaction: None.

10. Business relationships and significant intragroup transactions:

No.	Company	Counter-party	Relationship with the counterparty	Status of transaction			
				Account	Amount	Term	Ratio to the consolidated total operating revenue
0	Hocheng Corporation	Hoceng Service Co., Ltd.	1	Sales income	78,944	At the transfer price	1.58%
0	〃	Hostan Corporation	1	Cost of sales	109,555	At the transfer price	2.19%

Note 1: The numbering is as follows:
1. 0 represents the parent company.
2. Subsidiaries are numbered starting from 1.

Note 2: Relationship with counterparties is classified into three types as follows:
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: Transaction amounts that are less than 1% of the total assets or total operating revenue were not disclosed.

Note 4: The intragroup transactions were written off in preparing the consolidated financial statements.

Hocheng Corporation and Subsidiaries Notes to Consolidated Financial Statements (cont'd)

(II) Information on investees:

Information on the investees of the Group in 2022 is as follows:

Unit: NT$ thousand

Name of the investors	Name of the investees	Location	Main business line	Original / investment amount		Held at the end of the period			Highest shareholding or capital contribution during the period	(Losses) gains of investee of the period	Investment (losses) gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount				
Hocheng Corporation	Hostan Corporation	Taiwan	Oil excretes、gas stoves and water heaters	1,605,702	1,605,702	100,593,839	100.00%	1,994,995	100.00%	3,600	5,888	Notes 1 and 2
	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	793,408	100.00%	(105,049)	(109,497)	Note2
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	34,678,498	99.50%	599,065	99.50%	19,160	19,063	Note1
	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	600,000	40.00%	23,434	40.00%	5,000	2,390	Note2
	Bao Long Interior Crafts Co., Ltd.	Taiwan	Manufacturing, processing, and trading of porcelain, ceramic boards, and tiles	654,761	589,429	6,001,000	100.00%	73,006	100.00%	(8,128)	(6,464)	
	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%	71,882	- %	3,679	2,760	
	Hocheng Group Holding Corp.	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	584,756	100.00%	(105,274)	(105,274)	
	HCG North American, LLC	The U.S.	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	49.00%	-	-	
Hostan Corporation	Hoceng Service Co., Ltd.	Taiwan	Trading of bathroom and stove equipment and its components	4,500	4,500	450,000	30.00%	33,653	30.00%	5,000	1,500	
Hohong Co., Ltd.	Swatton International Corp.	British V	Holding	41,590	41,590	13,004	100.00%	198,844	100.00%	3,412	3,412	
Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	554,272	100.00%	42,539	42,539	
	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	49,747	40.00%	649	571	Note 4
Hoceng Philippines Corporation	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	35.00%	-	(49)	

Note 1: The Company's shares held by subsidiaries are deemed as treasury shares; therefore, gains or losses from investments in subsidiaries recognized by the Company exclude the gains or losses of subsidiaries generated from holding the shares of the Company.
Note 2: The difference between recognized gains or losses from investment and investee is unrealized gains or losses or difference of equity net worth.
Note 3: Lazuli International Co., Ltd. is still in the process of dissolution; the Company has written down the balance of long-term investments in its equity to nil.
Note 4: The Company is entitled to 88% of the rights to allocation regarding the earnings of the company.
Note 5: The intragroup transactions were written off in preparing the consolidated financial statements.

(III) Information on investment in Mainland China:

1. Information on investment in businesses in Mainland China:

Unit: NT$ thousand

Investee in Mainland China	Main business line	Paid-in capital	Method of investment (Note 1)	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Investment flows		Accumulated investment amount of remittance from Taiwan at the end of the period	Net profit (loss) of the investee for the current period	Shareholding of the Company's direct or indirect investments	Highest shareholding or capital contribution during the period	Investment (losses) gains recognized during the period (Note 7)	Carrying amount of investments at the end of the period	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered							
Hocheng (China) Corporation (Note 2)	Production and sale of plumbing products	953,760	(II)	894,627	-	-	894,627	(147,556)	100.00%	100.00%	(147,556)	(166,603)	-
UPEX	Sale of bathroom equipment	29,805	(II)	5,961	-	-	5,961	591	100.00%	100.00%	591	18,451	-
Hocheng (China) Corporation	Sale of bathroom equipment	4,581	(II)	-	-	-	-	(43,085)	100.00%	100.00%	(43,085)	(71,665)	-
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd.	Sale of bathroom equipment	4,300	(II)	-	-	-	-	(3,368)	50.00%	50.00%	(1,684)	2,011	-

2. Limit on investment in Mainland China:

Company name	Accumulated investment amount of remittance from Taiwan to China at the end of the period	Investment amounts authorized by Investment Commission, MOEA	Ceiling on investments in China imposed by the Investment Commission of the Ministry of Economic Affairs (Note 3)
The Company	900,588	928,336	3,868,817

Note 1: There are three types of investment methods; please mark the type:
(I) Direct investment in Mainland China.
(II) Investing in Mainland China through companies in a third-party region (the investing company in the third-party region is Ritiboon International Limited).
(III) Others methods.
Note 2: Based on the financial statements of investees audited by CPAs.
Note 3: The limit is 60% of the net worth.
Note 4: Relevant figures in the table are presented in NTD.
Note 5: The difference between the paid-in capital and the amount remitted from Taiwan is due to the capital increase from earnings in the amount of US$2,000 thousand performed by Hocheng (China) Corporation in 2009.
Note 6: The difference between the paid-in capital and the amount remitted from Taiwan is due to the direct investment and indirect investment of Ritiboon International Limited in Hocheng Group Holding Corp. and UPEX, respectively, in the amount of US$800 thousand.
Note 7: The difference between recognized gains or losses from investment and investee is unrealized gains or losses.
Note 8: The intragroup transactions were written off in preparing the consolidated financial statements.

3. Significant transactions:

For details of the significant transactions between the Group and investees in Mainland China in 2022, please refer to "Information on significant transactions."

(IV) Major shareholders:

Unit: Share

Shares Name of major shareholder	Number of shares held (Note)	Ownership
Dorkay Investment Company Ltd.	15,969,455	5.26%

Information about the major shareholder in the table is provided by the centralized depository enterprise on the last business day of December 2022 for the calculation of the total number of ordinary shares and preferred shares of the Company with non-physical registration completed (including treasury shares) held by shareholders, in aggregate, reaching 5% or above. The share capital in the financial statements of the Company may differ from the actual number of shares delivered with non-physical registration completed due to different preparation or calculation basis.

XIV. Segment information

(I) General information

The Group has four reportable departments: the Taiwan business department, the investment department, the China business department, and the 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 reportable segments consist of strategic business units which provide essentially different products and services. Strategic business units are managed separately as 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 overseas. For the years ended December 31, 2022 and 2021, the above departments did not meet the quantitative thresholds.

(II) Information on the profit or loss, assets, liabilities, and of reportable segments and their measurement and reconciliations.

The reportable amount is the same as that used by the chief operating decision-maker of the Group. Operating segments' accounting policies are equivalent to those described in note 2 "summary of significant accounting policies." Operating segments' profit or loss is based on operating profit or loss before tax and used as the basis 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 segments' accounting policies are equivalent to those described in note 4 "description of the summary of 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.

Information on the Group's operating segments and the reconciliations are as follows:

2022	Taiwan business department	Investment department	Philippine business department	China business department	Other departments	Adjustment and write-off	Total
Revenue:							
External customer	$ 3,834,568	-	842,924	309,941	17,011	-	5,004,444
Inter-segment	302,153	-	-	54,703	13,805	(370,661)	-
Total revenue	**$ 4,136,721**	**-**	**842,924**	**364,644**	**30,816**	**(370,661)**	**5,004,444**
Interest expenses	$ 21,788	1	6,597	25,839	-	(3,377)	50,848
Depreciation and amortization	194,648	932	47,563	36,013	736	(49,015)	230,877
Share of profit or loss of associates and joint ventures accounted for using the equity method	(87,121)	3,412	(49)	(44,769)	(104,994)	232,359	(1,162)
Profit or loss of reportable departments	**$ 232,935**	**24,569**	**57,406**	**(147,556)**	**(207,107)**	**289,983**	**250,230**

2021	Taiwan business department	Investment department	Philippine business department	China business department	Other departments	Adjustment and write-off	Total
Revenue:							
External customer	$ 4,068,004	-	744,277	495,682	5,356	-	5,313,319
Inter-segment	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 expenses	$ 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 or loss of associates and joint ventures accounted for using the equity method	1,040,208	2,024	-	33,330	1,619	(1,076,833)	348
Profit or loss of reportable departments	**$ 3,591,951**	**15,619**	**62,074**	**(114,261)**	**(138,500)**	**(1,437,645)**	**1,979,238**

(III) Geographic information

The geographic information of the Group is as follows; revenue is classified based on the geographical location of customers, and non-current assets are classified based on the geographical location of assets.

Region		2022	2021
Revenue from external customers			
Taiwan	$	3,834,568	4,068,004
Mainland China		326,911	501,038
Philippines		842,965	744,277
Total	**$**	**5,004,444**	**5,313,319**

Region		2022.12.31	2021.12.31
Non-current assets:			
Taiwan	$	3,630,958	3,670,398
Mainland China		408,882	431,703
Philippines		400,530	300,031
Total	**$**	**4,440,370**	**4,402,132**

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, but exclude financial instruments, deferred income tax assets, and other financial assets.

(IV) Major customers

For the years ended December 31, 2022 and 2021, none of the revenue from a single customer exceeds 10% of the Group's consolidated operating revenue.

Independent Auditors' Report Translated from Chinese

To the Board of Directors of Hocheng Corporation:

Audit opinion

We have audited the consolidated financial statements of Hocheng Corporation, which comprise the balance sheets as of December 31, 2022 and 2021, 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 paragraph Other Matters), the accompanying parent company only financial statements present fairly, in all material respects, the consolidated financial position of Hocheng Corporation and its subsidiaries as of December 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Parent-Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in the 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 for our opinion. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the parent company only financial statements of the current period for the Company. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these issues. We have determined the matters described below to be the key audit matters to be communicated in our report:

I. Valuation of inventories

Refer to Note 4(7) 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 on the estimation of the valuation of inventory is disclosed in Note 6(6) of the parent company only financial statements.

Description of key audit matters:

Inventories are measured at the lower of cost or net realizable value in the financial statements. The Company's products are 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 due to obsolete products or inconsistency with consumers' preferences.

How the matter was addressed in our audit:

Our audit procedures for the above key audit matters included understanding the accounting policies of the Company for impairment loss provision, examining whether inventory write-down or obsolescence allowance had been provided for inventories according to the Company's existing accounting policies (including implementing sampling procedures, verifying relevant forms and certificates to verify and accuracy of its calculation), and evaluating the adequacy of the Company's disclosures related to inventory write-down or obsolescence allowance.

II. Investments accounted for using the equity method

Refer to Notes 4(8) and (9) for the accounting policy of investment accounted for using the equity method. Information on investment accounted for using the equity method and the share of gains from associates and joint ventures recognized by using the equity method is disclosed in Note 6(7) of the parent company only financial statements.

Description of key audit matters:

The amount of investments accounted for using the equity method of Hocheng Corporation amounted to NT$3,483,908 thousand, accounting for 42% of the total assets of Hocheng Corporation; therefore, investments accounted for using the equity method are included as a matter that requires close attention.

How the matter was addressed in our audit:

The audit process we perform for the above key audit matter includes providing audit instructions to and communicating with the audit staff of other component entities, acquiring the financial statements of the component entities, performing a check calculation for the correctness of the recognized investment amount under the equity method and attributable period, and assessing whether the management has properly disclosed the investment under the equity method.

Other Matters

For investment accounted for by using the equity method included in the Company's financial statements, we did not audit the financial statements of certain companies. Those financial statements were audited by other auditors. Therefore, our opinion expressed for the abovementioned financial statements, insofar as they relate to the financial statements of such companies, is based solely on the reports of other CPAs. Investment accounted for by using the equity method of the abovementioned investees accounted for 6% and 7% of total assets as of December 31, 2022 and 2021, respectively; the share of gains or losses from subsidiaries, associates, and joint ventures accounted for (59)% and 79%

of net profit before tax for the years ended December 31, 2022 and 2021, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, 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) of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether or not the parent company only financial statements as a whole are free from material misstatements, 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 will always detect a material misstatement when it exists in the parent company only financial statements. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the parent company only 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 conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of investees accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion of the Company.

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, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the 2022 parent company only financial statements of the Group and are, therefore, 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.

KPMG

Accountants:

No. of approval and certification from the competent authority of securities	:	Jin-Guan-Zheng-Shen-Zhi No.1080303300 Jin-Guan-Zheng-Liu-Zi No.0940100754
March 14, 2023		

Hocheng Corporation

Balance Sheet

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

	Assets	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 140,275	2	1,382,009	14
1110	Current financial assets at fair value through profit or loss (Note 6(2))	87,474	1	60,014	1
1151	Notes receivable (Notes 6(4) and 7)	407,928	5	378,609	4
1170	Accounts receivable, net (Notes 6(4) and 7)	463,159	6	637,999	6
1200	Other receivables, net (notes 6(e))	19,264	-	7,809	-
1210	Other receivables - Related parties (notes 6(e) and 7)	24,920	-	25,873	-
130X	Inventories, net (Note 6(6) and 7)	1,222,784	15	1,009,416	10
1470	Other current assets	74,183	1	91,022	1
		2,439,987	30	3,592,751	36
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(3))	526,223	6	811,428	8
1550	Investments accounted for using the equity method, net (Note 6(7))	3,483,908	42	3,632,531	36
1600	Property, plant and equipment (Notes 6(8) and 8)	1,182,769	14	1,187,862	12
1755	Right-of-use assets (Note 6(9))	175,338	2	223,594	2
1760	Investment property, net (Note 6(10) and 8)	427,455	5	433,660	5
1780	Intangible assets (Note 6(11))	19,594	-	23,524	-
1840	Deferred income tax assets (Note 6(19))	6,061	-	23,051	-
1920	Guarantee deposits paid (Note (8))	36,474	-	65,405	1
1975	Net defined benefit assets - Non-current (Note 6(18))	59,580	1	-	-
1990	Other non-current assets - Others (Note 8)	19,842	-	30,026	-
		5,937,244	70	6,431,081	64
	Total Assets	**$ 8,377,231**	**100**	**10,023,832**	**100**

	Financial liabilities and equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(12))	$ 330,000	4	950,877	9
2110	Short-term notes and bills payable (Notes 6(13))	105,000	1	105,000	1
2150	Notes payable	17,610	-	30,454	-
2160	Notes payable - Related parties (note 7)	39,037	-	39,408	-
2171	Accounts payable	207,323	3	199,498	2
2180	Accounts payable - Related parties (note 7)	56,131	1	63,136	1
2200	Other payables	301,734	4	374,815	4
2220	Other payables - Related parties (note 7)	18,763	-	19,049	-
2250	Debt allowance - Current (Note 6(16))	10,033	-	12,865	-
2280	Lease liabilities - Current (Note 6(15))	57,663	1	55,042	1
2300	Other current liabilities	109,804	1	67,614	1
2320	Long-term liabilities due within one year (Notes 6(14))	80,000	1	98,234	1
		1,333,098	16	2,015,992	20
	Non-current liabilities:				
2540	Long-term borrowings (Notes 6(14))	440,000	5	520,000	5
2570	Deferred income tax liabilities (Note 6(19))	14,389	-	14,389	-
2580	Lease liabilities - Non-current (Note 6(15))	123,130	2	174,208	2
2640	Net defined benefit liabilities - Non-current (Note 6(18))	-	-	25,567	-
2645	Guarantee deposits	18,585	-	18,615	-
		596,104	7	752,779	7
	Total liabilities	1,929,202	23	2,768,771	27
	Equity (Note (20)):				
3100	Capital stock	3,032,800	36	3,698,536	37
3200	Capital surplus	15,223	-	13,478	-
3300	Retained earnings	3,036,828	36	2,881,696	29
3400	Other equity	376,639	5	677,933	7
3500	Treasury stock	(13,461)	-	(16,582)	-
	Total equity	6,448,029	77	7,255,061	73
	Total Liabilities and Equity	**$ 8,377,231**	**100**	**10,023,832**	**100**

Hocheng Corporation

Statement of Comprehensive income

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6(22) and 7)**	$ 3,400,227	100	3,624,360	100
5000	**Operating costs (Note 6(6) and 7)**	2,462,573	72	2,632,283	73
5900	**Gross profit before adjustment**	937,654	28	992,077	27
5910	Less: Unrealized sales gains or losses	7,060	-	5,541	-
5920	Add: Realized sales gains or losses	5,541	-	5,034	-
5950	**Operating gross profit**	936,135	28	991,570	27
	Operating expenses:				
6100	Sales and marketing expenses	508,883	15	537,476	15
6200	General and administrative expenses	164,018	5	191,777	5
6300	Research and development expenses	100,792	3	110,593	3
6450	Expected credit impairment losses	221	-	1,175	-
6300	**Subtotal**	773,914	23	841,021	23
6900	**Operating profit**	162,221	5	150,549	4
	Non-operating income and expenses:				
7100	**Interest income (Note 6(24))**	2,142	-	134	-
7010	**Other income (Note 6(24) and 7)**	207,207	6	111,321	3
7020	Other gains and losses (Note 6(24))	(35,274)	(1)	(11,955)	-
7050	Finance costs (Note 6(24))	(21,384)	(1)	(28,354)	(1)
7070	Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method (Note 6(7))	(88,620)	(2)	1,039,139	29
	Subtotal	64,071	2	1,110,285	31
7900	**Net profits before tax**	226,292	7	1,260,834	35
7950	**Less: Income tax expenses (Note 6(19))**	69,002	2	36,033	1
	Net profits for the period	157,290	5	1,224,801	34
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	67,206	2	(14,047)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(282,268)	(9)	195,015	5
8330	Share of gains of subsidiaries, associates, and joint ventures recognized by using the equity method - Items not reclassified to profit or loss	(56,679)	(2)	101,309	3
8349	Less: Income tax related to items that will not be reclassified	15,804	-	(2,894)	-
	Total amount of items that will not be reclassified to profit or loss	(287,545)	(9)	285,171	8
8360	**Items that may be reclassified to profit or loss subsequently**				
8361	Exchange differences on translation of foreign operations	58,063	2	(69,411)	(2)
8399	Less: Income tax related to items that may be reclassified	-	-	-	-
	Total amount of items that may be reclassified to profit or loss subsequently	58,063	2	(69,411)	(2)
8300	**Other comprehensive income or loss of the period (net after taxes)**	(229,482)	(7)	215,760	6
8500	**Total comprehensive income for the period**	**$ (72,192)**	**(2)**	**1,440,561**	**40**
	Earnings per share (NT$) (Note 6(21))				
9750	**Basic earnings per share (NT$)**	**$ 0.46**		**3.33**	
9850	**Diluted earnings per share (NT$)**	**$ 0.45**		**3.28**	

Hocheng Corporation

Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

	Capital stock		Retained earnings			Other Components of Equity			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign operations: Exchange differences on translation of foreign operations	Unrealized profit and loss on the financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity
Balance at January 1, 2021	$ 3,698,536	13,293	847,844	458,116	453,315	10,164	423,600	(16,582)	5,888,286
Net profits for the period	-	-	-	-	1,224,801	-	-	-	1,224,801
Other comprehensive income for the year	-	-	-	-	(10,292)	(69,411)	295,463	-	215,760
Total comprehensive income for the period	-	-	-	-	1,214,509	(69,411)	295,463	-	1,440,561
Earnings distribution and appropriation:									
Legal reserve	-	-	13,188	-	(13,188)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)
Other changes in capital reserve	-	185	-	-	-	-	-	-	185
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(18,117)	-	18,117	-	-
Balance as of December 31, 2021	3,698,536	13,478	861,032	458,116	1,562,548	(59,247)	737,180	(16,582)	7,255,061
Net profits for the period	-	-	-	-	157,290	-	-	-	157,290
Other comprehensive income for the year	-	-	-	-	62,465	58,063	(350,009)	-	(229,481)
Total comprehensive income for the period	-	-	-	-	219,755	58,063	(350,009)	-	(72,191)
Legal reserve									
Legal reserve	-	-	119,639	-	(119,639)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(73,971)	-	-	-	(73,971)
Changes in the net equity of subsidiaries recognized using the equity method	-	1,617	-	-	-	-	-	-	1,617
Other changes in capital reserve	-	128	-	-	-	-	-	-	128
Capital reduction in cash	(665,736)	-	-	-	-	-	-	3,121	(662,615)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	9,348	-	(9,348)	-	-
Balance at December 31, 2022	**$ 3,032,800**	**15,223**	**980,671**	**458,116**	**1,598,041**	**(1,184)**	**377,823**	**(13,461)**	**6,448,029**

Hocheng Corporation

Statement of Cash Flows

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

		2022	2021
Cash flows from operating activities:			
Profit before tax from continuing operations	$	226,292	1,260,834
Net income before tax			
Adjustments to reconcile profit (loss)			
Depreciation		153,505	149,705
Amortization expense		5,140	5,375
Expected credit impairment losses		221	1,175
Net gains on financial assets at fair value through profit or loss		(460)	(14)
Interest expenses		21,384	28,354
Interest income		(2,142)	(134)
Dividend income		(135,020)	(46,592)
Share of losses (gains) of subsidiaries, associates, and joint ventures recognized by using the equity method		88,620	(1,039,139)
Gains (losses) from disposal and scrapping of property, plant and equipment		344	(682)
Gains on disposal of right-of-use assets		(118)	(95)
Unrealized gains between associates		1,519	507
Reversal of allowance for sales returns and discounts		(2,832)	(6,248)
Total items of income and expenses		130,161	(907,788)
Changes in assets/liabilities related to operating activities:			
Net changes in assets related to operating activities:			
Notes receivable		(29,319)	(57,675)
Accounts receivable		174,619	(51,910)
Other receivables		(10,502)	(3,393)
Inventory		(213,368)	1,463
Other current assets		16,360	10,623
Total net changes in assets related to operating activities		(62,210)	(100,892)
Net changes in liabilities related to operating activities			
Notes payable		(13,215)	8,263
Accounts payable		820	21,070
Other payables		(72,888)	112,604
Other current liabilities		(4,642)	12,788
Net confirmed benefit debt		(17,941)	(26,374)
Total net changes in liabilities related to operating activities		(107,866)	128,351
Total net changes in assets and liabilities related to operating activities		(170,076)	27,459
Total item of adjustments		(39,915)	(880,329)
Cash inflows generated from operations		186,377	380,505
Interest received		2,142	134
Dividends received		262,591	1,017,951
Interest paid		(18,763)	(24,765)
Income tax paid		(18,142)	(45,460)
Net cash inflows from operating activities		414,205	1,328,365

Hocheng Corporation

Statement of Cash Flows (cont'd)

For the years ended December 31, 2022 and 2021

Unit: NT$ thousand

	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(1,793)	(47,753)
Disposal of financial assets measured at fair value through other comprehensive income	4,730	105,849
Proceeds from the 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	(27,000)	(60,000)
Acquisition of investments accounted for under the equity method	(65,332)	-
Proceeds from the capital reduction of investees accounted for using the equity method	-	70,876
Acquisition of property, plant and equipment	(78,445)	(75,141)
Proceeds from disposal of property, plant and equipment	1,962	820
Increase in refundable deposits	28,931	(1,334)
Acquisition of intangible assets	(1,210)	(948)
Decrease in other non-current assets	(90)	1,169
Net cash outflows (inflows) from investing activities	(138,247)	42,251
Cash flows from financing activities:		
Decrease in short-term borrowings	(620,877)	(92,333)
Decrease in short-term notes payable	-	(10,000)
Decrease in long-term loans	(98,234)	(174,970)
(Decrease) increase in refundable deposits	(30)	380
Repayment of principal of lease liabilities	(58,844)	(58,101)
Cash dividends paid	(73,971)	(73,971)
Capital reduction in cash	(665,736)	-
Net cash outflows from financing activities	(1,517,692)	(408,995)
Net increase (decrease) in cash and cash equivalents during the period	(1,241,734)	961,621
Cash and cash equivalents at beginning of year	1,382,009	420,388
Cash and cash equivalents at end of year	**$ 140,275**	**1,382,009**

Hocheng Corporation
Notes to the Parent-Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in NT$ thousand, unless otherwise specified)

I. Company History

Hocheng Corporation (the "Company") was incorporated in 1961 under the approval of the Ministry of Economic Affairs. The address of its registered office is 1F, No.398, Xingshan Rd., Neihu District, Taipei City 114, Taiwan. The Company primarily engages in the manufacturing and trading of residential equipment (i.e., bathtubs, toilets), kitchen equipment, copper pipe equipment and construction of national housing.

II. Approval date and procedures of the consolidated financial statements:

The accompanying parent company only financial statements were authorized for issue by the Board of Directors (the "Board") on March 14, 2023.

III. New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022.

· Amendments to IAS16 "Property, Plant and Equipment - Proceeds before Intended Use"

· Amendments to IAS37 "Onerous Contracts - Cost of Fulfilling a Contract"

·Annual improvements to IFRSs 2018–2020 cycle

·Amendments to IFRS3 "References to the Conceptual Framework"

(II) The impact of IFRS endorsed by the FSC but not adopted

The Company assesses that the adoption of the following new amendments, effective for the annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements.

·Amendments to IAS1 "Disclosure of Accounting Policies"

·Amendments to IAS8 "Definition of Accounting Estimates"

·Amendments to IAS 12 "Deferred Income Tax Related to Assets and Liabilities Arising from A Single Transaction"

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

The Company assesses that the following IFRS issued by IASB but not yet endorsed by the FSC will not have significant effects on the consolidated financial statements.

·Amendments to IFRS10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"

·Amendments to IAS1 "Classification of Liabilities as Current or Non-current"

·Amendments to IAS1 "Non-current Liabilities with Contractual Terms"

· Amendments to AFRS16 "Requirements for Sale and Leaseback Transactions"

IV. Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(I) Statement of compliance

These parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

1. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis, except for the following material items in the balance sheet:

(1) Financial assets 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 net 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(17).

2. Functional and presentation currency

The Company has its functional currency as the currency of the primary economic environment in which it operates. The parent-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(III) Foreign currency

1. 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 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 functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

(1) an investment in equity securities designated as at fair value through other comprehensive income;

(2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(3) qualifying cash flow hedges to the extent the hedge are effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, 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 re-attributed 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 is considered part of the net investment in the foreign operation are recognized in other comprehensive income.

(IV) 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.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. 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.

1. It is expected to be settled in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting date; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that 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 that 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.

(VI) Financial assets

Trade receivables are initially recognized when they originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (excluding 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, 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.

1. Financial assets

All regular way purchases or sales of financial assets classified in the same category are recognized and derecognized on a trade date basis.

On initial recognition, financial assets are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are not reclassified subsequently to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

·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 costs add/less 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) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income described above are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as at fair value through profit or loss 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) Financial assets at fair value through other comprehensive income

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 fair value through other comprehensive income; however,

they are included under accounts receivable.

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 are not held for trading in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at fair value through other comprehensive income 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 (generally, ex-dividend date).

(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, notes and accounts receivable, other receivables, guarantee deposits 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 a default occurring after 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 is the ECL that results from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected

life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the 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 estimates 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 is 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 fair value through other comprehensive income are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 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 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 the 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 Group neither transfers nor retains all of the risks and rewards of ownership substantially, and it does not retain control of the financial asset.

2. 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 a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount after deducting direct issuance costs from the obtained proceeds.

(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 reserve or retained earnings (if the capital reserve is not sufficient to be written down).

(4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through 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 Company derecognizes a financial liability when its contractual obligations are discharged or canceled, 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 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.

(VII) 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.

The net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(VIII) Investment in associates

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

Investments in the equity of associates are accounted for using the equity method. Under the equity method, the costs were recognized upon initial acquisition. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill identified on the acquisition, net of any accumulated impairment losses.

The parent company only 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 in the Company's shareholding percentage in the associate, the Company recognizes equity changes attributable to the Company by its shareholding percentage as capital reserve.

Gains and losses resulting from transactions between the Company and an associate are recognized in the financial statements only to the extent of a non-related investor's equity 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 a 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.

(IX) Investments in subsidiaries

When preparing the parent company only financial statements, the Company assesses investees under its control by using the equity method. Under the equity method, the profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to the owners of the parent company presented in the financial statements prepared on a consolidated basis and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in the Company's ownership interest in a subsidiary that do not result in loss of control are treated as equity transactions with owners.

(X) 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.

(XI) Property, Plant and Equipment

1. 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.

2. 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.

3. Depreciation

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

Lands are 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) Houses and 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 the reporting date each year and adjusted if appropriate.

4. 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.

(XII) Leases

At the 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.

1. As a lesee

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 c;
(2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
(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;
(4) there is a change in its assessment of the lease period on whether it will exercise an extension or termination option;
(5) there is a lease modification

When the lease liability is remeasured, when are changes in an index or rate to determine lease payments, changes in the amount of residual value guarantee, or changes in the assessment of purchase, extension, or termination options above, 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 Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as separate line items, respectively, in the balance sheets.

The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases of computer equipment and other equipment and asset lease of low-value assets. The Company recognizes relevant lease payments as expenses on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meet 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.

2. As a lessor

When the Company is the lessor in the transactions, it classifies lease contracts based on whether substantially all risks and compensations from the ownership of target assets are transferred; if yes, the contracts are classified as financing leases, and if no, operating leases. 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 sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(XIII) Intangible assets

1. 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 useful lives that are measured at cost less accumulated amortization and any accumulated impairment losses.

2. 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 expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Amortization

Apart from goodwill, 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 property, plant and equipment for the current and comparative years are as follows:

Computer software cost 2~15 years

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

(XIV) Impairment of non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred income tax assets, and non-financial assets other than assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 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.

(XV) Debt allowance

A debt allowance is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Debt allowances 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 amortization of the discount is recognized as interest expenses.

A provision of debt allowance for sales is recognized when the underlying products or services are sold based on historical allowance data and measurement of all possible outcomes against their associated probabilities.

(XVI) Revenue recognition

1. 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 goods or services to a customer. Descriptions based on the major revenue items of the Company are as follows:

(1) Sale of goods

The Company recognizes revenue when the control over products is transferred. The transfer of control over products refers to the delivery of products to customers, and customers may fully determine the sales channels and prices, and there is no unfulfilled obligation that may affect the acceptance of products by customers. Delivery occurs when products are delivered to a specified venue, the risks of obsolescence and losses are transferred to the customers, and customers have accepted products according to sales contracts, the acceptance terms have become invalid, or the Company has objective evident recognizing that all acceptance conditions have been fulfilled.

The Company is obliged to refund due to defects for the standard warranty it provides and has recognized warranty liability provision for such obligations.

The Company recognizes accounts receivable when delivering products as the Company gains the rights to unconditionally receive considerations.

(2) Rental 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 are deemed as part of the overall rent income, and it is credited to the rental 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 rental 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.

(XVII) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each of the plans 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 comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual

period to the then net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to prior service costs 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.

3. 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.

(XVIII) Income taxes

Income taxes comprise both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income tax includes estimated income tax payable or tax refund receivable calculated based on the taxable income (losses) of the year and any adjustment made to the income tax payable or tax refund receivable in prior years. The amount is the best estimate of estimated amounts payable or receivable measured based on the tax rates enacted or substantively enacted on the reporting date.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes are recognized except for the following:

1. temporary differences in 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.
2. 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
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred income 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 income 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 income 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 income tax assets and liabilities are offset if the following criteria are met:

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred income tax assets and the deferred income 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 income tax liabilities or assets are expected to be settled or recovered.

(XIX) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share are 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. Potential ordinary shares of the Company include the remuneration of employees.

(XX) Operating segments

The Company has disclosed the segment information in the consolidated financial statements; therefore, the parent company only financial statements will not disclose segment information.

V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these parent company only 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 parent company only 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:

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 effects of consumers' preferences and technological changes, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(6) for further description of the valuation of inventories.

VI. Explanation of significant accounting items

(I) Cash

	2022.12.31	2021.12.31
Cash and petty cash	$ 3,439	3,444
Checking account deposits	1,674	1,817
Demand deposit	135,162	1,376,748
Cash and cash equivalents presented in the statement of cash flows	**$ 140,275**	**1,382,009**

Please refer to Note 6(25) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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

The breakdown of financial assets is as follows:

	2022.12.31	2021.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates - open-end fund	**$ 87,474**	**60,014**

1. For details of the remeasurement of fair values recognized in profit or loss, please refer to Note 6(24).

2. The financial assets above had not been pledged as collateral.

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

	2022.12.31	2021.12.31
Equity investments at fair value through other comprehensive income:		
Domestic and foreign listed stocks	$ 523,873	723,633
Domestic non-listed stocks	2,350	87,795
Total	**$ 526,223**	**811,428**

1. Equity investments at fair value through other comprehensive income

The Company holds such equity instruments as long-term strategic investments, not for transaction purposes; therefore, they are designated as measured at fair value through other comprehensive income.

In 2022 and 2021, the Company recognized a dividend income of NT$135,020 thousand and NT$46,592 thousand, respectively, for the investments in equity instruments designated as measured at fair value through other comprehensive income.

Due to changes in investment strategy in 2022 and 2021, the Company has disposed of its financial assets designated at fair value through other comprehensive income. The fair value upon the disposals was NT$4,730 thousand and NT$105,849 thousand, the amount recovered for the capital reduction in 2021 was NT$48,713 thousand, and the Company recorded cumulative disposal gains of NT$1,354 thousand and NT$43,865 thousand, respectively. The cumulative disposal gains have been transferred to retained earnings.

2. For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(25).

3. The financial assets above had not been pledged as collateral.

(IV) Notes and accounts receivables

	2022.12.31	2021.12.31
Notes receivable	$ 407,928	378,609
Accounts receivables	465,458	640,077
Less: loss allowance	(2,299)	(2,078)
	$ 871,087	**1,016,608**

The Company applies the simplified approach to provide for its ECL for all notes and accounts receivable (i.e., the use of lifetime ECL provision for all receivables). Notes and accounts receivables have been grouped based on shared credit risk characteristics of customers' capacity in settling the amount past due according to the contractual terms, with

the inclusion of forward-looking information, macroeconomic, and relevant industry information. The expected credit loss analysis of the Company's notes receivable and accounts receivable is as follows:

	2022.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
Current	$ 861,832	0%~0.06%	549
1 to 30 days past due	3,647	0%~13.00%	474
31 to 120 days past due	7,822	0%~15.74%	1,231
121 to 365 days past due	85	0%~53.39%	45
More than one year past due	-	0%~100%	-
	$ 873,386		**2,299**

	2021.12.31		
	Book value of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
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**

The movements in the loss allowance for notes and accounts receivables of the Company are set out in the following table:

	2022	**2021**
Beginning balance	$ 2,078	3,515
Impairment losses recognized	221	1,175
Amounts written off due to the inability to recover during the year	-	(2,612)
Ending balance	**$ 2,299**	**2,078**

(e) Other receivables

	2022.12.31	2021.12.31
Others	$ 51,271	40,769
Less: loss allowance	(7,087)	(7,087)
	$ 44,184	**33,682**

(VI) Inventories

	2022.12.31	2021.12.31
Raw material	$ 217,669	167,906
Supplies	7,473	7,960
Work in progress	143,244	142,181
Finished goods	548,122	469,974
Merchandise	291,459	206,433
Raw materials in transit	14,817	14,962
	$ 1,222,784	**1,009,416**

For the years ended December 31, 2022 and 2021, the cost of goods sold and expenses amounted to NT$2,462,573 thousand and NT$2,632,283 thousand, respectively. The Company recognized inventory write-down losses of NT$6,335 thousand and NT$8,142 thousand due to inventory written down to net realizable value in 2022 and 2021, respectively. The amounts are included as a deduction item for the cost of sales.

The Company scrapped its inventories due to a fire accident in September 2022, and the amount of NT$21,685 thousand was accounted for under non-operating income and expenses - other gains and losses; for details, please refer to Note 6(24)

As of December 31, 2022 and 2021, none of the Company's inventories was pledged as collateral.

(VII) Investments accounted for using the equity method

The investments accounted for using the equity method at the end of the reporting period are set out as follows:

	2022.12.31	2021.12.31
Subsidiary	**$ 3,483,908**	**3,632,531**

Please refer to the 2022 consolidated financial statements.

As of December 31, 2022 and 2021, none of the Company's investments accounted for using the equity method was pledged as collateral.

(VIII) Property, Plant and Equipment

The breakdown of changes in the cost and depreciation of property, plant and equipment of the Company is as follows:

	Land	Land Improvements	Buildings	Machinery and equipment	Transportation equipment	Furniture and fixtures	Other equipment	Total
Costs:								
Balance at January 1, 2022	$ 682,549	20,932	281,236	1,582,097	76,493	152,386	738,553	3,534,246
Addition	-	-	492	30,034	6,075	4,382	47,735	88,718
Disposal	-	-	-	(13,680)	(14,991)	(820)	(16,930)	(46,421)
Balance on December 31, 2022	**$ 682,549**	**20,932**	**281,728**	**1,598,451**	**67,577**	**155,948**	**769,358**	**3,576,543**
Balance at January 1, 2021	$ 682,549	20,637	281,236	1,569,170	75,404	150,945	707,171	3,487,112
Addition	-	295	-	20,362	2,442	2,860	34,055	60,014
Disposal	-	-	-	(7,435)	(1,353)	(1,419)	(2,673)	(12,880)
Balance on December 31, 2021	**$ 682,549**	**20,932**	**281,236**	**1,582,097**	**76,493**	**152,386**	**738,553**	**3,534,246**
Depreciation:								
Balance at January 1, 2022	$ -	18,440	138,703	1,412,857	60,742	130,136	585,506	2,346,384
Depreciation this period	-	922	8,054	35,449	5,135	6,833	35,112	91,505
Disposal	-	-	-	(13,680)	(14,076)	(820)	(15,539)	(44,115)
Balance on December 31, 2022	**$ -**	**19,362**	**146,757**	**1,434,626**	**51,801**	**136,149**	**605,079**	**2,393,774**
Balance at January 1, 2021	$ -	17,466	130,487	1,385,835	56,496	124,900	555,915	2,271,099
Depreciation this period	-	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 on December 31, 2021	**$ -**	**18,440**	**138,703**	**1,412,857**	**60,742**	**130,136**	**585,506**	**2,346,384**
Carrying amount:								
Carrying amount:								
December 31, 2022	**$ 682,549**	**1,570**	**134,971**	**163,825**	**15,776**	**19,799**	**164,279**	**1,182,769**
January 1, 2021	**$ 682,549**	**3,171**	**150,749**	**183,335**	**18,908**	**26,045**	**151,256**	**1,216,013**
December 31, 2021	**$ 682,549**	**2,492**	**142,533**	**169,240**	**15,751**	**22,250**	**153,047**	**1,187,862**

As of December 31, 2022 and 2021, the Company's real estate of Yingge factory and office amounted to NT$95,184 thousand and NT$95,689 thousand, respectively. The real estate has not yet transferred the account in the name of the Company as it is a piece of agricultural land. For the years ended December 31, 2022 and 2021, the real estate had

temporarily registered under Patrick Chiu 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.

Please refer to Note 8 for the breakdown of property, plant, and equipment pledged as collateral for long-term and short-term borrowings and financing limits as of December 31, 2022 and 2021.

(IX) Right-of-use assets

The breakdown of changes in costs and depreciation of lands, houses and buildings, machinery equipment, and transportation equipment leased by the Company are as follows:

	Land	Buildings	Transportation equipment	Others	Total
Costs of right-of-use assets:					
Balance at January 1, 2022	$ 1,011	377,688	2,063	4,873	385,635
Addition	-	7,726	4,425	-	12,151
Decrease	-	(12,875)	-	-	(12,875)
Balance on December 31, 2022	**$ 1,011**	**372,539**	**6,488**	**4,873**	**384,911**
Balance at January 1, 2021	$ 1,011	376,494	2,063	4,873	384,441
Addition	-	10,389	-	-	10,389
Decrease	-	(9,195)	-	-	(9,195)
Balance on December 31, 2021	**$ 1,011**	**377,688**	**2,063**	**4,873**	**385,635**
Depreciation of right-of-use assets:					
Balance at January 1, 2022	$ 506	157,798	2,063	1,674	162,041
Depreciation this period	168	54,416	719	492	55,795
Disposal	-	(8,263)	-	-	(8,263)
Balance on December 31, 2022	**$ 674**	**203,951**	**2,782**	**2,166**	**209,573**
Balance at January 1, 2021	$ 338	107,428	1,376	1,181	110,323
Depreciation this period	168	54,201	687	493	55,549
Disposal	-	(3,831)	-	-	(3,831)
Balance on December 31, 2021	**$ 506**	**157,798**	**2,063**	**1,674**	**162,041**
Carrying amount:					
December 31, 2022	**$ 337**	**168,588**	**3,706**	**2,707**	**175,338**
December 31, 2021	**$ 505**	**219,890**	**-**	**3,199**	**223,594**

January 1, 2021	**$**	**673**	**269,066**	**687**	**3,692**	**274,118**

(X) Investment property

	Land	Buildings	Total
Costs:			
Balance on December 31, 2022 (i.e., opening balance)	**$ 408,284**	**258,712**	**666,996**
Balance on December 31, 2021 (i.e., opening balance)	**$ 408,284**	**258,712**	**666,996**
Depreciation and impairment losses:			
Balance at January 1, 2022	$ -	233,336	233,336
Depreciation during the year	-	6,205	6,205
Balance on December 31, 2022	**$ -**	**239,541**	**239,541**
Balance at January 1, 2021	$ -	227,207	227,207
Depreciation during the year	-	6,129	6,129
Balance on December 31, 2021	**$ -**	**233,336**	**233,336**
Carrying amount:			
December 31, 2022	**$ 408,284**	**19,171**	**427,455**
January 1, 2021	**$ 408,284**	**31,505**	**439,789**
December 31, 2021	**$ 408,284**	**25,376**	**433,660**
Fair value:			
December 31, 2022			**$ 1,251,127**
December 31, 2021			**$ 926,054**

Investment properties include multiple commercial properties leased to others. For details of relevant information (including rental income and direct operating expenses occurred), please refer to Note 6(17).

The fair value of investment property is based on the valuation of the market value.

As of December 31, 2022 and 2021, for the breakdown of investment properties of the Group that had been pledged as collateral for long-term and short-term borrowings and financing limits, please refer to Note 8.

(XI) Intangible assets

The breakdown of costs and amortization of intangible assets of the Company in 2022 and 2021 is as follows:

	Computer software cost
Costs:	
Balance at January 1, 2022	$ 70,644
Addition	1,210
Decrease	(500)
Balance on December 31, 2022	**$ 71,354**
Balance at January 1, 2021	$ 69,696
Addition	948
Balance on December 31, 2021	**$ 70,644**
Amortization:	
Balance at January 1, 2022	$ 47,120
Amortization during the period	5,140
Decrease this period	(500)
Balance on December 31, 2022	**$ 51,760**
Balance at January 1, 2021	$ 41,745
Amortization during the period	5,375
Balance on December 31, 2021	**$ 47,120**
Carrying amount:	
Balance on December 31, 2022	**$ 19,594**
Balance at January 1, 2021	**$ 27,951**
Balance on December 31, 2021	**$ 23,524**

1. Amortization expenses

Amortization expenses of intangible assets were presented in the following items of the statement of comprehensive income in 2022 and 2021:

	2022	2021
Operating cost	**$ 202**	**141**
Operating expenses	**$ 4,938**	**5,234**

(XII) Short-term borrowings

The breakdown of the Company's short-term borrowings is as follows:

	2022.12.31	2021.12.31
Borrowings on unsecured letters of credit	$ 150,000	20,877
Unsecured bank borrowings	-	580,000
Secured bank borrowings	180,000	350,000
Total	**$ 330,000**	**950,877**
Outstanding limits	**$ 1,560,000**	**909,123**
Interest rates	**1.54%~1.84%**	**1.07%~1.76%**

For details of collateral for short-term borrowings on the pledge of assets as collateral, please refer to note 8.

(XIII) Short-term notes and bills payable

The breakdown of short-term notes and bills payable by the Company is as follows:

	2022.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	2.02%~2.10%	**$ 105,000**
Outstanding limits			**$ 325,000**

	2021.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	1.22%~1.29%	**$ 105,000**
Outstanding limits			**$ 325,000**

(XIV) Long-term borrowings

The breakdown, conditions, and terms of the Company's long-term borrowings are as follows:

	2022.12.31			
	Currency	Interest rates	Maturity date	Amount
Secured bank borrowings	TWD	2.24%	2024.10.19	$ 520,000
Less: Portion due within one year				(80,000)
Total				**$ 440,000**
Outstanding limits				**$ -**

	2021.12.31			
	Currency	Interest rates	Maturity date	Amount
Secured bank borrowings	TWD	1.62%~1.65%	2024.10.19	$ 618,234
Less: Portion due within one year				(98,234)
Total				**$ 520,000**
Outstanding limits				**$ -**

For information on the Company's interest risk, currency risk and liquidity risk, please refer to Note 6(25); for information on borrowings from related parties, please refer to Note 7.

For details of collateral for short-term borrowings on the pledge of assets as collateral, please refer to note 8.

(XV) Lease liabilities

The carrying amount of lease liabilities of the Company is as follows:

	2022.12.31	2021.12.31
Current	**$ 57,663**	**55,042**
Non-current	**$ 123,130**	**174,208**

For details of the maturity analysis, please refer to Note 6(25) financial instruments.

The amount recognized in profit or loss is as follows:

	2022	2021
Interest expenses on lease liabilities	**$ 2,966**	**3,659**
Expenses relating to short-term leases	**$ 380**	**215**
Expenses relating to leases of low-value assets	**$ 772**	**636**

(excluding short-term leases of low-value assets)

COVID-19-related rent concessions (recognized as a deduction of rent expenses)	**$ 34**	**32**

The amount recognized in the statements of cash flows is as follows:

	2022	2021
Total cash used in leases	**$ 62,928**	**62,579**

1. Land, house and building leases

As of December 31, 2022 and 2021, the Company leases land and houses and buildings for its office space and factories. The leases of office space typically run for one to five years.

2. Other leases

In addition, the period of lease for leasing machinery equipment and other equipment is two to five years; such leases are short-term and low-value target leases; the Company opts to apply the recognition exemption requirements to no recognize the relevant right-of-use assets and lease liabilities.

(XVI) Debt allowance

	Debt allowance for discount
Balance at January 1, 2022	$ 12,865
Debt allowance increased during the period	6,768
Debt allowance used during the period	(9,600)
Debt allowance reversed during the period	-
Balance on December 31, 2022	**$ 10,033**
Balance at January 1, 2021	$ 19,113
Debt allowance increased during the period	9,232
Debt allowance used during the period	(10,482)
Debt allowance reversed during the period	(4,998)
Balance on December 31, 2021	**$ 12,865**

For debt allowance for discounts, the Company assesses potential product discounts based on historical experience, the management's judgment and other known reasons. Such allowances are recognized as a deduction item for thee operating revenue of the year in which relevant products are sold.

(XVII) Operating lease

The Company leases out investment properties. The Company has classified these

leases as operating leases because it does not substantially transfer all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(10) for details of investment properties.

The maturity analysis of the lease payment based on the total undiscounted lease payment to be collected after the reporting date is set out in the following table:

		2022.12.31	2021.12.31
Less than 1 year	$	14,365	14,792
1 to 5 years		31,073	30,861
> 5 years		3,992	6,953
Total undiscounted lease payment	**$**	**49,430**	**52,606**

For the years ended December 31, 2022 and 2021, the rental revenue from investment properties amounted to NT$10,465 thousand and NT$9,738 thousand, respectively.

(XVIII) Employee benefits

1. Defined benefit plans

The reconciliation of the present value of defined benefit obligations and the fair value of plan assets is as follows:

		2022.12.31	2021.12.31
Defined benefit obligation	$	630,887	682,223
Fair value of plan assets		(690,467)	(656,656)
Net defined benefit (assets) liabilities	**$**	**(59,580)**	**25,567**

The Company makes contributions to the labor pension fund account with the Bank of Taiwan that is under the defined benefit plan. If the Labor Standard Act applies to an employee, the retirement payment shall be calculated based on the base points obtained in accordance with the seniority and the average salaries six months before retirement.

(1) Composition of plan

The Company sets 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 be no less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the Company's labor pension reserve account balance with the Bank of Taiwan amounted to NT$690,467 thousand. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund. For details, please refer to the information announced on the website of the Bureau

of Labor Funds, Ministry of Labor.

(2) Movements in the present value of the defined benefit obligations

For the years ended December 31, 2022 and 2021, the movements in the present value of the defined benefit obligations of the Company are as follows:

		2022	2021
Defined benefit obligations as at January 1	$	682,223	726,203
Current service costs and interest		6,106	5,724
Remeasurements of net defined benefit liability			
- Adjustments based on experiences		7,863	20,804
- Actuarial gains or losses arising from financial assumptions		(21,491)	(12,482)
- Actuarial gains or losses arising from demographic assumptions		-	15,456
Gains or losses from prior service costs and settlement		-	703
Benefits paid under the plan		(43,814)	(74,185)
Defined benefit obligations as at December 31	**$**	**630,887**	**682,223**

(3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021 are as follows:

		2022	2021
Fair value of plan assets as at January 1	$	656,656	688,309
Interest income		4,152	2,600
Net defined benefit (liabilities) assets remeasurement			
- Return on plan assets (excluding interest income of the current period)		53,578	9,731
Contributions appropriated to the plan		19,895	30,201
Benefits paid under the plan		(43,814)	(74,185)
Fair value of plan assets as at December 31	**$**	**690,467**	**656,656**

(4) Expenses recognized as profit or loss

The breakdown of expenses recognized by the Company as of December 31, 2022 and 2021 is as follows:

	2022	2021
Current period service costs	$ 1,888	3,047
Gains or losses from prior service costs and settlement	-	703
Net interest of net defined benefit liabilities (assets)	66	77
	$ 1,954	**3,827**
Operating cost	$ 924	1,855
Sales and marketing expenses	610	1,192
General and administrative expenses	214	377
Research and development expenses	206	403
	$ 1,954	**3,827**

(5) Actuarial assumptions

The principal actuarial assumptions used by the Company to determine the present value of defined benefit obligations on the reporting date are as follows:

	2022.12.31	2021.12.31
Discount rate	1.375%	0.625%
Future salary increase	1.250%	1.000%

The expected allocation payment to be made by the Company to the defined benefit plan within one year after the reporting date of 2022 is NT$2,000 thousand.

The weighted average lifetime of the defined benefits plans is 6.6 years.

(6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation as of December 31, 2022 and 2021 shall be as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2022		
Discount rate (changes of 0.25%)	(10,245)	10,506
Future salary increase (changes of 0.25%)	10,326	(10,119)
December 31, 2021		
Discount rate (changes of 0.25%)	(12,343)	12,681
Future salary increase (changes of 0.25%)	12,406	(12,135)

The sensitivity analysis above analyzed the effects of changes in a single assumption, and other assumptions remained unchanged. In practice, multiple assumptions may be correlated. The method used in the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities on the balance sheets.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

2. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act under the defined contribution plan. Under the plan, the Company is exempted from the legal or constructive obligations for additional payments after appropriating a fixed amount to the Bureau of Labor Insurance.

The Company confirmed that the pension expenses to the Bureau of Labor Insurance under the defined pension contribution plan for the years ended December 31, 2022 and 2021 amounted to NT$19,408 thousand and NT$19,581 thousand, respectively, have been appropriated to the Bureau of Labor Insurance.

(XIX) Income taxes

1. Income tax expenses

The breakdown of income tax expenses of the Company as of December 31, 2022 and 2021 is as follows:

	2022	2021
Current income tax expense		
Arising during the period	$ 64,973	17,318
Current income tax with adjustments to the prior period	763	10,121
	65,736	27,439
Deferred income tax expense		
Occurrence and reversal of temporary differences	3,266	8,594
Income tax expenses for continuing operations	**$ 69,002**	**36,033**

The breakdown of income tax expenses (gains) recognized in other comprehensive income by the Company for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Not to be reclassified to profit or loss in subsequent periods:		

Remeasurements of defined benefit plans	**$ 15,804**	**(2,894)**

The reconciliation of income tax and profit before tax of the Company for 2022 and 2021 is as follows:

	2022	2021
Net profits before tax	**$ 226,292**	**1,260,834**
Income tax calculated at the domestic tax rate at the place where the Company locates	$ 45,258	252,167
Additional tax on undistributed earnings	45,919	-
Effect of tax rate differences in foreign jurisdictions	695	-
Adjustments to non-temporary differences	(25,978)	(233,870)
Tax incentives	(6,767)	(7,818)
Changes in unrecognized temporary differences	9,112	15,433
Prior over (under) estimation	763	10,121
Income tax expense	**$ 69,002**	**36,033**

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

Items of deferred income tax assets not recognized by the Company are as follows:

	2022.12.31	2021.12.31
Deductible temporary differences	$ 12,153	12,161
Aggregate amount of temporary differences related to investments in subsidiaries	321,084	310,798
	$ 333,237	**322,959**

(2) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

	Unrealized revaluation appreciation	Others	Total
Deferred income tax liabilities:			
Balance on December 31, 2022 (i.e., opening balance)	**$ 13,868**	**521**	**14,389**
Balance on December 31, 2021 (i.e., opening balance)	**$ 13,868**	**521**	**14,389**

	Defined benefit plans	Others	Total

Deferred income tax assets:				
Balance at January 1, 2022	$	5,116	17,935	23,051
(Debit) credit on the income statement		(3,588)	39	(3,549)
(Debit) credit on other comprehensive income		(13,441)	-	(13,441)
Balance on December 31, 2022	**$**	**(11,913)**	**17,974**	**6,061**
Balance at January 1, 2021	$	7,582	21,089	28,671
(Debit) credit on the income statement		(5,275)	(3,154)	(8,429)
(Debit) credit on other comprehensive income		2,809	-	2,809
Balance on December 31, 2021	**$**	**5,116**	**17,935**	**23,051**

3. Assessment of tax

The Company's income tax returns for the years through 2020 were assessed by the taxation agency.

(XX) Capital and other equity

As of December 31, 2022 and 2021, the total authorized capital of the Company was NT$5,700,000 thousand, divided into 570,000 thousand shares with a par value of NT$10 per share. The total authorized capital above comprises ordinary shares, and the issued shares were 303,280 thousand shares and 369,854 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of the Company's outstanding shares for the years ended December 31, 2022 and 2021 is set out in the following table:

(presented in thousand shares)

	Common shares	
	2022	**2021**
Opening balance on January 1	369,854	369,854
Capital reduction	(66,574)	-
Closing balance on December 31	**303,280**	**369,854**

1. Share capital

To optimize the Company's capital structure, the Board approved the proposal for a capital reduction in cash through the repayment of contributions to shareholders on May 10, 2022. The amount of capital reduction in cash was NT$665,736 thousand, 66,574 thousand

issued shares were canceled, and the rate of capital reduction in cash was 18%; the base date of the capital reduction was August 19, 2022, and the alteration registration had been made with the Department of Commerce, Ministry of Economic Affairs.

2. Capital reserve

The content of the capital reserve balance of the Company is as follows:

	2022.12.31	2021.12.31
Treasury share transactions	$ 11,495	11,500
Changes in net equity of subsidiaries recognized by using the equity method	1,921	304
Consolidation premium	1,275	1,275
Others	532	399
	$ 15,223	**13,478**

According to the Company Act, the capital reserve shall be used to offset deficits first, and the realized capital reserve may be used to distribute new shares or cash based on the initial shareholding of shareholders. The aforementioned realized capital reserve includes the premium on the issuance of shares above par and income received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital reserve that may be appropriate to the capital shall not exceed 10% of the paid-in capital in aggregate each year.

3. Retained earnings

The Company is in the traditional industry. The life cycle of the Company is in the growing stage. To consider the need of the Company for future capital, long-term financial planning, and the need for cash inflows for shareholders, the distribution of the Company's earnings shall consider the net earnings of the current year as the priority. If the Company records earnings after the final account, apart from paying profit-seeking business income tax and compensating losses from prior years according to the law, it shall appropriate a 10% legal reserve and appropriate special reserve based on the actual requirements of the Company. If there are remaining earnings, such earnings shall be combined with the undistributed earnings at the beginning of the period, and the Board shall prepare a proposal for earning distribution and submit it to the shareholders' meeting for the resolution of distribution.

The distribution of shareholders' dividends may be distributed after the Board has formulated the proposal and submitted it to the shareholders' meeting for approval based on the Company's operating status and capital requirements. The distribution of cash dividends

shall be prioritized. When cash dividends and share dividends are distributed at the same time, the ratio of cash dividends therein shall not be less than 10% of total dividends.

When the amount of legal reserve has reached the total capital, the shareholders' meeting may resolve to cease the appropriation.

For the distribution of dividends and bonuses from legal reserve and capital reserve, the distribution shall be made after the Board has formulated the proposal and submitted it to the shareholders' meeting for approval according to the requirements of relevant laws and regulations.

(1) Legal reserve

When the Company has no losses, it may, based on the resolution of the shareholders' meeting, distribute new shares or cash from the legal reserve; however, the portion distributable shall be the portion of the reserve that exceeds 25% of the paid-in capital.

(2) Special reserve

For the initial application of IFRS that is approved by the FSC, the Company chose to adopt the exemptions in IFRS1 "First-time Adoption of International Financial Reporting Standards." Therefore, for the unrealized revaluation increment under the shareholder's equity, retained earnings increased by NT$658,175 thousand according to the requirements. Pursuant to the Order Jin-Guan-Zheng-Fa-Zi No.1010012865 of the FSC dated April 6, 2012, the same amount of special reserves should be appropriated, and when relevant assets are used, disposed of, or reclassified, the special reserve appropriated initially shall be reversed as distributable earnings proportionately. As of December 31, 2022 and 2021, the carrying amount of the special reserve amounted to NT$458,116 thousand.

(3) Earnings distribution

The proposal for earning distribution for 2021 and 2020 was approved as a resolution at the shareholders' meeting on June 27, 2022 and July 9, 2021. The amount of dividends distributed to the owners is as follows:

	2021		2020	
	Payout ratio	**Amount**	**Payout ratio**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.20	**73,971**	0.20	**73,971**

4. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2022 and 2021 is as follows:

Holding company	Accounting item	2022.12.31(Note) Shares (thousand shares)	Costs	Market price	2021.12.31 Shares (thousand shares)	Costs	Market price
Hostan Corporation	Financial assets at fair value through profit or loss - Current	976	$ 8,680	18,060	1,191	10,823	21,013
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	4,781	8,241	543	5,759	9,589

Note: Due to the capital reduction in cash through repayment of contributions to shareholders performed by the Company in August 2022, the number of shares of the Company held by subsidiaries and costs was reduced based on the rate of capital reduction in cash.

5. Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized profit and loss on the financial assets measured at fair value through other comprehensive income
Balance at January 1, 2022	$ (59,247)	737,180
Exchange differences arising from the translation of net assets of foreign operations	58,063	-
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	(282,268)
Disposal of equity instruments measured at fair value through other comprehensive income	-	(9,348)
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method	-	(67,741)
Balance on December 31, 2022	**$ (1,184)**	**377,823**
Balance at January 1, 2021	$ 10,164	423,600
Exchange differences arising from the translation of net assets of foreign operations	(69,411)	-
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	195,015
Disposal of equity instruments measured at fair value through	-	18,117

other comprehensive income		
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method	-	100,448
Balance on December 31, 2021	**$ (59,247)**	**737,180**

(XI) Earnings per share

1. Basic earnings per share

(1) Net profit attributable to ordinary shareholders of the Company

	2022	2021
Net profit attributable to ordinary shareholders of the Company	**$ 157,290**	**1,224,801**

(2) Weighted average number of issued ordinary shares (thousand shares)

	2022	2021
Ordinary shares issued as of January 1	369,854	369,854
Effect of treasury shares	(1,619)	(1,734)
Effect of capital reduction in cash	(24,508)	-
Weighted average number of issued ordinary shares as at December 31	**343,727**	**368,120**

2. Diluted earnings per share

(1) Net profit attributable to ordinary shareholders of the Company (diluted)

	2022	2021
Net profit attributable to ordinary shareholders of the Company (diluted)	**$ 157,290**	**1,224,801**

(2) Weighted average number of issued ordinary shares (diluted) (thousand shares)

	2022	2021
Weighted average number of issued ordinary shares (basic)	343,727	368,120
Effect of employees' compensation on shares	3,024	4,963
Weighted average number of issued ordinary shares (diluted) as of December 31	**346,751**	**373,083**

3. Earnings per share are as follows:

	2022	2021
Basic earnings per share	**$ 0.46**	**3.33**
Diluted earnings per share	**$ 0.45**	**3.28**

(XXII) Revenue from contracts with customers

1. Breakdown of revenue

		2022	2021
Primary geographical markets:			
Taiwan	$	3,395,100	3,616,689
China		291	1,027
Philippines		4,836	6,644
	$	**3,400,227**	**3,624,360**
Major products/service lines:			
Porcelain	$	1,221,329	1,266,174
Copper ware		711,614	760,154
Toilet cover		570,901	557,874
Fine pottery		235,688	364,259
Others		660,695	675,899
	$	**3,400,227**	**3,624,360**

(XXIII) Remuneration of employees and remuneration of Directors and supervisors

According to the requirements of the Articles of Incorporation, if the Company records any profits, it shall appropriate 5%~8% of the annual profits. The appropriation ratio for the remuneration of employees and remuneration of Directors and supervisors shall be up to 3% of the annual profits. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses.

For years ended December 31, 2022 and 2021, the estimated remuneration of employees was NT$14,920 thousand and NT$83,159 thousand, and the remuneration of Directors was NT$7,460 thousand and NT$41,580 thousand, respectively. The estimation basis is the net profit of the Company in the respective period before the remuneration of employees and remuneration of Directors and supervisors multiplied by the distribution ratio of the remuneration of employees and remuneration of Directors and supervisors as stated in the Articles of Incorporation, and the amounts were presented as operating costs or operating expenses of the period. If there are differences between the actual distribution amount and the estimated amount, they are treated as changes in accounting estimates, and such differences are recognized as profit or loss in the following year. For the remuneration of employees and remuneration of Directors and supervisors of the Company, the actual distribution amount and the estimated amount in 2021 were equivalent; for relevant information, please visit MOPS for inquiries.

(XXIV) Non-operating income and expenses

1. Interest income

The breakdown of the interest income of the Company in 2022 and 2021 is as follows:

	2022	2021
Interest from cash in the bank	**$ 2,142**	**134**

2. Other income

The breakdown of other income of the Company in 2022 and 2021 is as follows:

	2022	2021
Rental income	$ 15,540	15,676
Dividend income	135,020	46,592
Royalties and others	56,647	49,053
	$ 207,207	**111,321**

3. Other gains and losses

The breakdown of other gains and losses of the Company in 2022 and 2021 is as follows:

	2022	2021
Foreign exchange gains	$ (1,218)	578
Net gains from disposal and scrapping of property, plant and equipment	(344)	682
Depreciation of investment properties	(6,205)	(6,129)
Disaster losses of inventory	(21,685)	-
Others	(5,822)	(7,086)
	$ (35,274)	**(11,955)**

4. Finance costs

The breakdown of finance costs of the Company in 2022 and 2021 is as follows:

	2022	2021
Interest expenses		
Bank loan	**$ 21,384**	**28,354**

(XXV) Financial instruments

1. 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, the Company continues to evaluate the financial status of these customers and request collateral or guarantee when necessary. The Company regularly assesses the likelihood of collectability of accounts receivable and sets aside an

allowance for bad debts, and the impairment losses generally fall within the expectations of the management. As of December 31, 2022 and 2021, 48% and 46% of notes receivable balance and 18% and 29% of accounts receivable balance were concentrated on three customers. Thus, the credit risk of the Company is significantly centralized.

(3) Credit risk of amounts receivable

For information on the exposure to credit risks of notes and accounts receivable, please refer to Note 6(4).

2. 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	Cash flows of contract	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2022							
Non-derivative financial instruments							
Secured bank borrowings	$ 700,000	718,778	226,118	45,197	447,463	-	-
Unsecured bank borrowings	150,000	150,395	150,395	-	-	-	-
Short-term notes payable	105,000	105,254	105,254	-	-	-	-
Notes payable	56,647	56,647	56,647	-	-	-	-
Accounts payable	263,454	263,454	263,454	-	-	-	-
Other payables	320,497	320,497	320,497	-	-	-	-
Lease liabilities	180,793	185,304	30,028	29,846	58,590	63,552	3,288
	$ 1,776,391	**1,800,329**	**1,152,393**	**75,043**	**506,053**	**63,552**	**3,288**
December 31, 2021							
Non-derivative financial instruments							
Secured bank borrowings	$ 968,234	993,931	284,296	174,495	8,398	526,742	-
Unsecured bank borrowings	600,877	601,648	601,648	-	-	-	-
Short-term notes payable	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**

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

3. Currency risks

(1) Exposure to foreign currency risk

Financial assets and liabilities of the Company that are exposed to significant currency risk are as follows:

		2022.12.31			2021.12.31		
		Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets							
Monetary items							
USD	$	200	30.71	6,142	426	27.68	11,792
RMB		10,432	4.408	45,984	10,084	4.344	43,805
Financial liabilities							
Monetary items							
USD		789	30.71	24,230	1,255	27.68	34,738

(2) Sensitivity analysis

The exposure of the Company's monetary items to currency risk arises from the exchange gains or losses arising from the translation of cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable, and other payables that are denominated in foreign currencies. As of December 31, 2022 and 2021, if an appreciation or depreciation of 1% of the NTD against the USD occurs, the net profit after tax of 2022 and 2021 would have increased or decreased by NT$223 thousand and NT$167 thousand, respectively.

(3) Exchange gains or losses of monetary items

Exchange gains or losses of monetary items of the Company (including those realized and unrealized) in 2022 and 2021 were losses of NT$1,218 thousand and gains of NT$578 thousand.

4. Interest rate analysis

The exposure of the Company's financial assets and financial liabilities are described in the liquidity risk management of the note.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative instruments on the reporting date. Regarding liabilities

with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding on 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 the key management internally, which also represents the management's assessment of the reasonable and possible scope of change in interest rates.

The Company's interest rate risk arises from borrowings bearing floating interest rates. If the interest rate increases or decreases by 1%, the Company's net profit before tax will decrease or increase by NT$5,600 thousand and NT$6,875 thousand for the years ended December 31, 2022 and 2021, respectively, and all other variables remained constant.

5. Information on fair value

(1) Types and fair value of financial instruments

Regarding the financial assets and liabilities at fair value through profit or loss, financial assets and liabilities for hedging, and financial assets at fair value through other comprehensive income (financial assets available for sales) of the Company, the carrying amount and fair value of various financial assets and financial liabilities measured at fair value on a repetitive basis (including the information on the level of fair value; however, for financial instruments not measured at fair value with their carrying amount being reasonable approximates and investments in equity instruments with no active quote in an active market and the fair value cannot reliably measures, the information on fair value is not required to be disclosed according to the requirements) are set out as follows:

	2022.12.31				
		Fair value measurement			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	NT$ 523,873	523,873	-	-	523,873
Domestic non-listed stocks	2,350	-	-	2,350	2,350
Subtotal	526,223	523,873	-	2,350	526,223
Financial assets measured at amortized cost					
Cash and cash equivalents	140,275	-	-	-	-
Notes and accounts receivable	871,087	-	-	-	-
Other receivables	44,184	-	-	-	-
Refundable deposits	36,474	-	-	-	-
Subtotal	1,092,020	-	-	-	-

Total	NT$ 1,618,243	523,873	-	2,350	526,223
Financial liabilities at amortized cost					
Bank loan	NT$ 955,000	-	-	-	-
Notes and accounts payable	320,101	-	-	-	-
Other payables	320,497	-	-	-	-
Guarantee deposits	18,585	-	-	-	-
Total	NT$ 1,614,183	-	-	-	-

		2021.12.31			
			Fair value measurement		
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	$ 723,633	723,633	-	-	723,633
Domestic non-listed stocks	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 at amortized cost					
Bank loan	$ 1,674,111	-	-	-	-
Notes and accounts payable	332,496	-	-	-	-
Other payables	393,864	-	-	-	-
Guarantee deposits	18,615	-	-	-	-
Total	$ 2,419,086	-	-	-	-

(2) Fair value 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 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 an open bid.

If quoted prices of financial instruments can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing institutes, or authorities, and such prices can reflect those actual trading and frequently happen in the market, the financial instruments are considered to have quoted prices in an active market. The market shall be deemed inactive when not fulfilling the abovementioned conditions. In general, significant gaps in trading prices, significant increases in gaps in trading prices, or minor trading volume are deemed as indicators of an inactive market.

If the financial instruments held by the Company have an active market, the fair value, by category and attribute, is set out as follows:

Shares of companies listed on TWSE (TPEX) are financial assets and financial liabilities traded in active markets that fulfill the standard terms and conditions; their fair value shall be based on the market quotations.

Apart from the financial instruments with an active market above, the fair value of the remaining financial instruments is determined based on the general recognition pricing model that is used as the basis through cash flow discount analysis.

If the financial instruments held by the Company has no active market, the fair value, by category and attribute, is set out as follows:

Equity instruments with no open quote: The Company adopts the net asset value method, which primarily assumes that the measurement shall be made based on the net worth per share of the investee.

(3) Transfers between Level 1 and Level 2

There was no significant transfer of financial assets from Level 1 to Level 2 in 2022 and 2021.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income	
	Equity instruments with no open quotation	
January 1, 2022	$	87,795
Total gains or losses		
Deferred tax income (expense) recognized in other comprehensive		(85,445)

income		
December 31, 2022	**$**	**2,350**
January 1, 2021	$	72,126
Total gains or losses		
Deferred tax income (expense) recognized in other comprehensive income		67,110
Capital reduction		(48,713)
Transferred from Level 3		(2,728)
December 31, 2021	**$**	**87,795**

The abovementioned total gains or losses are presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income." Those related to assets held in 2022 and 2021 are as follows:

	2022	2021
Total gains or losses		
Recognized in other comprehensive income (presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income")	**$ (85,445)**	**67,110**

(5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that are classified for fair value measurement by using Level 3 inputs include financial assets at fair value through other comprehensive income - securities investments.

Most of the Company's financial assets in Level 3 have only single significant unobservable input, while investments in equity instruments without an active market have multiple significant unobservable inputs. The significant unobservable inputs of investments in equity instruments without an active market are individually independent, and there is no correlation between them.

The quantitative information of significant unobservable inputs is set out as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at	Comparable listed	·Market multiplier	·The higher the

fair value through other comprehensive income – investments in equity instruments without an active market	companies approach	(1.43 on December 31, 2021) ·Market liquidity discount rate (20% on December 31, 2021)	multiplier and the premium of control, the higher the fair value ·The higher the market liquidity discount rate, the lower the fair value
Financial assets measured at fair value through other comprehensive income	Net asset value method	·Net asset value	Not applicable

(XXVI) Financial risk management

1. Overview

The Company is exposed to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The note presents the Company's exposure information, objectives, policies and procedures for measuring and managing the abovementioned risks. For further quantitative disclosures, please refer to the respective notes in the parent company only financial statements.

2. Risk management framework

The Board has overall responsibility for the establishment and supervision of the risk management framework of the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and compliance with limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training, 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 oversees how the management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. Internal auditors assist the Board of the Company in supervising. Such personnel undertakes regular and ad hoc reviews of risk management control and procedures, and the results are reported to the Board.

3. 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 accounts receivables from customers and investments in securities.

(1) Accounts and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the basic statistics of the Company's customers, including the default risks of the industries and countries of customers, as such factors may affect credit risks. 19% of the revenue of the Company in 2022 and 2021 was from sales to three customers. The Company's credit risk is highly concentrated in Taiwan.

The Company has the allowance account set up to reflect the estimated losses of the accounts and other receivables and investments. The allowance account mainly includes specific losses related to individually significant exposure and the combined losses of similar asset groups that have incurred but not been identified. The allowance account for combined losses is determined in accordance with the historical payment statistics of similar financial assets.

(2) Investments

The credit risk exposure of bank deposits and other financial instruments is measured and monitored by the Company's Finance Department. As the Company deals with banks and counterparties with good credit standing and financial institutions, corporate organizations and government agencies, which are graded above the investment level, there is no significant performance suspicion; therefore, there is no significant credit risk.

(3) Guarantees

The Company's endorsement/guarantee policy is limited to subsidiaries or associates with business dealings. Please refer to Note 7 for details of endorsements and guarantees provided by the Company to subsidiaries as of December 31, 2022 and 2021.

4. Liquidity risk

Liquidity risk is the risk that the Company has difficulty fulfilling the obligations associated with its financial liabilities that are settled by delivering cash or another financial

asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has 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.

In general, the Company ensures that it possesses sufficient cash to meet expected operating expenditure requirements, including the performance of financial obligations, but excluding potential effects that cannot be reasonably estimated under extreme circumstances (i.e., natural disasters).

5. Market risk

Market risk is the risk of changes in market prices, such as exchange rates, interest rates, and equity instrument prices, that will affect the Company's revenue or the value of financial instruments we hold. The objective of market risk management is to control the market risk exposure within the tolerable range and to optimize the investment return.

(1) Currency risk

The Company is exposed to currency risk on sales and purchases that are not denominated in the functional currency. The major denomination currency of such transactions is USD.

(XXVII) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the faith of investors, creditors, and the market and support future operations. Capital consists of share capital, capital reserve, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital, as well as the level of dividends for ordinary shares.

The Company's debt-to-equity ratio on the reporting date is as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 1,929,202	2,768,771
Less: Cash and cash equivalents	(140,275)	(1,382,009)
Net liabilities	**$ 1,788,927**	**1,386,762**
Total equity	**$ 6,448,029**	**7,255,061**
Debt-to-equity ratio	**27.74%**	**19.11%**

As of December 31, 2022, the Company had not changed its capital management method.

(XXVIII) Investing and financing activities of non-cash transactions

Investing and financing activities of non-cash transactions performed by the Company in 2022 and 2021.

The reconciliation of liabilities from financing activities is set out in the following table:

	2022.1.1	Cash flow	Non-cash change: Addition	Non-cash change: Disposal	2022.12.31
Short-term borrowings	$ 950,877	(620,877)	-	-	330,000
Long-term borrowings	618,234	(98,234)	-	-	520,000
Lease liabilities	229,250	(58,844)	15,117	(4,730)	180,793
Short-term notes payable	105,000	-	-	-	105,000
Guarantee deposits	18,615	(30)	-	-	18,585
Total liabilities from financing activities	**$ 1,921,976**	**(777,985)**	**15,117**	**(4,730)**	**1,154,378**

	2021.1.1	Cash flow	Non-cash change: Addition	Non-cash change: Disposal	2021.12.31
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 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**

VII. Related party transactions

(I) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and the attributed Group.

(II) Names and relationships with related parties

During the period covered by the parent company only financial statements, subsidiaries of the Company and other related parties with transactions with the Company are as follows:

Name of the related parties	Relationship with the Company
Hostan Corporation	Subsidiary
Hohong Co., Ltd.	〃
SWATTON INTERNATIONAL CORP.	〃
Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.)	〃
Hoceng Service Co., Ltd.	〃
Ritiboon International Limited	〃
Hocheng Philippines Property Holding, Inc.	〃
HOCHENG GROUP HOLDING CORP.	〃

Hocheng (China) Corporation	〃
Hoceng Philippines Corporation	〃
UPEX	〃
Lazuli International Co., Ltd.	〃
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd.	〃
Yuhong Co., Ltd.	Substantial related party (other related parties)
Yuhong (SuZhou) Co., Ltd.	〃
Triple S Holdings Corppration	A company accounted for by using the equity method by Hocheng Group Holdings Corp. (associate)
Hoceng Cultural & Educational Foundation	The chairman of the foundation is the same as the Company (other related parties)
New Swift Enterprises Co., Ltd.	〃
Hochun Industry Co., Ltd.	〃
Fu Wang Investment Co., Ltd.	〃
All Directors and the key management of the Company	The key management of the Company

(III) Significant transactions with related parties

1. Operating revenue

The amounts of significant sales by the Company to related parties are as follows:

		2022	2021
Subsidiary	$	84,083	75,880
Other related parties		65	275
	$	**84,148**	**76,155**

The selling price of the Company to subsidiaries and other related parties is based on the transfer price. The collection condition is settled by month with a grace period of three months. The credit term is not significantly different from general transactions.

2. Purchases

The amounts of purchases by the Company from related parties are as follows:

	2022	2021

Subsidiary	$	145,486	137,524
Other related parties		149,570	149,922
	$	**295,056**	**287,446**

The purchasing price of the Company to subsidiaries and other related parties is paid at the transfer price. The payment condition is three months. There is no general transaction that is comparable in price and payment terms.

3. Amounts receivable from related parties

The breakdown of the Company's amounts receivable from related parties is as follows:

Accounting item	Type of related parties	2022.12.31	2021.12.31
Notes receivable	Subsidiary	$ 11,907	13,579
Notes receivable	Other related parties	7	-
Accounts receivables	Subsidiary	12,301	9,301
Other receivables -- Rent and royalties	Subsidiary		
	Hocheng (China) Corporation	23,047	24,016
	Other subsidiaries	1,820	1,806
	Other related parties	53	51
		$ 49,135	**48,753**

4. Amounts payable to related parties

The breakdown of the Company's amounts payable to related parties is as follows:

Accounting item	Type of related parties	2022.12.31	2021.12.31
Notes payable	Other related parties		
	Yuhong Co., Ltd.	$ 39,037	39,408
Accounts payable	Subsidiary		
	Hostan Corporation	36,143	49,685
	Other subsidiaries	7,195	-
	Other related parties		
	Yuhong Co., Ltd.	12,793	13,451
Other payables	Subsidiary	18,695	19,046
	Other related parties	68	3
		$ 113,931	**121,593**

5. Borrowings from related parties (accounted for as other payables -- related parties)

The borrowings of the Company in the amount of NT$35,000 thousand from related parties were repaid in October 2021; the interest is accrued at 1.06% per annum. Interest expenses recorded in 2021 were NT$278 thousand; the borrowings are unsecured loans.

6. Endorsement/guarantee

(1) Endorsement/guarantee provided by the Company to related parties

As of December 31, 2022 and 2021, the Company issued letters of credit for the guarantee of bank borrowings for subsidiaries in the amount of US$10,800 thousand, PHP150,000 thousand and US$9,800 thousand, and PHP150,000 thousand, respectively.

(2) Endorsement/guarantee provided by related parties to the Company

As of December 2022 and 2021, a subsidiary provided land and investment properties as the collateral for the secured borrowings of the Company from a bank in the amount of NT$1,110,000 thousand, and the carrying amount was NT$1,682,766 thousand and NT$1,705,037 thousand, respectively.

7. Royalty income

Subsidiaries of the Company made use of the trademark rights of the Company. In 2022 and 2021, royalties collected from related parties amounted to NT$21,118 thousand and NT$22,971 thousand, respectively.

8. Rental income

Rent collected by the Company from other related parties is based on the price negotiation between both parties and is charged on a monthly basis. In 2022 and 2021, rental income collected from related parties amounted to NT$4,897 thousand and NT$5,633 thousand, respectively.

9. Rental expenses

In 2022 and 2021, the Company rented a plant in Yingge District, New Taipei City, from Hostan Corporation. As of December 31, 2022 and 2021, the Company recognized right-of-use assets and lease liabilities of NT$110,614 thousand and NT$113,767 thousand, and NT$147,485 thousand and NT$150,623 thousand, respectively. In 2022 and 2021, the Company rented offices in Kouhu Township, Hsinchu County, and South District, Taichung City, from other subsidiaries and other related parties and recognized right-of-use assets and (lease liabilities) of NT$6,974 thousand and NT$7,050 thousand, NT$5,364 thousand and NT$5,459 thousand, as well as NT$115 thousand and NT$118 thousand, and NT$172 thousand and NT$176 thousand.

10. Others

(1) In August 2022, the Board approved the resolution to acquire 30.7% of the outstanding equity of subsidiary Bao Long Interior Crafts Co., Ltd. (formerly known as Holong Ceramic Co., Ltd.) from the key management and other related parties of the Company in 2022, and the transaction amount was NT$782 thousand and NT$3,612 thousand.

(2) In response to the public welfare and cultural education activities organized by Hoceng Cultural & Educational Foundation, the Company made a donation of NT$5,000 thousand in 2022, which is accounted for under operating expenses - general and administrative expenses.

11. Other expenses

The Company and its subsidiaries have entered into a repair contracting agreement; the repair expenses (accounted for as other expenses) were NT$43,538 thousand and NT$48,583 thousand in 2022 and 2021, respectively.

(IV) Key management transaction

The compensation of the key management includes:

	2022	2021
Short-term employee benefits	$ 13,985	28,289
Post-employment benefits	224	401
	$ 14,209	**28,690**

The Company provided 10 and 11 company cars with a cost of NT$19,942 thousand and NT$20,413 thousand, respectively, for the key management's use in 2022 and 2021.

VIII. Pledged assets

The breakdown of the carrying amount of assets provided by the Company for pledge and security is as follows:

Asset	Target	2022.12.31	2021.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	$ 72,912	73,570
Investment property - Land and houses	Long-term and short-term borrowings	414,013	420,011
Refundable deposits	House lease and deposits for construction	36,474	65,405
		$ 523,399	**558,986**

IX. Significant contingencies and unrecognized contractual commitments

(I) Material unrecognized contractual commitments:

1. Promissory notes issued by the Company for engineering and product warranty and subject guarantee:

	2022.12.31	2021.12.31
Promissory notes for engineering and product warranty and subject guarantee	**$ 33,133**	**24,028**

X. Losses due to major disasters: None.

XI. Significant events after the period: None.

XII. Others

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

Function / Type	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	358,602	303,737	662,339	409,056	340,962	750,018
Labor and health insurance	36,604	30,348	66,952	37,672	30,167	67,839
Pension costs	8,764	12,598	21,362	9,862	13,546	23,408
Directors' remuneration	-	8,338	8,338	-	42,148	42,148
Other employee benefits expense	13,399	14,250	27,649	13,727	14,387	28,114
Depreciation expenses (Note)	88,285	59,015	147,300	85,405	58,171	143,576
Amortization expense	202	4,938	5,140	141	5,234	5,375

(Note): The abovementioned depreciation expenses exclude the depreciation expenses of investment properties; in 2022 and 2021, the expenses amounted to NT$6,205 thousand and NT$6,129 thousand (accounted for under other gains and losses).

Additional information on the number of employees and employee benefits of the Company in 2022 and 2021 is as follows:

	2022	2021
Number of employees	**1,064**	**1,070**
Number of employees who are not concurrently Directors	**4**	**4**
Average employee benefits expenses	**$ 734**	**816**
Average employee salary expenses	**$ 625**	**704**
Average adjustments to employee salary expenses	**(11.22)%**	
Remuneration of supervisors	**$ -**	**-**

Information on the Company's remuneration policies (including Directors, managerial officerial officers, and employees) is as follows:

The distribution of remuneration, salaries, incentives, and employee bonuses of the directors and managerial officers are subject to the dividend policy in the Company's Articles of Incorporation, Remuneration Committee Charter, and other relevant requirements and are determined based on the industrial characteristics and business nature of the Company. Remuneration related to Directors and managerial officers is implemented after being reviewed by the Remuneration Committee and approved by the Board.

XIII. Other disclosures

(I) Information on significant transactions

Information on significant transactions required to be disclosed by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the Company for the year ended December 31, 2022 is as follows:

1. Loans to others:

Unit: NT$ thousand

No.	Name of financing provider	Name of counter party	Accounting item	Related party?	Maximum balance of the period	Ending balance	Actual drawdown amount	Interest rates	Nature of financing activity (Note 1)	Amount of sales to (purchase from) counter-party	Reason for short-term financing	Amount of loss allowance provided	Assets pledged		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Name	Value		
1	Ritiboon International Limited	Hocheng (China) Corporation	Amounts receivable from related parties	Yes	128,860	122,840	122,840	0.80%~1.88%	2	-	Working capital	-		-	159,508	319,015
2	Hocheng Group Holding Corp.	Hocheng (China) Corporation	〃	Yes	22,035	21,988	21,988	1.88%	2	-	Working capital	-		-	101,106	202,212
3	HOCHENG PHILS. PROPERTY HOLDING, INC.	Triples Holdings Corp.	〃	Yes	5,074	5,043	5,043	-	2	-	Working capital	-		-	18,688	37,376

Note 1: 1. A business associate.
2. A company that needs short-term financing.
Note 2: The limit of loans to a single enterprise shall not exceed 20% of the net worth of the lender.
Note 3: The total limit of loans shall not exceed 40% of the net worth of the lender.

2. Guarantees and endorsements for others:

Unit: NT$ thousand

No.	Endorser/guarantor	Party being endorsed/guaranteed		Limits of endorsement/guarantees provided to a single enterprise (Note 2)	Maximum balance of endorsement/guarantee for the period	Balance of endorsement/guarantee at the end of the period	Actual drawdown amount	Amount of endorsement/guarantee with properties as collateral	Ratio of accumulated amount of endorsement/guarantee to the net worth on the latest financial statements (Note 4)	Maximum limits of endorsement/guarantee (Note 3)	Endorsement/guarantee provided by the parent company to a subsidiary	Endorsement/guarantee provided by a subsidiary to the parent company	Provision of endorsements/guarantees to the party in China
		Company name	Relationship (Note 1)										
0	Hocheng Corporation	Hoceng Philippines Corporation	3	6,448,029	229,137	229,053	19,153	-	3.55%	6,448,029	Y		
0	〃	Hocheng (China) Corporation	3	6,448,029	297,200	184,260	122,840	-	2.86%	6,448,029	Y		Y
1	Hostan Corporation	Hocheng Corporation	3	2,014,311	1,110,000	1,110,000	700,000	1,110,000	17.21%	2,014,311		Y	

No.	Endorser/guarantor	Party being endorsed/guaranteed		Limits of endorsement/guarantees provided to a single enterprise (Note 2)	Maximum balance of endorsement/guarantee for the period	Balance of endorsement/guarantee at the end of the period	Actual drawdown amount	Amount of endorsement/guarantee with properties as collateral	Ratio of accumulated amount of endorsement/guarantee to the net worth on the latest financial statements (Note 4)	Maximum limits of endorsement/guarantee (Note 3)	Endorsement/guarantee provided by the parent company to a subsidiary	Endorsement/guarantee provided by a subsidiary to the parent company	Provision of endorsements/guarantees to the party in China
		Company name	Relationship (Note 1)										
2	Hoceng Service Co., Ltd.	Hostan Corporation	1	112,176	5,840	5,840	5,840	-	0.09%	112,176			

Note 1: The relationship between the endorser/guarantor and the counterparties is as follows:

1. A Company with business relationships.
2. A company in which the Company, directly and indirectly, holds over 50% of shares with voting rights.
3. A company, directly and indirectly, holds over 50% of shares with voting rights in the Company.
4. A company in which the Company, directly and indirectly, holds over 90% of shares with voting rights.

Note 2: The endorsement and guarantee limit made by the Company, Hostan Corporation, and Hoceng Service Co., Ltd. shall not exceed 100% of the net value of their financial statements.

Note 3: The cap of endorsements and guarantees is the net worth of the financial statements.

Note 4: For non-public companies, the ratio is calculated based on the net worth of the parent company.

3. Securities held at the end of the period (excluding investments in the equity of subsidiaries, associates, and joint ventures):

Unit: NT$ thousand/share

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value measurement (Note 2)	
The Company	Cathay Financial Holdings Limited	-	Financial assets at fair value through other comprehensive income -- Non-current	651,834	26,073	- %	26,073	
	China Development Financial Holdings Limited	-	〃	452,067	5,696	- %	5,696	
	Taishin Financial Holding Co., Ltd.	-	〃	535,375	8,084	- %	8,084	
	United Microelectronics Corporation	-	〃	800,000	32,560	0.01%	32,560	
	Taiwan PCB Techvest Co., Ltd.	-	〃	6,575,315	238,027	2.42%	238,027	
	Capital Securities Corporation	-	〃	10,010,000	108,609	0.46%	108,609	
	Pegatron Corporation	-	〃	75,000	4,763	- %	4,763	
	Taishin Financial Holding Co., Ltd. Preferred Stock E	-	〃	16,280	840	- %	840	
	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	〃	14,808	838	- %	838	
	Mega Financial Holding Company Ltd.	-	〃	1,332,500	40,441	0.01%	40,441	
	Cathay Financial Holding Co., Ltd. Stock B	-	〃	12,284	671	- %	671	
	Taishin Financial Holding Co., Ltd. Preferred Stock E II	-	〃	9,753	462	- %	462	
	CTBC Financial Holding Co., Ltd.	-	〃	2,498,000	55,206	0.01%	55,206	
	Core Pacific City Co., Ltd.	-	〃	49,205	688	0.49%	688	
	Union Securities Investment Trust Co., Ltd.	-	〃	98,869	1,296	0.32%	1,296	
	Power Chip Technology Corporation	-	〃	27,816	366	- %	366	
	Power Chip Semiconductor Manufacturing Corp.	-	〃	50,336	1,603	- %	1,603	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value measurement (Note 2)	
The Company	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss -- Current	697,122	10,060	- %	10,060	
	Taishin 1699 Money Market Fund	-	〃	1,241,611	17,091	- %	17,091	
	Yuanta Wan Tai Money Market Fund	-	〃	981,110	15,079	- %	15,079	
	Sinopac TWD Money Market Fund	-	〃	498,337	7,039	- %	7,039	
	Capital Money Market Fund	-	〃	613,843	10,058	- %	10,058	
	Hua Nan Phoenix Money Market Fund	-	〃	608,403	10,051	- %	10,051	
	Hua Nan Kirin Money Market Fund	-	〃	1,488,550	18,096	- %	18,096	
Hohong Co., Ltd.	Standard Foods Corporation	-	Financial assets at fair value through other comprehensive income -- Non-current	80,000	3,188	0.01%	3,188	
	Formosa Plastics Corporation	-	〃	30,000	2,604	- %	2,604	
	Kian Shen Corporation	-	〃	30,000	1,710	0.04%	1,710	
	Zeng Hsing Industrial Co., Ltd.	-	〃	10,743	1,278	0.02%	1,278	
	Hocheng Corporation	Is its subsidiary	〃	445,484	8,241	0.15%	8,241	
	Longchen Paper & Packaging Co., Ltd.		〃	268,152	4,384	0.02%	4,384	
	Sheh Kai Precision Co., Ltd.	-	〃	60,000	2,610	0.12%	2,610	
	Iron Force Industrial Co., Ltd.	-	〃	38,000	2,759	0.05%	2,759	
	Turvo International Co.,Ltd.	-	〃	70,000	7,070	0.12%	7,070	
	Compeq Manufacturing Co., Ltd.	-	〃	50,000	2,225	- %	2,225	
	Hong Hai Precision Industrial Co., Ltd.	-	〃	58,480	5,842	- %	5,842	
	Yageo Corporation	-	〃	3,979	1,795	- %	1,795	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	31,365	14,067	- %	14,067	
	Foxconn Technology Co., Ltd.	-	〃	10,000	519	- %	519	
	Elite Material Co., Ltd.	-	〃	20,000	3,420	0.01%	3,420	
	Walsin Technology Corporation	-	〃	10,000	790	- %	790	
	Evergreen Marine Corporation (Taiwan) Ltd.	-	〃	12,236	1,994	- %	1,994	
	Evergreen International Storage and Transport Corporation	-	〃	100,000	2,780	0.01%	2,780	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value measurement (Note 2)	
	Aerospace Industrial Development Corp.	-	〃	100,000	3,575	0.01%	3,575	
	Cathay Financial Holdings Limited	-	〃	151,426	6,057	- %	6,057	
	China Development Financial Holdings Limited	-	〃	132,288	1,667	- %	1,667	
Hohong Co., Ltd.	Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income -- Non-current	354,585	5,354	- %	5,354	
	Shin Kong Financial Holding Co., Ltd.	-	〃	317,110	2,781	- %	2,781	
	Eslite Spectrum Corporation	-	〃	16,000	976	0.03%	976	
	National Aerospace Fasteners Corporation	-	〃	22,000	1,560	0.04%	1,560	
	Getac Technology Corporation	-	〃	80,000	3,532	0.06%	3,532	
	TXC Corporation	-	〃	20,000	1,654	0.01%	1,654	
	Tripod Technology Corporation	-	〃	90,000	8,460	0.02%	8,460	
	Ardentec Corporation	-	〃	120,205	5,962	0.02%	5,962	
	Xintec Inc.	-	〃	5,000	482	- %	482	
	Shin Zu Shing Co., Ltd.	-	〃	10,000	816	0.01%	816	
	Topco Technologies Corp.	-	〃	8,538	627	0.01%	627	
	Foxsemicon Integrated Technology Inc.	-	〃	15,000	2,678	0.02%	2,678	
	Avalue Technology Inc.	-	〃	52,000	4,233	0.07%	4,233	
	Well Shin Technology Co., Ltd.	-	〃	26,000	1,287	0.02%	1,287	
	Shih Her Technologies Inc.	-	〃	120,000	6,900	0.21%	6,900	
	Materials Analysis Technology Inc.	-	〃	14,000	2,121	0.02%	2,121	
	Arcadyan Technology Corporation	-	〃	45,000	4,307	0.02%	4,307	
	TSC Auto ID Technology Co., Ltd.	-	〃	15,000	2,888	0.04%	2,888	
	Bizlink Holding Inc.	-	〃	10,000	2,365	0.01%	2,365	
	ASE Technology Holding Co., Ltd.	-	〃	80,000	7,512	- %	7,512	
	Rechi Precision Co., Ltd.	-	〃	100,000	1,610	0.02%	1,610	
	Global Tek Fabrication Co., Ltd.	-	〃	35,000	1,785	0.05%	1,785	
	Pegatron Corporation	-	〃	70,000	4,445	- %	4,445	
	Wistron Information Technology & Services Corporation	-	〃	70,000	5,789	0.10%	5,789	
	Zhen Ding Technology Holding Limited	-	〃	70,000	7,350	0.01%	7,350	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value measurement (Note 2)	
	Sinher Technology Inc.	-	〃	25,000	918	0.03%	918	
	KMC (Kuei Meng) International Inc.	-	〃	15,100	2,114	0.01%	2,114	
	Sino American Silicon Products Inc.	-	〃	50,000	6,975	0.01%	6,975	
Hohong Co., Ltd.	Chailease Holding Company Limited	-	Financial assets at fair value through other comprehensive income -- Non-current	38,132	8,275	- %	8,275	
	Chipbond Technology Corporation	-	〃	30,000	1,722	- %	1,722	
	Powertech Technology Inc.	-	〃	65,000	5,148	0.01%	5,148	
	Lanner Electronics Inc.	-	〃	125,000	11,500	0.11%	11,500	
	GEM Services, Inc.	-	〃	39,450	2,690	0.03%	2,690	
	Crystalvue Medical Corporation	-	〃	6,000	312	0.02%	312	
	Takizawa Taiwan Technology Co., Ltd.	-	〃	30,000	1,050	0.04%	1,050	
	Nova Technology Corp.	-	〃	26,000	2,301	0.04%	2,301	
	Acer Cyber Security Inc.	-	〃	10,000	1,135	0.04%	1,135	
	Acer E-Enabling Service Business Inc.	-	〃	7,000	952	0.02%	952	
	Ruby Tech Corporation	-	〃	102,618	3,325	0.19%	3,325	
	Allied Circuit Co., Ltd.	-	〃	28,000	2,842	0.05%	2,842	
	Chenbro Micom Co., Ltd.	-	〃	18,000	1,303	0.01%	1,303	
	Taiwan PCB Techvest Co., Ltd.	-	〃	2,124,000	76,888	0.78%	76,888	
	Sunny Friend Environmental Technology Co., Ltd.	-	〃	20,000	3,459	0.02%	3,459	
	Cleanaway Company Limited	-	〃	10,000	1,800	0.01%	1,800	
	Pou Chen Corporation	-	〃	180,000	6,156	0.01%	6,156	
	Macauto Industrial Co., Ltd.	-	〃	30,000	1,953	0.04%	1,953	
	Power Chip Technology Corporation	-	〃	66,404	797	- %	797	
	Power Chip Semiconductor Manufacturing Corp.	-	〃	50,000	1,593	- %	1,593	
	D NET International Corporation	-	Financial assets at fair value through profit or loss -- Current	10,025	-	- %	-	
	Syntronix Corporation	-	〃	1,150	-	- %	-	
	AbGenomics International,Inc.	-	〃	20,000	-	- %	-	
	UPAMC James Bond Money Market Fund	-	〃	10,777	183	- %	183	
	Yuanta Wan Tai	-	〃	345,621	5,312	- %	5,312	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Category and name of securities	Relationship with the securities issuer	Accounting item	At the end of the period				Remarks
				Shares	Carrying amount	Shareholding percentage	Fair value measurement (Note 2)	
	Money Market Fund							
	Franklin Templeton Sinoam Money Market Fund	-	-	767,632	8,062	- %	8,062	
	Yunata De-Li Money Market Fund	-	-	302,519	5,012	- %	5,012	
	Yuanta De-Bao Money Market Fund	-	-	124,603	1,520	- %	1,520	
	Capital Money Market Fund	-	〃	185,325	3,037	- %	3,037	
Ritiboon International Limited	JPMorgan Funds–China Fund–JPM	-	Financial assets at fair value through profit or loss -- Current	5,615	12,630	- %	12,630	
	PYXIS	-	〃	65,000,000	-	- %	-	
	Asia Technology	-	〃	1,400	-	- %	-	
Hostan Corporation	Hocheng Corporation	Is its subsidiary	〃	976,241	18,060	0.32%	18,060	
	Capital Money Trust Fund	-	〃	11,711,449	191,891	- %	191,891	
	Capital Tip Customized Taiwan Select High Dividend ETF	-	〃	49,000	802	- %	802	
	TCI Co., Ltd.	-	〃	10,030	1,715	0.01%	1,715	
	Taiwan Semiconductor Manufacturing Company Limited	-	〃	340	152	- %	152	
Swatton International Corp.	PFBC	-	Financial assets at fair value through other comprehensive income -- Non-current	50,000	114,579	- %	114,579	
	NEXTEER AUTOMOTIVE GROUP LTD	-	〃	50,000	1,005	- %	1,005	
	HKT TRUST AND HKT LTD	-	〃	100,000	3,765	- %	3,765	
	CK HUTCHISON HOLDINGS LTD	-	〃	20,000	3,687	- %	3,687	
	FOXCONN INTERCONNECT TECHNOLOGY LTD.	-	〃	95,000	766	- %	766	
	MINTH GROUP LTD	-	〃	60,000	4,993	- %	4,993	
	AMAZON	-	〃	1,000	2,580	- %	2,580	

Note 1: The Company's shares possessed by subsidiaries have been deducted from the carrying amount. The shares are treated as treasury shares.

Note 2: The securities quoted in an active market are 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.

4. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of a property with an amount exceeding NT$300 million or 20% of the paid-in capital: None.
6. Disposal of a property with an amount exceeding NT$300 million or 20% of the paid-in capital: None.
7. Purchases or sales with a related party with an amount exceeding NT$100 million or 20% of the paid-in capital:

Unit: NT$ thousand

Company of purchase (sales)	Counterparty	Relationship	Transaction status				Differences between transaction conditions and general transactions and the reason therefor		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Ratio to total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
Hocheng Corporation	Yuhuang Co., Ltd.	Other related parties	Purchases	149,570	7.79%	Three months	-	無一般交易可資比較	(51,830)	(16.19)%	
〃	Hostan Corporation	Subsidiary	〃	109,555	5.71%	Three months	-	〃	(36,143)	(11.29)%	

8. Amount receivable from related parties exceeding NT$100 million or 20% of the paid-in capital: None.
9. Derivative transaction: None.

(II) Information on investees:

Information on the investees of the Company in 2022 is as follows:

Unit: NT$ thousand/share

Name of the investors	Name of the investees	Location	Main business line	Original / investment amount		Held at the end of the period			(Losses) gains of investee of the period	Investment (losses) gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount			
Hocheng Corporation	Hostan Corporation	Taiwan	Oil excretes、gas stoves and water heaters	1,605,702	1,605,702	100,593,839	100.00%	1,994,995	3,600	5,888	Notes 1 and 2
	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	793,408	(105,049)	(109,497)	Note2
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,000	198,000	34,678,498	99.50%	599,065	19,160	19,063	Note1
	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	600,000	40.00%	23,434	5,000	2,390	Note2
	Bao Long Interior Crafts Co., Ltd.	Taiwan	Manufacturing, processing, and trading of porcelain, ceramic boards, and tiles	654,761	589,429	6,001,000	100.00%	73,006	(8,128)	(6,464)	
	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%	71,882	3,679	2,760	
	Hocheng Group Holding Corp.	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	584,756	(105,274)	(105,274)	
	HCG North American, LLC	The U.S.	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	-	-	
Hostan Corporation	Hoceng Service Co., Ltd.	Taiwan	Trading of bathroom and stove equipment and its components	4,500	4,500	450,000	30.00%	33,653	5,000	1,500	
Hohong Co., Ltd.	Swatton International Corp.	British V	Holding	41,590	41,590	13,004	100.00%	198,844	3,412	3,412	

Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	554,272	42,539	42,539	
	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	49,747	649	571	Note 4
Hoceng Philippines Corporation	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	-	(49)	

Note 1: The Company's shares held by subsidiaries are deemed as treasury shares; therefore, gains or losses from investments in subsidiaries recognized by the Company exclude the gains or losses of subsidiaries generated from holding the shares of the Company.
Note 2: The difference between recognized gains or losses from investment and investee is unrealized gains or losses or difference of equity net worth.
Note 3: Lazuli International Co., Ltd. is still in the process of dissolution; the Company has written down the balance of long-term investments in its equity to nil.
Note 4: The Company is entitled to 88% of the rights to allocation regarding the earnings of the company.

(III) Information on investment in Mainland China:

1. Information on investment in businesses in Mainland China:

Unit: NT$ thousand

Investee in Mainland China	Main business line	Paid-in capital	Method of investment (Note 1)	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Investment flows		Accumulated investment amount of remittance from Taiwan at the end of the period	Net profit (loss) of the investee for the current period	Shareholding of the Company's direct or indirect investments	Investment (losses) gains recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered						
Hocheng (China) Corporation	Production and sale of plumbing products	953,760	(二)	894,627	-	-	894,627	(147,556)	100.00%	(147,556)	(166,603)	-
UPEX	Sale of bathroom equipment	29,805	(二)	5,961	-	-	5,961	591	100.00%	591	18,451	-
Hocheng (China) Corporation												
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(二)	-	-	-	-	(43,085)	100.00%	(43,085)	(71,665)	-
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd.	Sale of bathroom equipment	4,300	(二)	-	-	-	-	(3,368)	50.00%	(1,684)	2,011	-

2. Limit on investment in Mainland China:

Accumulated investment amount of remittance from Taiwan to China at the end of the period	Investment amounts authorized by Investment Commission, MOEA	Ceiling on investments in China imposed by the Investment Commission of the Ministry of Economic Affairs (Note 3)
900,588	928,336	3,868,817

Note 1: There are three types of investment methods; please mark the type:
(I) Direct investment in Mainland China.
(II) Investing in Mainland China through companies in a third-party region (the investing company in the third-party region is Ritiboon International Limited).
(III) Others methods.
Note 2: Based on the financial statements of investees audited by CPAs.
Note 3: The limit is 60% of the net worth.
Note 4: Relevant figures in the table are presented in NTD.
Note 5: The difference between the paid-in capital and the amount remitted from Taiwan is due to the capital increase from earnings in the amount of US$2,000 thousand performed by Hocheng (China) Corporation in 2009.
Note 6: The difference between the paid-in capital and the amount remitted from Taiwan is due to the direct investment and indirect investment of Ritiboon International Limited in Hocheng Group Holding Corp. and UPEX, respectively, in the amount of US$800 thousand.
Note 7: The difference between recognized gains or losses from investment and investee is unrealized gains or losses.

3. Significant transactions:

For details of the significant transactions between the Company and investees in Mainland China in 2022, please refer to "Information on significant transactions."

(IV) Major shareholders:

Unit: Share

Shares Name of major shareholder	No. of Shares Held	Ownership
Dorkay Investment Company Ltd.	15,969,455	5.26%

Information about the major shareholder in the table is provided by the centralized depository enterprise on the last business day of December 2022 for the calculation of the total number of ordinary shares and preferred shares of the Company with non-physical registration completed (including treasury shares) held by shareholders, in aggregate, reaching 5% or above. The share capital in the financial statements of the Company may differ from the actual number of shares delivered with non-physical registration completed due to different preparation or calculation basis.

XIV. Segment information

For details, please refer to the 2022 consolidated financial statements.

Hocheng Corporation

Breakdown of cash and cash equivalents

December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount
Cash	Cash in hand	$ 542
	Working capital	2,897
	Subtotal	3,439
Bank deposits	Checking account deposits	1,674
	Demand deposit	123,731
	Deposits in foreign currency	11,431
	Subtotal	136,836
		$ 140,275

Hocheng Corporation

Breakdown of financial assets at fair value through profit or loss - Current

December 31, 2022 **Unit: NT$ thousand**

Name	At the beginning of the period		Increase this period		Decrease this period		At the end of the period		Guarantee or pledge	Remarks
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Hua Nan Phoenix Money Market Fund	304,631	$ 5,002	303,772	5,049	-	-	608,403	10,051	None	
Hua Nan Kirin Money Market Fund	661,868	8,001	826,682	10,095	-	-	1,488,550	18,096	〃	
Capital Money Market Fund	613,843	10,004	-	54	-	-	613,843	10,058	〃	
Taishin 1699 Money Market Fund	731,128	10,001	510,483	7,090	-	-	1,241,611	17,091	〃	
Taishin Ta Chong Money Market Fund	697,122	10,004	-	56	-	-	697,122	10,060	〃	
Yuanta Wan Tai Money Market Fund	654,624	10,002	326,486	5,077	-	-	981,110	15,079	〃	
Sinopac TWD Money Market Fund	498,337	7,000	-	39	-	-	498,337	7,039	〃	
		$ 60,014		**27,460**		**-**		**87,474**		

Hocheng Corporation

Breakdown of notes receivable

December 31, 2022 **Unit: NT$ thousand**

Client Name	Summary	Amount	Remarks
Related party:			
Hoceng Service Co., Ltd.	Due within one year	$ 11,360	
Hostan Corporation	〃	547	
Yuhuang Co., Ltd.	〃	7	
Subtotal		11,914	
Non-related party:			
Company II	Due within one year	172,218	
Others	〃	223,796	The balance of a single customer has not exceeded 5%
Subtotal		396,014	
Total		**$ 407,928**	

Hocheng Corporation

Breakdown of accounts receivable

December 31, 2022 **Unit: NT$ thousand**

Client Name	Summary	Amount	Remarks
Related party:			
HOCHENG PHILIPPINES CORPORATION		$ 1,504	
Hoceng Service Co., Ltd.		10,672	
HOCHENG (CHINA) CO., LTD.		118	
Hostan Corporation		7	
Subtotal		12,301	
Non-related party:			
Company I		28,858	
Company II		27,392	
Company III		25,370	
Others		371,537	
Subtotal		453,157	
Less: Impairment loss allowance		(2,299)	
Net amount		450,858	
Total		**$ 463,159**	

Hocheng Corporation

Breakdown of other receivables

December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount	Remarks
Related party:			
Hocheng (China) Corporation	Use of trademark rights	$ 23,047	
Others	Rental income and rights to use trademarks	1,873	
Subtotal		24,920	
Non-related party	Trademark income	19,264	
Total		**$ 44,184**	

Breakdown of inventories

Item	Amount		Remarks
	Costs	Net realized value	
Raw material	$ 225,875	218,213	
Supplies	7,894	7,476	
Work in progress	148,516	231,364	
Finished goods	567,356	895,886	
Merchandise	307,284	316,591	
In transit inventory	14,817	14,817	
Subtotal	1,271,742	**1,684,347**	
Less: loss allowance	(48,958)		
Total	**$ 1,222,784**		

Hocheng Corporation

Breakdown of other current assets

December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount	Remarks
Provisional payments	Provisional rents and payment for natural gas	$ 22,554	
Prepayments	Molds	25,397	
	Prepaid rent and advertisement fees	6,966	
	Others	1,209	
Income tax assets		12,244	
Prepayment for supplies purchases	Prepayment for raw material purchases	5,813	
Total		**$ 74,183**	

Hocheng Corporation

Breakdown of financial assets at fair value through other comprehensive income - Non-current

For the year ended December 31, 2022

Unit: NT$ thousand

Name	At the beginning of the period		Increase this period		Decrease this period		At the end of the period		Guarantee or pledge	Remarks
	Shares	Fair value	Number of shares	Amount	Number of shares	Amount	Shares	Fair value		
Listed stocks										
Cathay Financial Holdings Limited	600,603	$ 37,538	51,231	-	-	11,465	651,834	26,073	None	Based on the closing price on December 31, 2021
China Development Financial Holdings Limited	452,067	7,911	-	-	-	2,215	452,067	5,696	〃	〃
Taishin Financial Holding Co., Ltd.	510,124	9,667	25,251	-	-	1,583	535,375	8,084	〃	〃
United Microelectronics Corporation	800,000	52,000	-	-	-	19,440	800,000	32,560	〃	〃
Taiwan PCB Techvest Co., Ltd.	6,575,315	319,232	-	-	-	81,205	6,575,315	238,027	〃	〃
Capital Securities Corporation	10,289,000	174,399	-	-	279,000	65,790	10,010,000	108,609	〃	〃
Pegatron Corporation	75,000	5,183	-	-	-	420	75,000	4,763	〃	〃
Taishin Financial Holding Co., Ltd. Preferred Stock E	16,280	864	-	-	-	24	16,280	840	〃	〃
Cathay Financial Holding Co., Ltd. Preferred Stock A	14,808	931	-	-	-	93	14,808	838	〃	〃
Mega Financial Holding Company Ltd.	1,300,000	46,215	32,500	-	-	5,774	1,332,500	40,441	〃	〃
Cathay Financial Holding Co., Ltd. Stock B	12,284	780	-	-	-	109	12,284	671	〃	〃
Taishin Financial Holding Co., Ltd. Preferred Stock E II	9,753	506	-	-	-	44	9,753	462	〃	〃
CTBC Financial Holding Co., Ltd.	2,498,000	64,823	-	-	-	9,617	2,498,000	55,206	〃	〃
Power Chip Semiconductor Manufacturing Corp.	50,336	3,584	-	-	-	1,981	50,336	1,603	〃	〃
Yuhuang Co., Ltd.	49,205	85,550	-	-	-	84,862	49,205	688	〃	
Core Pacific City Co., Ltd.	98,869	1,389	-	-	-	93	98,869	1,296	〃	
Power Chip Technology Corporation	27,816	856	-	-	-	490	27,816	366	〃	
		$ 811,428		**-**		**285,205**		**526,223**		

Hocheng Corporation

Breakdown of changes in investments accounted for using the equity method

For the year ended December 31, 2022

Unit: NT$ thousand

Name	Beginning balance		Increase this period		Decrease this period		Ending balance			Market value or equity net value		Guarantee or pledge	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit price	Total amount		
Hostan Corporation	100,593,839	$ 1,996,043	-	-	-	1,048	100,593,839	100.00%	1,994,995	20.02	2,014,311	None	Note
Ritiboon International Limited	78,646,373	864,977	-	-	-	71,569	78,646,373	100.00%	793,408	10.14	797,538	〃	〃
Hohong Co., Ltd.	34,678,498	649,071	-	-	-	50,006	34,678,498	99.50%	599,065	17.64	611,731	〃	〃
Hoceng Service Co., Ltd.	600,000	19,827	-	3,607	-	-	600,000	40.00%	23,434	74.78	44,870	〃	〃
Bao Long Interior Crafts Co., Ltd.	693	102,613	6,000,307	-	-	29,607	6,001,000	100.00%	73,006	12.17	73,006	〃	〃
O+Design International Corporation	1,098,569	-	-	-	-	-	1,098,569	- %	-	-	-	〃	In the process of liquidation
		$ 3,632,531		**3,607**		**152,230**			**3,483,908**				

Note: Differences between the balance at the end of the period and the net worth of equity are unrealized gains or losses.

Hocheng Corporation

Breakdown of other non-current assets

December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount	Remarks
Overdue receivables		$ 7,087	
Less: Impairment loss allowance		(7,087)	
		-	
Prepayments for equipment		19,296	
Others		546	
Total		**$ 19,842**	

Hocheng Corporation

Breakdown of short-term borrowings

December 31, 2022 **Unit: NT$ thousand**

Types of borrowings	Explanation	Ending balance	Contract Duration	Interest rates	Financing limit	Pledge or Guarantee	Remarks
Credit borrowings	Borrowings from financial institutions	$ 150,000	111.10.24-112.03.22	1.54%-1.60%	1,350,000	None	Note1
Secured borrowings	〃	180,000	111.08.24-112.03.08	1.45%-1.84%	610,000	Land and houses	
		$ 330,000			**$ 1,960,000**		

Note 1: A comprehensive limit is executed, which is included in the total limit of credit and secured borrowings.

Hocheng Corporation

Breakdown of short-term notes payable

December 31, 2022

Unit: NT$ thousand

Item	Guarantee or acceptance institution	Contract Duration	Interest rates	Carrying amount	Remarks
Commercial papers	China Bills Finance Corporation	2022.11.30-2023.02.23	2.06%~2.10%	55,000	
〃	Mega Bills Finance	2022.12.27-2023.02.23	2.02%	50,000	
Total				**105,000**	

Breakdown of notes payable

Client Name	Summary	Amount	Remarks
Related party:			
Yuhong Co., Ltd.		$ 39,037	
Non-related party:			
Company A		5,325	
Company B		3,069	
Company C		2,806	
Company D		2,200	
Company F		1,766	
Others		2,444	
Subtotal		17,610	
Total		**$ 56,647**	

Hocheng Corporation

Breakdown of accounts payable

December 31, 2022

Unit: NT$ thousand

Client Name	Summary	Amount	Remarks
Related party:			
Hostan Corporation		$ 36,143	
Yuhong Co., Ltd.		12,793	
Hocheng (China)		7,184	
Corporation			
Others		11	
Subtotal		56,131	
Non-related party:			
Company F		14,957	
Company G		13,289	
Company H		44,073	
Others		135,004	The balance of a single supplier has not exceeded 5%
Subtotal		207,323	
Total		**$ 263,454**	

Breakdown of other payables

Item	Summary	Amount	Remarks
Salary, annual bonus, and board wages payable		$ 206,660	
Labor and health insurance payable		12,647	
Pension payable		3,714	
Others		78,713	
Total		**$ 301,734**	

Hocheng Corporation

Breakdown of other current liabilities

December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount	Remarks
Advances	Advances for products	$ 28,950	
Income tax liabilities		48,724	
Tax payable	Business tax	9,870	
Provisional advances	Provisional advances for taxes, labor and health insurance premiums, and rent	22,260	
Total		**$ 109,804**	

Hocheng Corporation

Breakdown of long-term borrowings

December 31, 2022 **Unit: NT$ thousand**

Lenders	Summary	Borrowing amount	Contract Duration	Interest rate	Pledge or Guarantee	Remarks
c		$ 520,000	2017.10.19~2024.10.19	2.24%	Land	Every half-year is an installment starting from the day following the first anniversary from the initial drawdown date with repayment of a total of 11 installments; the repayment for the 1st to 10th installments shall be NT$40,000 thousand, and the repayment for the last installment shall be NT$400,000 thousand.
Less: Portion due within one year		(80,000)				
Total		**$ 440,000**				

Hocheng Corporation

Breakdown of operating costs

For the year ended December 31, 2022 Unit: NT$ thousand

Item	Amount	
	Sub-total	Total
Cost of sales for self-produced products		
Raw materials at the beginning of the period	$ 176,290	
Add: Incoming stock during the period	734,840	
Others	4,380	
Gains on inventory	4	
Less: Transfer to various expenses	(2,657)	
Disposals of raw materials	(23,293)	
Scrapping	(58)	
Losses on inventory	(1)	
Disaster losses of inventory	(154)	
Raw materials at the end of the period	(225,875)	663,476
Indirect raw materials		
Supplies at the beginning of the period	8,558	
Add: Incoming stock during the period	79,346	
Less: Others	(83)	
Disposals of supplies	(109)	
Scrapping	(260)	
Disaster losses of inventory	(5)	
Transfer to other equipment	(13,257)	
Transfer to various expenses	(29,760)	
Supplies at the end of the period	(7,894)	36,536
Direct labor costs		272,230
Manufacturing expenses		515,552
Manufacturing costs		1,487,794
Add: Work in progress at the beginning of the period	147,783	
Work in progress purchased	13,811	
Others	(727)	
Less: Work in progress sold	(1,247)	
Disaster losses of inventory	(4)	
Losses on inventory	(51)	
Work in progress at the end of the period	(148,516)	11,049
Cost of finished good		1,498,843
Finished good at the beginning of the period		483,941
Add: Gain on inventory		156
Others - Finished good processing		1,350
Less: Scrapping		(2,248)
Disaster losses of inventory		(13,736)
Losses on inventory		(809)
Transfer to other equipment		(15,909)
Transfer to various expenses		(12,989)
Others		(9,659)
Finished good at the end of the period		(567,356)
Costs of production and sales		1,361,584
Cost of sales for purchased products		
Products purchased at the beginning of the period	235,467	
Add: Purchases during the period	1,144,991	
Gains on inventory	49	
Others	19,597	
Less: Products purchased at the end of the period	(322,101)	
Scrapping	(1,201)	
Disaster losses of inventory	(7,786)	
Transfer expenses	(11,879)	
Losses on inventory	(847)	
Cost of sales - Products		1,056,290
Disposals of semi-finished good		1,247
Disposals of raw materials and supplies		23,402
Cost of sales		2,442,523
Add: Loss on inventory		1,499
Processing costs		7,745
Inventory scraping losses		3,767
Gain from the recovery of inventory write-down or obsolescence		6,335
Less: Income from disposal of scraps		(836)
Others		1,540
Total operating cost		**$ 2,462,573**

Hocheng Corporation

Breakdown of marketing expenses

For the year ended December 31, 2022

Unit: NT$ thousand

Item	Summary	Amount	Remarks
Salary expenses		$ 157,072	
Advertisement fees		97,944	
Freight		33,289	
Other expenses		220,578	Any single amount has not exceeded 5%
Total		**$ 508,883**	

Breakdown of management fees

Item	Summary	Amount	Remarks
Salary expenses		$ 63,558	
Directors' remuneration		8,338	
Depreciation		16,817	
Other expenses		75,305	Any single amount has not exceeded 5%
Total		**$ 164,018**	

Hocheng Corporation

Breakdown of R&D expenses

For the year ended December 31, 2022 **Unit: NT$ thousand**

Item	Summary	Amount	Remarks
Salary expenses		$ 43,823	
Depreciation		14,807	
Research and experiment expenses		12,291	
Year-end bonus		5,346	
Other expenses		24,525	Any single amount has not exceeded 5%
		$ 100,792	

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	2021	2022	Differences	
			Amount	%
Current Assets	5,550,655	4,245,339	(1,305,316)	(23.52)
Fixed Assets	3,520,840	3,594,970	74,130	2.11
Intangible Assets	37,788	37,757	(31)	(0.08)
Other Assets	2,361,593	1,986,122	(375,471)	(15.90)
Total Assets	11,470,876	9,864,188	(1,606,688)	(14.01)
Current Liabilities	3,107,407	2,477,584	(629,823)	(20.27)
Non-Current Liabilities	1,004,174	877,912	(126,262)	(12.57)
Total Liabilities	4,111,581	3,355,496	(756,085)	(18.39)
Attributes to Shareholders of the parent	7,255,061	6,448,029	(807,032)	(11.12)
Capital stock	3,698,536	3,032,800	(665,736)	(18.00)
Capital surplus	13,478	15,223	1,745	12.95
Retained Earnings	2,881,696	3,036,828	155,132	5.38
Other Adjustments	677,933	376,639	(301,294)	(44.44)
Treasury Stock	(16,582)	(13,461)	3,121	(18.82)
Non-controlling interest	104,234	60,663	(43,571)	(41.80)
Total Stockholders' Equity	7,359,295	6,508,692	(850,603)	(11.56)

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	2021	2022	Variant Amount	Variance (%)
Net Sales	5,313,319	5,044,444	(308,875)	(5.81)
Cost of Sales	3,955,952	3,695,789	(260,163)	(6.58)
Gross Profit	1,357,367	1,308,655	(487,712)	(3.59)
Operating Expenses	1,290,692	1,206,122	(84,570)	(6.55)
Operating Income	66,675	102,533	35,858	53.78
Non-operating Income and Expenses	1,912,563	147,697	(1,764,866)	(92.28)
Income Before Tax from Continuing Operation	1,979,238	250,230	(1,729,008)	(87.36)
Income tax expense	233,311	92,098	(141,213)	(60.53)
Profit for the year	1,745,927	158,132	(1,587,795)	(90.94)

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 Net Profit: The operating net profit increased in the current period due to a decrease in operating expenses compared to the same period last year.
2. Non-operating Income and Expenses: The non-operating income and expenses decreased significantly compared to the same period last year, primarily due to the sale of assets by a subsidiary in the 110th fiscal year.
3. Profit Before Tax from Continuing Operations: The profit before tax from continuing operations decreased significantly compared to the same period last year, mainly due to a substantial reduction in non-operating income resulting from the sale of assets by a subsidiary in the 110th fiscal year.
4. Income Tax Expense: The income tax expense decreased compared to the same period last year due to a significant reduction in non-operating income, which resulted in a substantial decrease in pre-tax profit.
5. Net Profit for the Period: The net profit for the period decreased significantly compared to the same period last year, primarily due to a substantial reduction in non-operating income resulting from the sale of assets by a subsidiary in the 110th fiscal 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 (2022), 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
2,162,265	105,134	(214,672)	(1,410,994)	665,867	None	None

Analysis

(1) Analysis of change in cash flow in the current year:

Operating Activities: The net cash inflow/outflow from operating activities is primarily due to the sales inflow and adjustments to the profit and loss items during the year.

Investing Activities:. The net cash outflow from investing activities is mainly due to the acquisition of financial assets and property, plant, and equipment.

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(2023):

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
140,275	300,753	(103,808)	(75,656)	261,564	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$ 300,753,000.

Investing Activities: Mainly due to the capital expenditure and estimated net cash flow is NT$ 103,808,000.

Financing Activities: Mainly due to the payback of long-term and short-term borrowings and cash dividends and estimated net cash flow is NT$ 75,656,000.

(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 2022 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.

a.Changes of Interest Rate

1.Impact on the Company's profit and loss:

In 2022, due to the continuous surge in global inflation, the annual inflation rate in the United States increased from 7.60% at the beginning of the year to a recent high of 8.93% in June. To curb inflation, the Federal Reserve has announced a total of 9 rate hikes (until March 2023), accumulating 19 basis points, reaching a range of 4.75% to 5.00%, which is the highest range since September 2007. Taiwan's Central Bank also followed the US with five rate hikes (until March 2024), raising the rediscount rate from 1.125% to 1.875%. This led to the banks' borrowing rates reaching new highs in recent years, affecting the Company's long and short-term capital needs and increasing interest expenses, which is

unfavorable to the Company's profit and loss.

2.Future Response and Measures:

In 2021, the Company's non-operating income increased compared to previous years, resulting in a higher cash inflow than in previous years. It was expected that in 2022, the central bank would follow the US in raising interest rates. Therefore, the Company used the increased cash to reduce its borrowings and implement capital reduction, reducing bank loans by about 43% and financial costs by about 25%. As a result, the Company expects interest rates to rise in the future until inflation is suppressed. The Company will respond to interest rate changes by minimizing borrowings, adjusting the optimal combination of borrowing rates to ensure the company's maximum benefit.

b.Changes of Exchange Rate

1.Impact on the Company's profit and loss:

In 2022, the New Taiwan Dollar (NTD) weakened against the US Dollar compared to 2021, depreciating by approximately 6.26%. Since the export amount accounted for less than 1% of the total revenue and the import letter of credit amount accounted for about 2.3% of the total procurement amount, the extent of the NTD exchange rate depreciation had a limited impact on the Company's profit and loss. However, to reduce the impact of exchange rate fluctuations on profit and loss, the Company will also pay attention to exchange rate trends, adjust payment measures according to the direction of the exchange rate, and coordinate with suppliers on procurement prices to minimize the influence.

2.Future Response and Measures:

Due to the ongoing war between Ukraine and Russia affecting the global economy and disrupting the supply chain, raw material prices have fluctuated more than in the past. To reduce the impact, the Company will negotiate and coordinate with suppliers on procurement prices for a certain period to stabilize procurement costs. If the change is greater than a certain percentage, further negotiations will be conducted to minimize the impact of exchange rate fluctuations on profit and loss as much as possible.

c.Inflation

1.Impact on the Company's profit and loss:

In 2022, the Consumer Price Index (CPI) had an annual growth rate of 2.95%, which was a recent high. The rate reached 3.05% at the beginning of the year. Additionally, the recent shortage of some essential goods and the upcoming increase in electricity prices suggest that this year's inflation rate will be higher than in the previous year. Under this expectation of significant price fluctuations, suppliers are likely to raise their selling prices, leading to increased raw material costs and affecting the Company's profitability. However, the Company will establish policy management plans based on the development trends each year and adjust the implementation content in response to environmental changes to reduce production costs and increase profits for shareholders.

2.Future Response and Measures:

Given the expectation of significant price fluctuations in the future and the on-going Russo-Ukrainian War, many international uncertainties still exist, and prices for oil and raw materials remain unstable. The Company will strive to maintain a stable supply of raw materials for its products and continue to maintain good relationships with upstream and downstream suppliers. It will also continuously improve production processes, research and develop energy-saving and carbon-reducing products, reduce production costs, and provide the best sales and customer service efficiency to maximize the Company's benefits and protect shareholder interests.

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, 2022; Unit: thousands

Item \ Remarks	2022 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Hostan Corporation	NTD 3,600	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 2022 has reached NT$318.45 million, an increase of NT$323.75 million compared to NT$318.45million last year, 1.64% 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 2022, contracted government social	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 2023 for gas water heater or electric furnaces. 4. After merging with	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	2022 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
		housing and large-scale private cases with undelivered amount of 179 games, with amount of NT$135 million, shall be delivered in 2022 to 2026 successively.	the parent company's kitchenware division, the combined entity will have more competitive products, which will help in securing large-scale project sites.	as well as applications for safety regulations. 6. Collaborate with Baolong International to promote business through merger and cooperation with new business divisions
Hohong Co., Ltd.	NTD 19,160	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 -3,525	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Hoceng Service Co., Ltd.	NTD 5,000	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 -33,369	1. Sales performance weakened by the impact of the pandemic. 2. Sluggish market and increased competition.	1. To centralize the region and the products. 2. Enhancing internal management and controlling expenses. 3. Utilizing assets and land	None
Hocheng Shanghai Corporation	CNY -9,743	1.Sales performance weakened by the impact of the pandemic. 2. Sluggish market	1. Expanding distribution outlets and coordinating the supply chain. 2. Enhancing internal	None

Remarks / Item	2022 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
		and increased competition.	management and controlling expenses.	
United Pacific Express Trading Co., Ltd.	CNY 134	Affected by the epidemic, demand in overseas markets has plummeted	Strengthening the development of overseas market	None
Hocheng Philippines Corporation	PHP 78,890	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 6,816	With Additional Rent income on property.	To continue in 2021	None
Bao Long Interior Crafts Co., Ltd. (former Holong Ceramic Co., Ltd.)	NTD -8,128	The cost of raw materials has increased and the revenue has not reached the predetermined target	None	None
Hocheng Group Holding Corp.	USD -3,532	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Swatton International Corp.	USD 114	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 -762	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) Impact on the Company's profit and loss:

In 2022, due to the continuous surge in global inflation, the annual inflation rate in the United States increased from 7.60% at the beginning of the year to a recent high of 8.93% in June. To curb inflation, the Federal Reserve has announced a total of 9 rate hikes (until March 2023), accumulating 19 basis points, reaching a range of 4.75% to 5.00%, which is the highest range since September 2007. Taiwan's Central Bank also followed the US with five rate hikes (until March 2024), raising the rediscount rate from 1.125% to 1.875%. This led to the banks' borrowing rates reaching new highs in recent years, affecting the Company's long and short-term capital needs and increasing interest expenses, which is unfavorable to the Company's profit and loss.

(2).Future Response and Measures:

In 2021, the Company's non-operating income increased compared to previous years, resulting in a higher cash inflow than in previous years. It was expected that in 2023, the central bank would follow the US in raising interest rates. Therefore, the Company used the increased cash to reduce its borrowings and implement capital reduction, reducing bank loans by about 43% and financial costs by about 25%. As a result, the Company expects interest rates to rise in the future until inflation is suppressed. The Company will respond to interest rate changes by minimizing borrowings, adjusting the optimal combination of borrowing rates to ensure the company's maximum benefit.

2. Exchange Rates

(1) Impact on the Company's profit and loss:

In 2022, the New Taiwan Dollar (NTD) weakened against the US Dollar compared to 2021, depreciating by approximately 6.26%. Since the export amount accounted for less than 1% of the total revenue and the import letter of credit amount accounted for about 2.3% of the total procurement amount, the extent of the NTD exchange rate depreciation had a limited impact on the Company's profit and loss. However, to reduce the impact of exchange rate fluctuations on profit and loss, the Company will also pay attention to exchange rate trends, adjust payment measures according to the direction of the exchange rate, and coordinate with suppliers on procurement prices to minimize the influence.

(2)Future Response and Measures:

Due to the ongoing war between Ukraine and Russia affecting the global economy and disrupting the supply chain, raw material prices have fluctuated more than in the past. To reduce the impact, the Company will negotiate and coordinate with suppliers on procurement prices for a certain period to stabilize procurement costs. If the change is greater than a certain percentage, further negotiations will be conducted to minimize the impact of exchange rate fluctuations on profit and loss as much as possible.

3. Inflation

(1) Impact on the Company's profit and loss:

In 2022, the Consumer Price Index (CPI) had an annual growth rate of 2.95%, which was a recent high. The rate reached 3.05% at the beginning of the year. Additionally, the recent shortage of some essential goods and the upcoming increase in electricity prices suggest that this year's inflation rate will be higher than in the previous year. Under this expectation of significant price fluctuations, suppliers are likely to raise their selling prices, leading to increased raw material costs and affecting the Company's profitability. However, the Company will establish policy management plans based on the development trends each year and adjust the implementation content in response to environmental changes to reduce production costs and increase profits for shareholders.

(2)Future Response and Measures:

Given the expectation of significant price fluctuations in the future and the on-going Russo-Ukrainian War, many international uncertainties still exist, and prices for oil and raw materials remain unstable. The Company will strive to maintain a stable supply of raw materials for its products and continue to maintain good relationships with upstream and downstream suppliers. It will also continuously improve production processes, research and develop energy-saving and carbon-reducing products, reduce production costs, and provide the best sales and customer service efficiency to maximize the Company's benefits and protect shareholder interests.

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 2022, 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 2022, as follows:
   (1) Hocheng Philippines Corporation: NT$229,053,000
   (2) Holong Ceramic Co., Ltd.: NT$0
   (3) Hocheng (China) Co., Ltd.: NT$184,260,000

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$102,073,000 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

1. To advocate for the importance of healthiness, comfort, diversity, and rationality in living spaces, and to encourage the creation of ideal and perfect living environments in Taiwan that are suited to the local culture and human needs through creativity, planning, design, and construction. Our company sponsors and collaborates with the Chunwen Education Foundation to organize the Taiwan Golden Pottery Award, covering the expenses related to design competitions and other related activities, in order to reward outstanding local works that are creative and contribute to society..
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. 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:

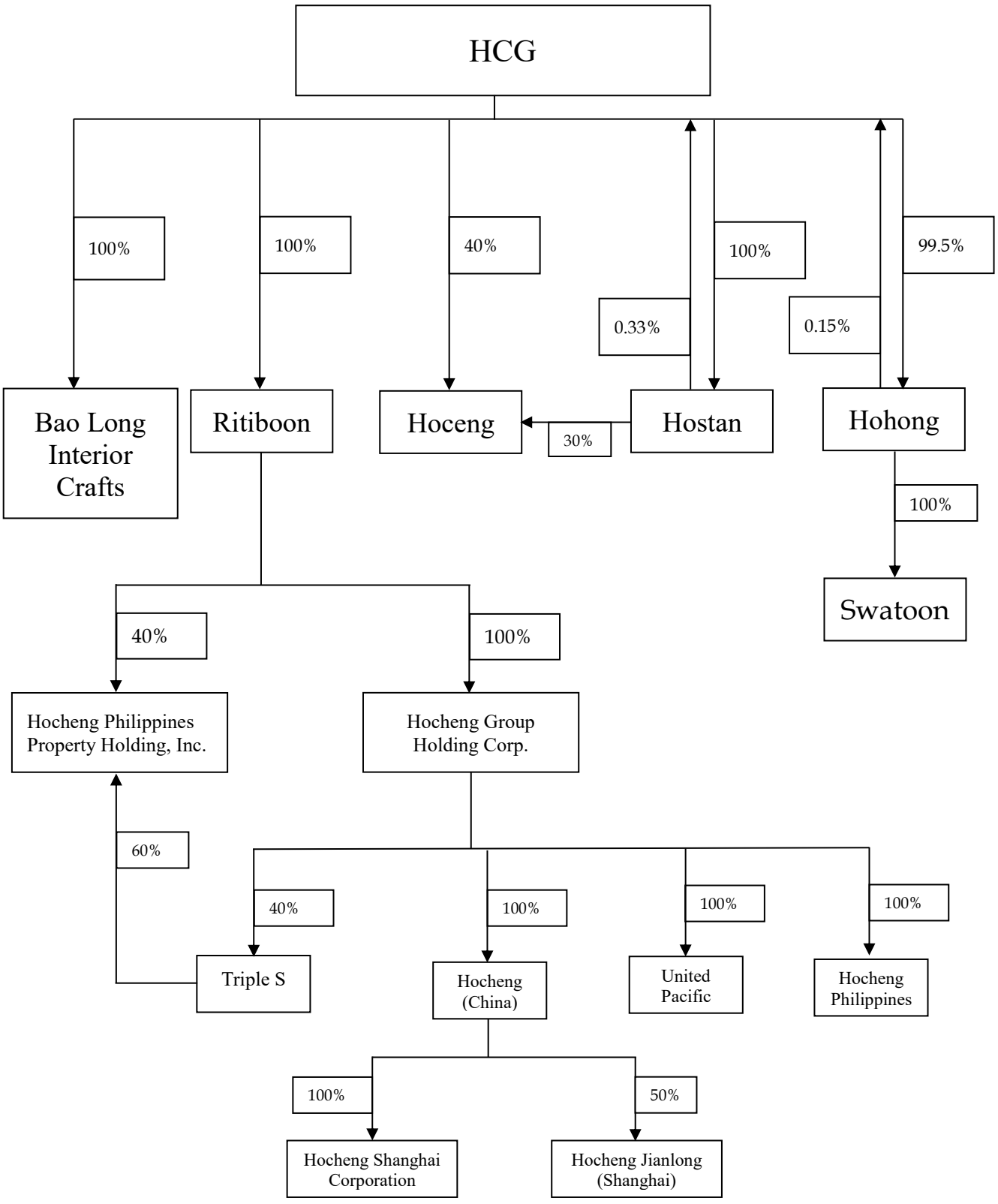
   In response to supplier strategic adjustments, the company will integrate and adjust resources in a timely manner to accelerate the growth of other suppliers and add new and competitive suppliers and products in order to pursue the company's maximum benefits.

7.7. Other important matters: None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organizational Structure of Affiliates 2022/12/31



8.1.2. Basic information of affiliates:

December 31, 2022; 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
Bao Long Interior Crafts Co., Ltd. (former Holong Ceramic Co., Ltd.)	September 26, 1973	No. 1, Bade Rd., Yingge Dist., New Taipei City, ROC	NT$ 60,010	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	Room 901-2277, Building 4, No. 2377 Shenkun Road, Minhang District, Shanghai, China	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	2.25
	Director	Hostan Corporation- Chiu, Po-Chun. Chiu, Yuan-Yi.	450,000	35
	Director	Chiu, Chun-Chieh		
	Director	Yuhuang Co., Ltd- Chiu, Chi-Chuan	180,000	14
	Supervisor	Chiu, Chi-Hsin	30,000	2.25
		Hocheng Corporation (Legal Representative Chiu, Li-Yih)	600,000	46.5

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
Hocheng (China) Co., Ltd.	Chairman	Chiu, Shi-Kai (HOCHENG GROUP HOLDING CORP. Legal Representative)		100
	Director	Chiu, Li-Chien (HOCHENG GROUP HOLDING CORP. Legal Representative)		100
	Director	Chiu, Chi-Hsin (HOCHENG GROUP HOLDING CORP. Legal Representative)		100
	Director	Chiu, Chi-Chuan (HOCHENG GROUP HOLDING CORP.Legal Representative)		100
	Director	Wu, Yue-Cheng (HOCHENG GROUP HOLDING CORP. Legal Representative)		100
	Director	Chiu, Yuan-Yi HOCHENG GROUP HOLDING CORP. Legal Representative)		100
	Supervisor	Chiu, Po-Chun (HOCHENG GROUP HOLDING CORP. 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
Bao Long Interior Crafts Co., Ltd. (Former Holong Ceramic Co., Ltd.)	Chairman	Chiu, Yuan-Yi (Representative of HoCheng Corporation)	6001000	100
	Vice Chairman	Chiu, Bo-Chun (Representative of HoCheng Corporation)	6001000	100
	Director	Chiu,Li-Chien (Representative of HoCheng Corporation)	6001000	100
	Director	Chiu, Chih-Chung (Representative of HoCheng Corporation)	6001000	100
	Director	Wu, Yue-Zheng (Representative of HoCheng Corporation)	6001000	100
	Supervisor	Chiu, Chi-Hsin）	6001000	100
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/ 2022.12.31

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	2,408,358	394,660	2,014,311	463,720	2,503	3,600	0.04
Hohong Co., Ltd.	NTD	348,536	618,384	3,563	614,821	27,401	20,497	19,160	0.55
Ritiboon International Limited	USD	78,646	25,972	2	25,970	0	-33	-3,525	-0.04
Hoceng Service Co., Ltd.	NTD	15,000	200,094	87,918	112,176	272,774	7,429	5,000	8.62
Hocheng (China) Co., Ltd.	CNY	264,891	178,574	216,369	-37,795	82,463	-28,521	-33,369	
Hocheng Shanghai Corporation	CNY	1,000	3,927	22,185	-16,258	34,811	-97,730	-97,743	
United Pacific Express Trading Co., Ltd.	CNY	6,737	5,176	990	4,186	4,537	17	134	
Hocheng Philippines Corporation	PHP	507,844	1,816,127	797,717	1,018,411	1,561,412	120,661	78,890	0.18
Hocheng Philippines Property Holding, Inc.	PHP	83,848	181,290	9,622	171,668	19,942	11,602	6,816	0.08
Bao Long Interior Crafts(Holong Ceramic Co., Ltd.)	NTD	60010	75,249	2,348	72,901	0	-9,374	-8,128	-1.34
Hocheng Group Holding Corp.	USD	49,389	21,888	5,426	16,461	0	-9	-3,532	-0.72
Swatton International Corp.	USD	1,300	6,475	0	6,475	80	79	114	8.8
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	CNY	2,000	2,273	1,360	1913	5,947	-764	-762	

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, 2022	0	0	0	976,241 shares 12,090	0	0	0
Hohong	NTD 348,536	Private Capital	99.5	This year ends on December 31, 2022	0	0	0	445,274 share 4,781	0	0	0
Ritiboon	USD 78,646	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
Hoceng	NTD 15,000	Private Capital	70	This year ends on December 31, 2022	0	0	0	0	0	0	0
Hocheng (China)	CNY 264,891	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	184,260	0
Hocheng (Shanghai)	CNY 1,000	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
UPEX	CNY 6,737	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
Hocheng Philippines	PHP 507,844	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	229,053	0
Hocheng Philippines Property Holding	PHP 83,848	Private Capital	64	This year ends on December 31, 2022	0	0	0	0	0	0	0
Bao Long Interior Crafts (Holong)	NTD 60,010	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
Hocheng Group Holding	USD 49,389	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
Swatton	USD 1,300	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
Hocheng Jianlong (Shanghai)	CNY 2,000	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0
SWatton	USD 1300	Private Capital	100	This year ends on December 31, 2022	0	0	0	0	0	0	0

Note 1: Please list separately according to the subsidiary.

Note 2: The mentioned amounts refer to the actual acquisition or disposal amounts.

Note 3: The holding and disposal situations should be listed separately.

Note 4: Also, explain their impact on the company's financial performance and financial condition.

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