

Stock Code: : 1810

HOCHENG CORPORATION

A N N U A L R E P O R T 2 0 2 4

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Taoyuan Branch	No. 89, Houzhuang St., Da Fa Village, Bade Dist., Taoyuan County, Taiwan	(03)362-8101
Hsinchu Branch	No. 2, Sec. 1, Zhongshan Rd., Hukou Township, Hsinchu County, Taiwan	(03)569-2949
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(IV) CPA for the latest annual financial report.

Name : CPA – Wu, M. S 、 Hsu, S. M
Name of Firm : KPMG International Limited
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Tel : (02)8101-6666
Website : <http://www.kpmg.com.tw/>

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

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

《Contents》

I 、 Letter to Shareholders.....	1
II 、 Corporate Governance Report.....	3
1. Information on Directors, Supervisors, General Manager, Deputy General Managers, and Department Heads	3
2. Compensation of Directors, General Manager, and Deputy General Manager for the Most Recent Year (Appendix 1-2, Appendix 1-3)	12
3. Corporate Governance Operation	20
4. .Statement on Internal Control	75
5. . CPA Association Information	78
6. Information on the Chairman, General Manager, and Managers Responsible for Financial or Accounting Affairs, Who Have Worked in a Certified Public Accountant Firm or its Affiliate in the Last Year	79
7. Changes in Shareholding and Pledge of Shares for Directors, Supervisors, Managers, and Shareholders Holding More Than 10% of Shares for the Most Recent Year and Up to the Date of Annual Report Publication.....	80
8. Information on Shareholders in the Top Ten by Shareholding, Who Are Related as Per Financial Accounting Standards Bulletin No. 6 or Are Spouses or Relatives Within the Second Degree of Kinship	81
9. Information on Shares Held by the Company, Its Directors, Supervisors, Managers, and Direct or Indirectly Controlled Businesses in the Same Invested Business, Calculated as Total Shares	83
III 、 Capital and Share Information to be Recorded	84
1.Source of Capital:	84
2.List of Major Shareholders	87
3.Company's Dividend Policy and Implementation Status	88
4.Impact of This Shareholders' Meeting's Proposed Stock Dividend on the Company's Business Performance and Earnings Per Share	88
5.Employee, Director, and Supervisor Compensation	88
6.Repurchase of the Company's Shares	89
IV 、 Business Operations Disclosure Matters	90
1. Business activities	90

2. Market and production/sales overview	92
3. Number of employees in the last two years and up to the date of the annual report' s publication, average years of service, average age, and educational distribution ratio (Appendix 19)	100
4. Environmental protection expenditure information	101
5. Labor relations	102
6. Information on information security management	105
7. Significant contracts	106
V 、 Financial Status and Performance Review, Risk Evaluation Matters	110
1. Financial status	110
2. Financial performance	111
3. Cash flow	112
4. Impact of major capital expenditures in the most recent year on financial performance	112
5. Investment policies in the most recent year, main reasons for gains or losses, improvement plans, and investment plans for the upcoming year	113
6. Risk evaluation matters for the most recent year and up to the date of the annual report' s publication	115
7. Other significant matters	119
8. Audit Committee Review of the 2024 Final Accounts Report	120
VI 、 I Special Disclosure Matters	121
1. Information on related parties	121
2. Information on private placement of securities for the most recent year and up to the date of the annual report' s publication	132
3. Other necessary supplementary explanations	132
VII 、 Matters having a significant impact on shareholder equity or securities prices, as specified in Article 36, Paragraph 3, Item 2 of the Securities and Exchange Act, during the most recent year and up to the date of the annual report' s publication	132

VIII 、 Disclosure matters required under Articles 10, 1st Paragraph, 3rd Item, 8th Point, 7th Item (first half), 17th Article, and 21st Article, 1st and 2nd Subsections, including information lock-up details; if already announced on the designated information disclosure website, such matters may be indexed in the annual report for information query, and the related disclosed information shall be regarded as part of the annual report.	132
Appendix 1: 2024Consolidated Financial Report	133
Appendix 2:2024 Individual Financial Report	234

1. Report to Shareholders

Dear Shareholders,

Over the past year, inflation caused by geopolitical conflicts such as the Russia-Ukraine war and trade disputes has eased. Countries in Europe and the United States have also started reducing interest rates to avoid negatively impacting economic development. Although the domestic economy has grown due to strong exports in the semiconductor and AI-related industries, traditional industries have experienced a significant decline due to the poor performance of the Chinese economy and increased competition. This has led to a stark contrast between thriving and declining industries. The real estate sector, closely related to our company, showed signs of decline in the second half of 2023. However, with the introduction of the new Qing'an mortgage policy, real estate transactions surged significantly in the first half of 2024, which also led to a rise in domestic housing prices. With domestic housing prices and loans remaining high, and the total loan amount approaching the upper limit set by regulations for real estate loans, the Central Bank strongly requested banks to control lending in September. As a result, real estate transaction volumes began to decline. For example, in November 2024, the transaction volume in the six major cities decreased by approximately 3,588 units, a drop of about 15.3% compared to November 2023. Although domestic real estate prices have not significantly fallen, the likelihood of short-term relaxation of government-imposed loan control measures is low. The outlook for real estate transactions in 2025 is unlikely to be optimistic, and this will gradually affect the development of industries related to our company. The number of pre-sale housing transactions in 2025 may significantly shrink, and the short-term surge in price-driven buying and selling is unlikely to recover. Given the potential significant changes in global dynamics following the inauguration of the new U.S. president, the domestic real estate market may face further downturns. We must carefully evaluate the following factors that may impact our company's future development and proceed cautiously.

1. 2024 Annual Business Results:

Here are the business results for the year 2024:

- Operating Revenue: NT\$ 4,856,946 thousand (net)
- Gross Profit: NT\$ 1,210,947 thousand
- Operating Profit: NT\$ 2,081 thousand
- Net Profit After Tax: NT\$ 61,205 thousand
- Earnings Per Share: NT\$ 0.19

2. 2024 Annual Business Plan Overview:

1. Geopolitical Developments: After the U.S. election, the Russia-Ukraine conflict and the Israel-Palestine war seem to be nearing an end. However, the future international diplomatic and trade policies of the U.S. may undergo significant changes with the new president taking office. In terms of politics, the ongoing power struggle between China and the U.S. will alter Taiwan's role and its stability. Economically, U.S. policies, including tariff increases and requirements for domestic production, will affect both domestic and overseas export industries, especially the semiconductor and technology-related sectors. This will force companies to decide whether to invest in the U.S. or globally, which will inevitably impact domestic investment and the overall direction of the economy.

2. AI Technology Development and Impact: AI technology has surged in 2024, and some have called it the "AI era." The rise of AI has led many domestic companies to thrive. Although our company is not a manufacturer in the AI industry, the application of AI is rapidly evolving, which will significantly change the business operations and models of many industries. We need to actively track and understand its applications, incorporating it into our manufacturing and management processes to improve operational efficiency.
3. Development of Domestic Industries: The domestic real estate sector has faced challenges due to labor shortages, material shortages, and raw material inflation during the pandemic. The introduction of new Qing'an policies led to an initial surge in real estate sales, driving up housing prices. However, the central bank's lending restrictions have created a freezing risk in real estate transactions, which is not conducive to the healthy development of the industry. Facing the current shrinkage in real estate transaction volume, the growth of the industry in 2025 will be relatively difficult. We need to strengthen the functionality and quality of our bathroom products to gain consumer recognition. Additionally, we should explore new industries and develop new products, expanding our product range and offering high-value-added products to provide consumers with better options.

3. Future Company Development Strategies:

1. Actively develop markets and distribution channels to achieve annual business goals.
2. Strengthen logistics management, diversify supply chain risks, and expand the use of company financial resources.
3. Accelerate the development of new products and technologies to enhance market competitiveness.
4. Strengthen 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 focus on unit cost management.
8. Complete the "Sustainability Report" policy.

UB Product Line Promotion and Development: The domestic market has faced frequent labor shortages in recent years, combined with the worsening issue of low birth rates. The construction of bathrooms may likely follow the Japanese model, using modular bathroom units instead of the traditional manual construction method. This method reduces labor usage and shortens construction periods. Over time, this approach is expected to be widely accepted by builders, and the government has also begun to recognize its benefits and is attempting to implement it in public buildings. Our company invested in this method years ago, and while there was no significant growth due to timing, market demand is now increasing, and both the industry and government are actively promoting it. This is the best time to introduce it into the market. I encourage everyone to build on the foundation already established and actively incorporate new technologies and methods to lay a solid foundation for future development.

Finally, I wish all shareholders good health and all the best. Thank you for your continued support.

Chairman: Qiu Li-Jian

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

2.3.1. Directors information:

1. Directors

April 30, 2025

Title (Note 1)	Nationality or place of regist ratio n	Name	Gender/ Age (Note 2)	Date elected (inaugura ted)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Sharehol ding 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.	Fulucun Investme nt Co., Ltd.		2024.06.26	3 years	2024.06.26	1,348,220	0.45%	1,348,220	0.45%	0	0%	0	0%						
Chairman	R.O.C.	The legal represen tative of Fu Lu Cun Investme nt Co., Ltd. : Qiu Li- jian	Male/ 61~70 years old	2024.06.26	3 years	2003.06.27	12,832,033	3.48%	10,522,267	3.48%	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	2024.06.26	3 years	2019.06.28	2,736,416	0.74%	2,243,861	0.74%	65,768	0.02%	0	0%	Tokai University (Japan), Master degree	Yuhuang, Chairman (Xinjiexu, Representative)				
Director	R.O.C.	Fuho Investme nt Co., Ltd Represent ative: Chiu, Chi-Hsin		2024.06.26	3 years	2003.06.27	2,307,979	0.62%	1,113,542	0.37%	0	0%	0	0%						

Title (Note 1)	Nationality or place of registratio n	Name	Gender/ Age (Note 2)	Date elected (inaugura ted)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Sharehol ding 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			Remarks (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Chiu, Chi-Hsin	Male/ 51~60 years old	2024.06.26	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) Helong, Supervisor Hocheng (China), Director (Ritiboon, Representative) Fuho, Chairman Hohong, Chairman (HCG, Representative) Xinjixu, Director				
Director	R.O.C.	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai		2024.06.26	3 years	2006.06.30	14,033,700	3.79%	11,507,634	3.81%	0	0%	0	0%						
Director	R.O.C.	Chiu, Shi-Kai	Male/ 41~50 years old	2024.06.26	3 years	2006.06.30	1,840,575	0.48%	4,919,461	1.62%	0	0%	0	0%	WENT WORTH INSTITUTE OF TECHNOLOGY	Hocheng (China), Chairman (Ritiboon, Representative)				
Independent Director	R.O.C.	Ciu Jing-ya	Female / 51~60 years old	2024.06.26	3 years	2024.06.26	0	0%	0	0%	0	0%	0	0%	Fu Jen Catholic University	Walton Advanced Engineering, Inc. director				
Independent Director	R.O.C.	Fan, Wei-Guang	Male/ 51~60 years old	2024.06.26	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	2024.06.26	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

Apr. 28, 2025

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

Apr. 28, 2025

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
The legal representative of Fu Lu Cun Investment Co., Ltd.: Chiu Li-jian	<p>Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company.</p> <ol style="list-style-type: none"> 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) <p>Not been a person of any conditions defined in Article 30 of the Company Act.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	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
Ciu Jing-ya (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: 1 female, 6 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.

核心項目 姓名	Basic Composition		Professional Background				Industry Experience			Professional Skills							
	Nationality	Gender	Age	Law	Accounting	Industry	CPA	Banking	Business Management	Operational Judgment	Accounting and Financial Analysis	Business Management Ability	Crisis Management Capability	Industry Knowledge	International Market Perspective	Leadership Ability	Decision-Making Ability
Chiu Li-jian	R.O.C.	Male	61-70			V			V	V		V	V	V	V	V	V
Wu, Yue-Long	R.O.C.	Male	61-70			V			V	V		V	V	V	V	V	V
Chiu, Chi-Hsin	R.O.C.	Male	51-60			V	V	V	V	V	V	V	V	V	V	V	V
Chiu, Shi-Kai	R.O.C.	Male	51-60			V			V	V		V	V	V	V	V	V
Ciu Jing-ya	R.O.C.	Female	51-60			V	V		V	V		V	V	V	V	V	V
Fan, Wei-Guang	R.O.C.	Male	51-60			V	V	V	V	V	V	V	V	V	V	V	V
Wang, Min-Chi	R.O.C.	Male	51-60			V	V		V	V	V	V	V	V	V	V	V

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.	Chen, Ya-o-Song	Male	2008.05.01	7,646	0.0025%	0	0%	0	0%	Nanya Institute of Technology					
Associate	R.O.C.	Huang, Zhaohao-Jie	Male	2008.05.01	0	0%	0	0%	0	0%	Tatung 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%	National Taiwan University of Science and Technology (Master's Degree)					
Associate	R.O.C.	Luo, Yue-Ying	Female	2021.04.16	0	0%	0	0%	0	0%	National Cheng Kung University					
Associate	R.O.C.	Zhang, Yong-Chang	Male	2021.04.16	0	0%	0	0%	0	0%	Guangwu Engineering College					

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%	National Central University (Master's Degree)					
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 (Note 7)	Cash	Stock	The Company	All companies in Financial Statements (Note 7)	Cash	Stock		
Directors	The legal representative of Fu Lu Cun Investment Co., Ltd. : Chiu Li-jian	0	0	0	2189	0	0	0	3.74%	3.57%	6,521	0	0	0	0	0	8,710 & 14.90%	8,710 & 14.23%	無
	Chiu, Li-Chien																		
	Wu, Yue-Long																		
	Fuho Investment:																		
	Chiu, Chi-Hsin																		
	Yuhuang: Chiu, Shi-Kai																		
Independent Directors	Fan, Wei-Guang																		無
	Wang, Min-Chi	0	0	0	0	0	0	928	1.58%	1.51%	0	0	0	0	0	0	928 & 1.58%	928 & 1.51%	
	Wang Cheng-wei																		

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 operation, 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,	Directors: Wu, Yue-Long,	Directors: Wu, Yue-Long,	Directors: Wu, Yue-Long,
	Independent Director : Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Independent Director : Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Independent Director : Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Independent Director : Wang, Cheng-Wei, Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya
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, 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, 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				
								Cash amount	Stock amount		Cash amount			Stock amount
General Manager	Chen, Shih-Chieh	3,792	3,792	258	258	2,455	2,455	284	0	0	0	6,789 & 11.62%	6,789 & 10.62%	無
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)
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:

Title	Expressed in Thousand New Taiwan Dollars	
	2023	2024
	The Company	The Company
	Net profit after tax ratio	Net profit after tax ratio
Directors, Supervisors	48.1987%	14.90%
General Manager Deputy General	37.44%	11.62%
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 Committee 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 (%)
M a n a g e r i a l o f f i c e r s	General	Chen, Shih-Chieh				
	Deputy	Huang, Jian-Cheng				
	Associate	Chen, Yao-Song				
	Associate	Huang, Zhao-Jie				
	Associate	Hsu Ting-Chia				
	Associate	Li, Long-Cheng	0	207. 043	207. 043	0. 35%
	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 .

Note 5: The amount of employee compensation proposed for distribution in 112th year is calculated based on the actual ratio of employee compensation distributed in the 111th year.

Note 6: Manager Xu Zhaoshan retired on February 6, 2023, and Manager Chen Jinye retired on February 28, 2023

3.3. Corporate governance status

3.3.1. Operation status of the Board of Directors:

The Board of Directors has held 6 meetings in the recent year (A); 2024/05/07-2025/03/11; 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	Remarks
Chairman	The legal representative of Fu Lu Cun Investment Co., Ltd.: Qiu Li-jian	5	5	0	100%	June 26, 2024 - Newly elected
Chairman	Chiu, Li-Chien	1	1	0	100%	June 26, 2024 - Stepped down from position
Director	Wu, Yue-Long	6	2	0	33%	June 26, 2024 - Newly elected
Director	Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	6	5	1	83%	June 26, 2024 - Newly elected
Director	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai	6	6	0	100%	June 26, 2024 - Newly elected
Independent Director	Wang, Cheng-Wei	1	0	1	0%	June 26, 2024 - Stepped down from position
Independent Director	Fan, Wei-Guang	6	6	0	100%	June 26, 2024 - Newly elected
Independent Director	Wang, Min-Chi	6	6	0	100%	June 26, 2024 - Newly elected

Independent Director	Qiu Jing-ya	5	5	0	100%	Newly elected on June 26, 2024
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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.

By proxy Attendance in person

The Board of Directors has held 6 meetings in the recent year (A): 2024/05/07–2025/03/11; the attendance of Independent Directors is as follows:

Independent Director	2024/05/07	2024/06/26	2024/08/06	2024/11/12	2025/01/07	2025/03/11
Wang, Cheng-Wei	By proxy	N/A	N/A	N/A	N/A	N/A
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	Attendance in person	Attendance in person	Attendance in person	Attendance in person	Attendance in person
Qiu Jing-ya	N/A	Attendance in person	Attendance in person	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
2024/5/07	Board of Directors	1. Approval of the Q1 2024 (Year 113 ROC) Financial Statements 2. Approval of the 2023 (Year 112 ROC) Annual Business Report 3. Approval of the 2023 (Year 112 ROC) Earnings Distribution Proposal 4. Amendment to the Internal Control System 5. Approval of Bao Long Interior Arts Co., Ltd.'s Application to Increase Real Estate Collateral for Loan Guarantee (Cathay United Bank) 6. Review of the 2023 (Year 112 ROC) Employee and Director Compensation Distribution Proposal	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
		Resolution: All proposals were approved by all attending directors. For Proposal 6, directors with a conflict of interest recused themselves from voting, and the remaining directors unanimously approved the proposal.			
2024/6/26	Board of Directors	Appointment of the Chairman Resolution: The resolution was unanimously approved by all directors present.	No opinion in the meeting	None	None
2024/8/6	Board of Directors	1. Q2 2024 (Year 113 ROC) Financial Statements of the Company 2. Application for Extension of Bank Credit Lines for the Second Half of Year 113 3. Endorsement and Guarantee Application for Hocheng Philippines Corporation 4. Endorsement and Guarantee Application for Bao Long Interior Arts Co., Ltd. (E.SUN Bank) 5. Application for a NT\$400 Million Five-Year Secured Loan from Mega International Commercial Bank 6. Dismissal of a Manager 7. Amendment to the Internal Control System and Internal Audit Plan 8. Appointment of Members to the 6th Compensation Committee	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
		Resolution: All proposals were unanimously approved by all attending directors.			
2024/11/12	Board of Directors	<p>1. Q3 2024 (Year 113 ROC) Financial Statements of the Company</p> <p>2. Internal Audit Plan for 2025 (Year 114 ROC)</p> <p>3. Business Plan for 2025 (Year 114 ROC)</p> <p>4. Amendments to Internal Control Procedures</p> <p>5. Endorsement and Guarantee for Short-Term Bank Financing Facility Application by Hocheng Philippines Corporation (Mega Bank)</p> <p>6. Confirmation of No Indirect Lending Activities Related to Overdue Accounts Receivable as of the End of September 2024</p> <p>7. Change of Company Seal Custodian</p> <p>8. Waiver of Non-Compete Restrictions for Company Managers</p> <p>9. Proposal to Establish a Subsidiary: Ho Wang You Bi Co., Ltd.</p> <p>Resolution: All proposals were unanimously approved by all attending directors.</p>	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
2025/1/7	Board of Directors	<p>1. Application for Extension of Bank Credit Lines for the First Half of 2025 (Year 114 ROC)</p> <p>2. Proposal for 2024 (Year 113 ROC) Directors' Remuneration and Managers' Year-End Bonuses</p> <p>Resolution: For Proposal 2, the directors with a conflict of interest recused themselves from voting, and the remaining attending directors unanimously approved the proposal. All other proposals were unanimously approved by all attending directors.</p>	No opinion in the meeting	None	None
2025/03/11	Board of Directors	<p>1. Evaluation of the Independence of the Certified Public Accountant (CPA)</p> <p>2. Approval of the Company's 2024 (Year 113 ROC) Financial Statements</p> <p>3. Submission of the Statement on Internal Control System</p> <p>4. Agenda for the Company's 2025 (Year 114 ROC) Annual Shareholders' Meeting</p> <p>5. Schedule for Accepting Shareholder Written Proposals</p> <p>6. Amendment to the Internal Control Procedures</p> <p>7. Proposal to Increase Credit Line Items with Shanghai Commercial & Savings Bank</p> <p>8. Donation to Hocheng Cultural and Educational Foundation</p>	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
		Resolution: All proposals were unanimously approved by all attending directors.			

(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 refusal	Voting participation	Remark
Chiu, Li-Chien Chiu, Shi-Kai Wu, Yue-Long Chiu, Chi-Hsin	Deliberation on the distribution of employee and director remuneration for the fiscal year 2023.	Involvement in a stake in the motion	Did not participate for the voting	2024/5/7
Chiu, Li-Chien Chiu, Chi-Hsin Chiu, Shi-Kai	Proposal for director remuneration and executive year-end bonuses for the fiscal year 2024.	Involvement in a stake in the motion A conflict of interest	Did not participate for the voting	2025/1/7

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, 2024 to December 31, 2024	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	<p>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.</p> <p>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.</p> <p>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.</p>
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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, 2024 to December 31, 2024.

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 11, 2025. The result of the 2024 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, 2025 and reported to the Board of Directors on March 11, 2025. According to the overall evaluation results of 2024, 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 6 meetings in the recent year (A); 2022.5.09-2024.3.12; 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	Remarks
Convener of the Independent Directors	Wang, Cheng-Wei	1	0	1	0%	Stepped down from position on June 26, 2024
Convener of the Independent Directors	Qiu Jing-ya	5	5	0	100%	Newly elected on June 26, 2024
Independent Director	Fan, Wei-Guang	6	6	0	100%	June 26, 2024 - Newly elected
Independent Director	Wang, Min-Chi	6	6	0	100%	Newly elected on June 26, 2024
If any of the following situations occur in the operation of the Audit Committee, it shall specify the date of the Audit Committee meeting, session, agenda, opinions of independent directors, reserved opinions or significant recommendations, decisions of the Audit Committee, and the company's handling of the opinions of the Audit Committee. (1) Matters listed in Article 14-5 of the Securities and Exchange Act. (2) In addition to the above, other resolutions that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors.						

The implementation of independent directors' abstention from conflicted interests matters shall specify the name of the independent director, agenda, reasons for abstention from interest, and participation in voting. Communication between independent directors and internal audit executives and accountants (including significant matters, methods, and results of communication on the company's finances and business conditions).

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 2024 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 third meeting in 2024 2024.5.7	The third meeting in 2024 2024.5.7	<ol style="list-style-type: none"> 1. Approval of the Q1 2024 (Year 113 ROC) Financial Statements 2. Approval of the 2023 (Year 112 ROC) Annual Business Report 3. Approval of the 2023 (Year 112 ROC) Earnings Distribution Proposal 4. Amendment to the Internal Control System 5. Application by Bao Long Interior Arts Co., Ltd. to Increase Real Estate Collateral for Loan Guarantee (Cathay United Bank) 6. Internal Audit Report <p>Resolution: All proposals were unanimously approved by all attending committee members.</p>	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
<p>Session 3</p> <p>The fourth meeting in</p> <p>2024.08.6</p>	<p>The fourth meeting in 2024</p> <p>2024.08.6</p>	<p>1. Election of the Convener and Chairperson of the Audit Committee</p> <p>2. Q2 2024 (Year 113 ROC) Financial Statements of the Company</p> <p>3. Application for Extension of Bank Credit Lines for the Second Half of Year 113</p> <p>4. Endorsement and Guarantee Application by Hocheng Philippines Co., Ltd.</p> <p>5. Endorsement and Guarantee Application by Bao Long Interior Arts Co., Ltd. (E.SUN Bank)</p> <p>6. Application for a NT\$400 Million Five-Year Secured Loan from Mega International Commercial Bank</p> <p>7. Amendments to the Internal Control System and Internal Audit Plan</p> <p>8. Internal Audit Report</p> <p>Resolution: All proposals were unanimously approved by all attending committee members.</p>	<p>No opinion in the meeting</p>	<p>Submitted to the resolution of the board of directors, approved by all directors present</p>

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
<p>Session 3</p> <p>The fifth meeting in 2024</p> <p>2024.11.12</p>	<p>The fifth meeting in 2024</p> <p>2024.11.12</p>	<p>1. Q3 2024 (Year 113 ROC) Financial Statements of the Company</p> <p>2. Internal Audit Plan for 2025 (Year 114 ROC)</p> <p>3. Business Plan for 2025 (Year 114 ROC)</p> <p>4. Amendments to Internal Control Procedures</p> <p>5. Endorsement and Guarantee Application by Hocheng Philippines Corporation for Short-Term Bank Financing Facility (Mega Bank)</p> <p>6. Confirmation that as of the end of September 2024, the Company's Overdue Accounts Receivable Involve No Indirect Lending Activities</p> <p>7. Waiver of Non-Compete Restrictions for Company Managers</p> <p>8. Proposal to Establish a Subsidiary: Ho Wang You Bi Co., Ltd.</p> <p>9. Internal Audit Report</p> <p>Resolution: All proposals were unanimously approved by all attending committee members.</p>	<p>No opinion in the meeting</p>	<p>Submitted to the resolution of the board of directors, approved by all directors present</p>
<p>Session 3</p> <p>The one meeting in 2025</p> <p>2025.1.7</p>	<p>The one meeting in 2025</p> <p>2025.1.07</p>	<p>1. Application for Extension of Bank Credit Lines for the First Half of 2025 (Year 114 ROC)</p> <p>2. Internal Audit Report</p> <p>Resolution: All proposals were unanimously approved by all attending committee members.</p>	<p>No opinion in the meeting</p>	<p>Submitted to the resolution of the board of directors, approved by all directors present</p>

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 3 The second meeting in 2025 2025.03.11	The second meeting in 2025 2025.03.11	1. Assessment of the Independence of the Certified Public Accountant (CPA) 2. Approval of the Company's 2024 (Year 113 ROC) Financial Statements 3. Submission of the "Statement on Internal Control System" 4. Amendment to the Internal Control Procedures 5. Proposal to Increase Credit Line Items with Shanghai Commercial & Savings Bank 6. Donation to Hoheng Cultural and Educational Foundation 7. Internal Audit Report Resolution: All proposals were unanimously approved by all attending committee 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
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				independent directors' opinion
2024/01/16 Audit Committee	1. Implementation of the audit plan for 2023	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present	
2024/03/12 Audit Committee	1. Implementation of the audit plan for 2023 and 2024 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	
2024/05/07 Audit Committee	1. Implementation of the audit plan for 2024	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present	
2024/08/06 Audit Committee	1. Implementation of the audit plan for 2024	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present	
2024/11/12 Audit Committee	1. Implementation of the audit plan for 2024 2.Internal audit plan for 2025	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
2024/03/12 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of 2023 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
2024/05/07 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 1 st quarter of 2024 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
2024/08/06 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 2 nd quarter of 2024 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
2024/11/12 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 3 rd quarter of 2024 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(附表二之二)

Evaluation Item	Implementation Status (Note)			Variance from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason for Variance
	Y es	N o	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	(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?			interested parties and the designated 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		(3)	This Company establishes the “Performance Evaluation Rules of the Board of Directors” and regularly conducts the evaluation of the Board of Directors’	(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	
<p>basis each year and submit its results with the Board of Directors for reference to determine the individual director’s salary & remuneration and nomination for reelection?</p> <p>(4) Does the company regularly evaluate CPAs’ independence?</p>			<p>performance in a way which has been passed by the discussion of the Board of Directors. We adopt the self-evaluation method by the directors themselves and the clerical unit will consolidate the evaluation results and report it to the Board of Directors; the evaluation results has been approved by the Board of Directors in a satisfactory manner on March 12, 2024. 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 12, 2024.</p> <p>(4)</p>	<p>(4) There is no variance from the essence of the principles.</p>
IV. Do TWSE/TPEX listed companies establish the eligible corporate governance personnel in	✓		In order to implement corporate governance operations, the Company has established a	There is no significant variance.

Evaluation Item	Implementation Status (Note)			Variance from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason for Variance
	Yes	No	Summary Description	
			proper number of persons and appoint the chief corporate governance officer, to take the responsibility for the related corporate governance affairs (including but not limited to providing the directors and supervisors with information required for the business execution, helping the directors and supervisors comply with the acts, handling the related matters of the meetings of the Board of Directors and the Board of Shareholders, preparing their proceedings, etc.)?	
V.	✓		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?	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?	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) The Company has disclosed the related information on the Market Observation Post System according to the law.
	(2)		Does the company adopt other information	(2) We will evaluate in due

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	
<p>disclosure methods (e.g. building an English website, appointing the designated person to handle the information collection and disclosure, creating a spokesman system, webcasting the institutional investor conferences, etc.)?</p> <p>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?</p> <p>(3)</p>			<p>website and assigned the person exclusively in charge of the collection and disclosure of the company information; we also carry out the spokesperson system</p> <p>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.</p> <p>(3)</p>	<p>course the feasibility of the disclosure of other information.</p>
<p>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.)?</p>	✓		<p>(1) Employees' Rights: This Company protects the employees' rights pursuant to the Labor Standards Act.</p> <p>(2) Care for Employees: This Company establishes a variety of welfare policies in terms of protection, living & benefits, like medical care, learning visit and friendship promoting activities, etc.</p> <p>(3) Investor Relations: The Company regularly announce each financial basis and our spokesperson would build up a smooth channel of communication with the investors.</p> <p>(4) Supplier Relations: We conduct on a regular basis the satisfaction survey for the suppliers in order to fully understand our cooperation with them and maintain a good relationship of supply and demand.</p>	<p>There is no variance from the essence of the principles.</p>

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	
			<p>(5) Rights of Stakeholders: The stakeholders shall provide the Company with opinions for communication and the Company values each opinion and takes it as a basis to which we can refer for our future work.</p> <p>(6) Directors’ Further Study: Our directors complete the hours of further study.</p> <p>(7) Execution of Customer’s Policy: This Company maintains a good relationship with the customers.</p> <p>(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 2024.</p> <p>(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.</p>	
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.	✓		This Company has completed the corporate governance self-evaluation for 2023 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	
<p>The company is actively consistent with the company’s current actual situations to further improve the evaluation results, for example, the evaluation of the CPA’s independence; besides the items to be enhanced on a priority basis is the matters related to the disclosure of the annual report, etc.</p> <p>Note: No matter what “Yes” or “No” is ticked, the column of the “Summary Description” must be specified.</p>				

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 11, 2025:

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

Criteria		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
Type of Status (Note 1)	Name			
Independent Director Convener (Term ended on August 6, 2024)	Wang, Cheng-Wei	Have work experience in the area of commerce, legal, finance, accounting, or otherwise necessary for the business of the company. 1. Fudan University (Shanghai), EMBA 2. Kuang Chuan Dairy Co., Ltd., Director 3. Lien Chang Electronic Enterprise Co., Ltd., Independent Director	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration.	0
Independent Director	Fan, Wei-Guang	Have work experience in the area of commerce, legal, finance, accounting, or otherwise necessary for the business of the company. 1. University of Southern California, Master degree 2. Mei Fu Engineering Service Co., Ltd., Chairman 3. Mei Fu Development Co., Ltd., Supervisor 4. Importers and Exporters Association of Taipei, Director	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration.	0

Other Served as the Salary and Remuneration committee member of the company since 2015	Wang, Sen	Have work experience in the area of commerce, legal, finance, accounting, or natural person, who is not serving as a director, supervisor, or otherwise necessary for the business of the company or its affiliates, together with 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 employee of the company or its affiliates, relative within second degree of kinship; not 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 Convener (Assumed office on August 6, 2024)	Wang, Min-Chi	Has work experience in commerce, finance, or areas necessary for the company's business. Executive Director of Yijin Enterprise Co., Ltd. Hualien Branch; Member of the Compensation Committee of Systex Corporation. Not subject to any circumstances listed in Article 30 of the Company Act.	Serves as an Independent Director and meets the independence requirements, including but not limited to: neither the individual, their spouse, nor relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates; does not hold any shares of the Company; does not serve as a director, supervisor, or employee of any company with a specific relationship with the Company; and has not received any compensation in the past two years for providing business, legal, financial, accounting, or other services to the Company or its affiliates	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. The 5th Committee Term: From August 10, 2021 to July 8, 2024

The 6th Committee Term: From August 6, 2024 to June 25, 2027

In the most recent year, the Remuneration Committee held 2 meetings (from May 7, 2024 to January 7, 2025).

The qualifications and attendance of the committee members are as follows:

Title	Name	Frequency of Attendance in Person (B)	Frequency of Attendance by Proxy	Number of delegated attendances	Rate (%) of Attendance in Person (B/A) (Note)	Remarks
Convener	Wang, Cheng-Wei	1	0	1	0%	August 6, 2024 - Stepped down from position
Convener	Wang, Min-Chi	1	1	1	100%	Newly elected on August 6, 2024
Committee member	Fan, Wei-Guang	2	0	0	100%	August 6, 2024 - Newly elected
Committee member	Wang, Sen	2	0	0	100%	Newly elected on August 6, 2024
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 (2024/05/07-2025/01/7) and the independent directors attend status as follows:

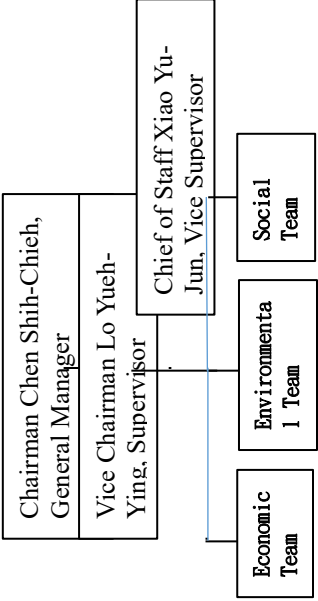
Committeeman	2024/05/07	2025/01/07
Wang, Cheng-Wei	Proxy attendance"	N/A
Fan, Wei-Guang	Attendance in person	Attendance in person
Wang, Min-Chi	N/A	Attendance in person

Resolution Items of the Remuneration Committee:

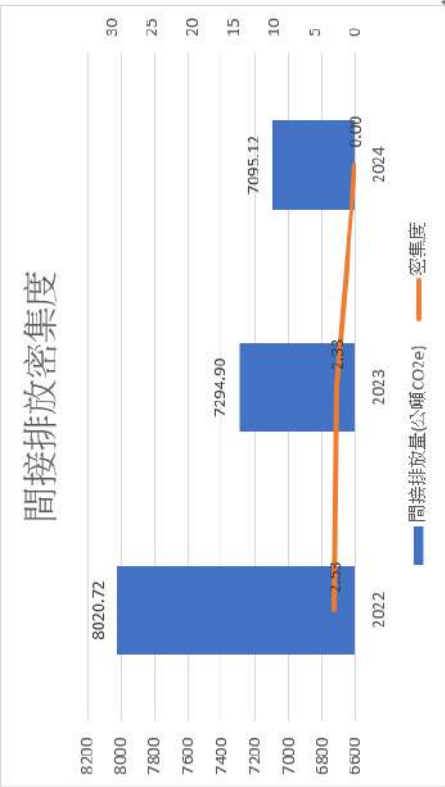
Session and Meeting Date of the Remuneration Committee	Session and Meeting Date of the Board of Directors	Contents of Proposals and Resolution Results	The Company's Response to the Remuneration Committee's Opinions	The committeemen object or reserve their opinions, accompanied with the records or written declaration.
Session V The second meeting in 2024 2023.05.07	The three Meeting in 2024 2024.05.07	Deliberation on the distribution of director remuneration and manager year-end bonuses for the company's fiscal year 2023. Decision Result: Unanimous agreement by all attending members.	Submitted to the board of directors for resolution and approved by all directors present	None
Session V The first meeting in 2025 2025.01.07	The one meeting in 2025 2025.01.07	Deliberation on the distribution of director remuneration and manager employee compensation for the fiscal year 2024 of the Republic of China. Deliberation on the "New Hire Manager Compensation Case" for the company. Decision Result: Unanimous agreement by all attending members.	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": (附表二之二之二)

Assessment Item	Implementation Status (Note 1)		Non-Implementation and its Reasons
	Yes	No	
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?	✓		There is no variance yet.
<p>Summary Description (Note 2)</p> <p>1. Governance Framework for Promoting Sustainable Development:</p>  <pre> graph TD A[Chairman Chen Shih-Chieh, General Manager] --> B[Vice Chairman Lo Yueh-Ying, Supervisor] B --> C[Economic Team] B --> D[Environmental Team 1] B --> E[Social Team] B --> F[Chief of Staff Xiao Yu-Jun, Vice Supervisor] F --> C F --> D F --> E </pre> <p>2. Implementation of each organization of the Company:</p> <p>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.</p> <p>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, 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.</p>			

Assessment Item	Implementation Status (Note 1)		Non-Implementation and its Reasons
	Yes	No Summary Description (Note 2)	
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)	✓	<p>1.The disclosed information of the Company covers the business information as of December 31, 2022. The risk assessment boundary is mainly based on the Company, including factories and operating locations.</p> <p>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.</p>	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 and future potential risks and opportunities, which	✓	<p>(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.</p> <p>(2) In order to reduce the impact on the environment, the Company has updated process 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.</p> <p>(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.</p> <p>(4) GHG inventory is planned for 2024.</p>	There is no variance yet.

Assessment Item	Implementation Status (Note 1)		Non-Implementation and its Reasons																				
	Yes	No																					
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?			<div>Summary Description (Note 2)</div> <div>1. GHG Emission Intensity: </div> <div>2. Water Usage: <table><tr><th>耗水量^φ (百萬公升)</th><th>總<u>取</u>水量^φ</th><th>總排水量^φ</th><th>回收水量^φ</th><th>耗水量^φ</th></tr><tr><td>2022 年^φ</td><td>219.51</td><td>142.37</td><td>19.53</td><td>57.61</td></tr><tr><td>2023 年^φ</td><td>206.88</td><td>60.32</td><td>0.00(註5)</td><td>146.56</td></tr><tr><td>2024 年^φ</td><td>238.70</td><td>67.03</td><td>4.03</td><td>167.64</td></tr></table></div> <div>Note: Water consumption = Total water intake - Total water discharge 單位：百萬公升^φ</div>	耗水量 ^φ (百萬公升)	總 <u>取</u> 水量 ^φ	總排水量 ^φ	回收水量 ^φ	耗水量 ^φ	2022 年 ^φ	219.51	142.37	19.53	57.61	2023 年 ^φ	206.88	60.32	0.00(註5)	146.56	2024 年 ^φ	238.70	67.03	4.03	167.64
	耗水量 ^φ (百萬公升)	總 <u>取</u> 水量 ^φ	總排水量 ^φ	回收水量 ^φ	耗水量 ^φ																		
	2022 年 ^φ	219.51	142.37	19.53	57.61																		
	2023 年 ^φ	206.88	60.32	0.00(註5)	146.56																		
	2024 年 ^φ	238.70	67.03	4.03	167.64																		

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			<p>All water sources are tap water, with total dissolved solids all being $\leq 1,000$ mg/L fresh water.</p> <p>3. Policy on waste management:</p> <p>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.</p> <ul style="list-style-type: none"> 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. <p>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.</p>	
<p>IV. Social Issues</p> <p>(1) Does the company build up the appropriate environment management system on the basis of its industry features?</p> <p>(2) Does the company formulate and implement the reasonable employee welfare</p>	✓		<p>(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,</p>	<p>(1) These matters will be handled in due course and published in the company's website, depending on our future actual needs or statutory regulations.</p> <p>(2) The Company will compile the</p>

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
<p>measures (including remuneration, vacation and other welfares, etc.) and properly reflect its operation performance or results on the employee' remuneration?</p> <p>(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?</p> <p>(4) Does the company build up an effective career ability development plan for the employees?</p> <p>(5) Does the company comply with the related regulations and international standards pertinent</p>			<p>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.</p> <p>(2)</p> <p>1. The Company determines employee compensation based on the achievement rate of annual operational goals and the company's profitability, providing colleagues with 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.</p> <p>(3)</p> <p>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.</p>	corporate social responsibility report in the future.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
<p>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?</p> <p>(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?</p>			<p>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.</p> <p>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.</p> <p>4. To strengthen employees' awareness of fire prevention and disaster prevention, and prevent disasters from happening, we have established a self-defense fire brigade and conduct regular drills.</p> <p>(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.</p> <p>1.This ensures that employees clearly understand the skills they should possess in their own roles and related knowledge in quality/environmental safety.</p> <p>2.It diversifies the skills of employees and sets promotion goals as guidelines for development.</p> <p>3.It allows managers at all levels to study scientific and rational management methods and cultivate management abilities.</p> <p>4.It enables managers at all levels to actively carry out personnel training, pass on work experience, and meet future talent needs.</p> <p>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.</p> <p>(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, The Company has a dedicated after-sales service unit to provide</p>	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			<p>after-sales services and consultations on product use, and to handle customer complaints.</p> <p>(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.</p> <p>Supplier selection criteria:</p> <ol style="list-style-type: none"> 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?	✓	✓	<p>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.</p>	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	
<p>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.</p>			
<p>VII. Other important information to help understand the implementation of sustainable development:</p> <ol style="list-style-type: none"> 1. The sustainability report for the year 2022 has been completed and filed before September 30th, 2023. 2. This Company has built up the appealing mechanism and channels for the employees with proper treatment. 3. This Company provides the employees with a safe and healthy work environment and conducts on a regular basis the safety and health education for the employees. 4. This Company offers the high-quality employment opportunities, sets up the employees’ welfare committee, implements the pension system, and arranges the regular physical examination, etc. We put much emphasis on the labor harmony. 5. In order to protect and co-exist with our natural environment, attain to the objective of the corporate sustainable management and well perform the social responsibility, this Company establishes the environmental policy and the labor safety & health system. We also introduce the ISO-9001 system and put it into full implementation. Besides, we continuously upgrade the environmental management performance for the purpose of the corporate sustainable operation. 6. This Company legally executes the recycling of resources subject to the contents of the business waste cleaning plan. 7. This Company encourages the use of environmental-friendly packing materials, reduce waste and increase the cycle of resources. 8. This Company advocates via the educational training the co-workers’ awareness of such basic sense of responsibility as environmental protection, resources recycling and energy saving. 			
<p>Certification passed:</p> <ol style="list-style-type: none"> 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(附表二之二之四)

Evaluation Item	Implementation Status (Note)		Variance from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” and Reason for Variance
	Yes	No	
<p>I. Establish Ethical Corporate Management Policy and Program</p> <p>(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?</p> <p>(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”?</p>	✓		<p>There is no variance.</p>

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	
(2) Does the company set up the exclusively (concurrently dedicated unit, subordinated with the Board of Directors, to implement ethical corporate management and regularly report its ethical corporate management policy, the prevention of immoral conduct programs as well as the supervision & execution status with the Board of Directors?		(2) 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) Does the company establish the conflict of interest prevention policy, provide the adequate appealing channel, and carry out the execution?		(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	
<p>(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?</p> <p>(5) Does the company regularly conduct the internal and external educational training in respect of ethical corporate management?</p>			<p>(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.</p> <p>(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.</p>
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	
<p>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?</p> <p>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?</p> <p>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?</p>		<p>(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.</p> <p>(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. This Company absolutely keeps the secrets of the appellant and the appealing contents, accompanied with the proper treatment.</p>	There is no variance.
<p>IV. Strengthening Information Disclosure</p> <p>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?</p>	✓	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.	
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	
<p>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):</p> <p>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.</p> <p>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.</p>			

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.

1

Execution Status of Climate-related Information

Climate-related information of listed companies (附表二之二之三)

Item	Implementation status
<p>1. Explanation of the board of directors and management's oversight and governance of climate-related risks and opportunities.</p> <p>Execution Status of Climate-related Information</p>	<p>1.The governance framework for climate change issues is coordinated by the General Manager, who oversees the Sustainable Development Committee in managing relevant issues. The Sustainable Development Committee handles issue management and impact assessments. The committee reports annually to the board of directors on the implementation status. Based on the scope of operations and business development of the company, they conduct a comprehensive assessment of climate change risks and opportunities, formulate appropriate response strategies to mitigate the impact of climate issues on operations, and enhance our operational resilience regarding climate-related issues.</p>
<p>2. Explanation of how identified climate risks and opportunities affect the business, strategy, and financial planning (short-term, medium-term, long-term).</p>	<p>2.In recent years, extreme weather events have become more frequent. In addition to identifying operational risks, in 2022, the company referred to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations on climate-related financial disclosures. Based on the four core elements of "Governance," "Strategy," "Risk Management," and "Metrics and Targets," we established a risk framework to understand the impact of climate change risks on the company and to propose corresponding measures.</p>

Item	Implementation status		
	Core elements ^๖	Illustrate ^๖	action ^๖
	Govern ^๖	The Sustainable Development Committee is the main responsible unit for the governance of climate-related risks and opportunities. ^๖	The company has established an ESG committee, chaired by the general manager, which meets regularly every year to discuss issues such as climate change risks that may arise from the company's operations, the efficiency of energy and resource use, and various environmental impacts related to the product life cycle, and regularly reports to the board of directors on climate change issues and implementation status every year. ^๖
	Tactics ^๖	The actual and potential impact of climate-related risks and opportunities on an organization's business, strategic and financial planning ^๖	Climate-related risks and opportunities are as follows: 1. Transition risks: ^๖ (1) The company's operating costs are increased due to changes in laws and regulations in the place where it operates. ^๖ (2) changes in customer demand led to a decrease in the company's orders, and (3) the company's investment in R&D expenditure increased. 2. Physical Risks: ^๖ (1) High temperature, ^๖ (2) water shortage, ^๖ (3) Power rationing, ^๖ (4) Typhoon flooding. 3. Opportunities: ^๖ (1) Reduce energy consumption, ^๖ (2) Improve the efficiency of resource use, ^๖ (3) Develop new products/technologies with lower energy consumption to meet customer needs. ^๖

Item	Implementation status		
	Climate Risk Management ²	The processes for identifying, assessing, and managing climate-related risks. ²	<p>Based on the characteristics of its industry, the company has internally identified the following risks and proposed corresponding action plans:²</p> <ol style="list-style-type: none"> 1. Response to Transition Risks:² <ol style="list-style-type: none"> (1) Closely monitor regulatory developments and assess the company's current compliance status, then formulate appropriate measures to ensure adherence to new regulations.² (2) Integrate the concept of reducing environmental impact throughout all stages of the product life cycle, and collaborate with the supply chain to continuously develop energy-saving products.² 2. Response to Physical Risks:² <p>The company has adopted the ISO 14001 Environmental Management System and plans to implement ISO 14064-1 in the future. Through setting objectives, execution, result evaluation, and continuous improvement—along with regular drills—risks are mitigated to a manageable level.²</p> 3. Response to Climate-Related Opportunities:² <p>Actively develop water-saving products and collaborate with industry associations for technical exchanges, aiming to increase both revenue and profitability.²</p>

Item	Implementation status	
Metrics and Targets ⁴	<p>The metrics and targets used to assess and manage climate-related risks and opportunities.⁴</p>	<p>1. Electricity Savings: 435,840 kWh saved (compared to the year 2023).⁴</p> <p>2. Reduction in Greenhouse Gas Emissions:⁴ The company is not yet legally required to disclose emissions data; greenhouse gas inventory is currently under planning. However, the company has voluntarily calculated Scope 2 emissions at 7,095.12 metric tons of CO₂e.⁴</p> <p>3. Product Energy Efficiency Improvements:⁴ In line with government policies, Hong Cheng Sanitary Ware offers products certified with Water-Saving Labels, Environmental Protection Labels, Nano Labels, Safety Enhancement Labels, and Lead-Free Faucet Labels. These high-quality products encourage consumers to participate in energy conservation and environmental protection efforts. In 2024, general waste was reduced by 807.7 metric tons.⁴</p> <p>4. Reduction in Operational Downtime:⁴ No business interruptions occurred. The company plans to implement ISO 14064-1 in the future.⁴</p>

Hong Cheng has evaluated the short-, medium-, and long-term risks and potential impacts of climate change based on the company's current operational status. The assessment includes an analysis of how various climate-related factors—such as policies, regulations, technologies, market dynamics, reputational, immediacy, long-term implications, resource efficiency, energy sources, products and services, market trends, and organizational resilience—may affect the company's operations. Each factor is evaluated in terms of its potential impact level (low, medium, or high).⁴

3.Explanation of the impact of extreme weather events and transition actions on financials

Climate change assessment of the company's current situation:

		Probability of occurrence (%)			Impact degree (%)		
		short term (1-3 year)	medium term (4-5 year)	Long term (more than 6 years)	Low impact	Medium impact	High impact
Policies and regulations	Increase pricing on greenhouse gas emissions	37.50	43.75	18.75	6.25	68.75	25
	Strengthening emissions reporting obligations	31.25	68.75	0	18.75	75	6.25
	Requirements and supervision of existing products and services	18.75	68.75	12.50	0	75	25
	At risk of litigation	0	50	50	31.25	43.75	25
Technology	Replace existing products and services with low- carbon goods	37.50	43.75	18.75	12.50	68.75	18.75
	Investment in new technology fails	12.50	68.75	18.75	12.50	68.75	18.75

Item	Implementation status									
	Market	The cost of transition to low-carbon technologies	18.75	62.50	18.75	0	75	25		
		Changes in customer behavior	37.50	56.25	6.25	25	56.25	18.75		
		Market information is uncertain	25	68.75	6.25	18.75	62.50	18.75		
		Rising costs of raw materials	37.50	62.50	0	0	62.50	37.50		
	Reputation	Shifting consumer preferences	31.25	50	18.75	12.50	62.50	25		
		Increasing concerns and negative feedback from stakeholders	18.75	81.25	0	18.75	75	6.25		
		Industry stigmatization	6.25	81.25	12.50	12.50	62.50	25		
	Immediacy	The severity of extreme weather events such as typhoons and floods has increased	18.75	62.50	18.75	0	75	25		
	Long term	Changes in rainfall (water) patterns and extreme changes in climate patterns	37.50	43.75	18.75	0	62.50	37.50		
		Average temperature rise	37.50	56.25	6.25	0	68.75	31.25		
		Sea-level rise	31.25	50	18.75	6.25	62.50	31.25		
		Adopt more efficient transportation methods	50	43.75	6.25	12.50	75	12.50		
	Resource efficiency	Use more efficient production and distribution processes	18.75	81.25	0	12.50	62.50	25		
		Recycle	31.25	56.25	12.50	6.25	68.75	25		
		Switch to more efficient buildings	12.50	68.75	18.75	12.50	81.25	6.25		
		Reduce water usage and consumption	37.50	56.25	6.25	6.25	68.75	25		
	Energy source	Use low carbon energy	43.75	43.75	12.50	18.75	68.75	12.50		
		Adopt incentive policies	31.25	68.75	0	25	68.75	6.25		
		Use new technology	25	68.75	6.25	18.75	62.50	18.75		

Item	Implementation status																																																																																											
	<table><tr><td></td><td>Participate in the carbon trading market.</td><td>12.50</td><td>81.25</td><td>6.25</td><td>12.50</td><td>68.75</td><td>18.75</td></tr><tr><td></td><td>Shift to decentralized energy.</td><td>6.25</td><td>81.25</td><td>12.50</td><td>12.50</td><td>81.25</td><td>6.25</td></tr><tr><td rowspan="5">Products and services.</td><td>Develop and/or increase low carbon goods and services.</td><td>25</td><td>75</td><td>0</td><td>25</td><td>62.50</td><td>12.50</td></tr><tr><td>Develop climate adaptation and insurance risk solutions.</td><td>6.25</td><td>75</td><td>18.75</td><td>12.50</td><td>62.50</td><td>25</td></tr><tr><td>R&D and innovation to develop new products and services.</td><td>31.25</td><td>68.75</td><td>0</td><td>12.50</td><td>75</td><td>12.50</td></tr><tr><td>Diversification of business activities.</td><td>37.50</td><td>62.50</td><td>0</td><td>31.25</td><td>62.50</td><td>6.25</td></tr><tr><td>Shifting consumer preferences.</td><td>25</td><td>62.50</td><td>12.50</td><td>18.75</td><td>50</td><td>31.25</td></tr><tr><td>Market.</td><td>Enter new markets.</td><td>25</td><td>62.50</td><td>12.50</td><td>6.25</td><td>75</td><td>18.75</td></tr></table> <table><tr><td></td><td>Make good use of public sector incentives.</td><td>43.75</td><td>56.25</td><td>0</td><td>12.50</td><td>81.25</td><td>6.25</td></tr><tr><td></td><td>Acquire new assets and areas that require insurance.</td><td>12.50</td><td>75</td><td>12.50</td><td>6.25</td><td>81.25</td><td>12.50</td></tr><tr><td rowspan="2">Toughness.</td><td>Participate in renewable energy projects and adopt energy-saving measures.</td><td>43.75</td><td>56.25</td><td>0</td><td>12.50</td><td>75</td><td>12.50</td></tr><tr><td>Energy substitution/diversification.</td><td>31.25</td><td>62.50</td><td>6.25</td><td>12.50</td><td>68.75</td><td>18.75</td></tr></table>		Participate in the carbon trading market.	12.50	81.25	6.25	12.50	68.75	18.75		Shift to decentralized energy.	6.25	81.25	12.50	12.50	81.25	6.25	Products and services.	Develop and/or increase low carbon goods and services.	25	75	0	25	62.50	12.50	Develop climate adaptation and insurance risk solutions.	6.25	75	18.75	12.50	62.50	25	R&D and innovation to develop new products and services.	31.25	68.75	0	12.50	75	12.50	Diversification of business activities.	37.50	62.50	0	31.25	62.50	6.25	Shifting consumer preferences.	25	62.50	12.50	18.75	50	31.25	Market.	Enter new markets.	25	62.50	12.50	6.25	75	18.75		Make good use of public sector incentives.	43.75	56.25	0	12.50	81.25	6.25		Acquire new assets and areas that require insurance.	12.50	75	12.50	6.25	81.25	12.50	Toughness.	Participate in renewable energy projects and adopt energy-saving measures.	43.75	56.25	0	12.50	75	12.50	Energy substitution/diversification.	31.25	62.50	6.25	12.50	68.75	18.75
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4. Explanation of how the identification, assessment, and management of climate risks are integrated into the overall risk management system.	4. The organizational structure and management guidelines established by the Sustainable Development Committee are based on Environmental (E), Social Responsibility (S), Corporate Governance (G), and environmental considerations. They describe the policies or commitments, targets and objectives (short-, medium-, and long-term target setting and assessment), and management evaluation mechanisms related to significant organizational and climate risk topics, ensuring the effectiveness of the																																																																																											

Item	Implementation status
<p>5. When conducting resilience assessments to climate change risks through scenario analysis, the utilized context, parameters, assumptions, analysis factors, and primary financial impacts should be elucidated.</p> <p>6. If there is a transformation plan to address climate-related risks, the details of the plan, as well as the indicators and objectives used to identify and manage physical and transition risks, should be clearly outlined.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for price determination should be explained.</p> <p>8. If climate-related targets are set, the covered activities, scope of greenhouse gas emissions, planning timeline, progress achieved each year, etc., should be explained. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, the sources and quantities of offset carbon emissions or the number of RECs</p>	<p>management mechanisms. Climate risk management is implemented through identification, measurement, monitoring, and reporting methods.</p> <p>5. Not used.</p> <p>6. The transformation plan to address climate-related risks was disclosed in the company's sustainability reports for the years 2022 and 2023, available at https://www.hcg.com.tw/. In 2024, the company underwent greenhouse gas inventory counseling.</p> <p>7 If internal carbon pricing is used as a planning tool, the basis for price determination should be explained. °</p> <p>8. Please advise that the planning is expected to be completed by 2025. °</p>

Item	Implementation status
<p>should be disclosed.</p> <p>9. Greenhouse gas inventory and verification status, reduction targets, strategies, and specific action plans (also filled in sections 1-1 and 1-2).</p>	<p>9. According to the sustainability roadmap, schedule planning is underway..</p>

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 11, 2025

Based on the results of the self-assessment, the Company's internal control system for the year 2023 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, 2024, 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 11, 2025. Of the 6 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 Resolutions
2024/05/07	<ol style="list-style-type: none"> 1. Approval of the financial statements for the first quarter of 2024. 2. Approval of the business report for the year 2023. 3. Approval of the profit distribution plan for the year 2023. 4. Revision of the internal control system. 5. Application for an increased real estate collateral guarantee for the financing limit of Baolong Interior Craft Co., Ltd. (Cathay United Bank). 6. Review of the employee and director compensation distribution plan for the year 2023. <p>Resolution Outcome: Except for the directors who abstained from voting due to conflicts of interest in item 6, all other attending directors agreed to pass the proposal. All other proposals were approved by all attending directors.</p>
2024/06/26	<p>1. Election of the Chairman of the Board Resolution Outcome: All attending directors agreed to pass the proposal.</p>
2024/08/06	<ol style="list-style-type: none"> 1. The financial statements for the second quarter of 2024. 2. Application for the extension of the bank financing limit for the second half of 2024. 3. Application for endorsement guarantee by Hosen Philippines, Inc. 4. Application for endorsement guarantee by Baolong Interior Craft Co., Ltd. (First Sino Bank). 5. Application for a five-year mortgage-guaranteed loan of NT\$400 million from Mega International Commercial Bank. 6. Termination of managerial personnel. 7. Amendment of the internal control system and internal audit plan. 8. Appointment of members for the 6th Remuneration Committee. <p>Resolution Outcome: All attending directors agreed to pass the proposal.</p>
2024/11/12	<ol style="list-style-type: none"> 1. The financial statements for the third quarter of 2024. 2. The internal audit plan for 2025. 3. The operational plan for 2025. 4. Amendment of internal control procedures. 5. Application for short-term bank financing limit endorsement guarantee for Hosen Philippines, Inc. (Mega International Commercial Bank).

	<p>6. Confirmation that there are no disguised fund loans related to overdue receivables as of September 30, 2024.</p> <p>7. Change of authorized personnel for the custody of seals.</p> <p>8. Removal of the non-compete restrictions on the company's managerial personnel.</p> <p>9. Establishment of a subsidiary, Hoi Wang Youbi Co., Ltd.</p> <p>Resolution Outcome: All attending directors agreed to pass the proposal.</p>
2025/01/7	<p>1. Application for the extension of bank financing limits for the first half of 2025.</p> <p>2. Proposal for directors' remuneration and year-end bonuses for managerial personnel for the year 2024.</p> <p>Resolution Outcome: For Proposal 2, all attending directors agreed to pass the proposal, except for the directors who abstained due to conflicts of interest. All other proposals were approved by all attending directors.</p>
2025/03/11	<p>1. Assessment of the independence of the certifying CPA.</p> <p>2. Approval of the company's financial statements for 2024.</p> <p>3. Submission of the "Statement on Internal Control System."</p> <p>4. Agenda for the company's 2025 Annual General Shareholders' Meeting.</p> <p>5. Designated period for accepting shareholder proposals in writing.</p> <p>6. Amendment of internal control procedures.</p> <p>7. Proposal to increase the credit limit with Shanghai Commercial & Savings Bank.</p> <p>8. Donation to the HCG Cultural and Educational Foundation.</p> <p>Resolution Outcome: All attending directors agreed to pass the proposals.</p>

2.1 Review of resolutions and implementation status of the 2024th Annual Shareholders' Meeting

Meeting	Date	Key Resolutions	Resolution Results and Implementation Status
Annual General Meeting (AGM)	2024/06/26	一、Approval of the 2023 Business Report and Financial Statements	The relevant statements have been filed with the competent authority and publicly disclosed in accordance with the Company Act and other applicable regulations.

		二、Approval of the 2023 Earnings Distribution Proposal	From the distributable earnings of 2023, NT\$19,346,653 was allocated to the legal reserve in accordance with regulations, and a cash dividend of NT\$0.2 per share has been distributed.
		三、Proposal to Lift the Non-Compete Restrictions on Directors for Discussion	The matter has been processed in accordance with the revised procedures.

(十三) In the most recent fiscal year and up to the printing date of the annual report, there were no records or written statements from directors or supervisors who disagreed with important decisions passed by the Board of Directors.

(十四) Summary of resignations or dismissals of individuals related to the company (including the chairman, general manager, accounting officer, finance officer, internal audit officer, corporate governance officer, and research and development officer) up to the printing date of the annual report: None."

3.4 information on auditors' fees :

Amount Unit: New Taiwan Dollars (NTD) in thousands

Name of the accounting firm.	Accountant Last Name, First Name	Auditor's audit period	Audit fees	Non-audit fees	Total	Remarks
Anhou Jianye & Partners Accounting Firm	Marshai Wu	The year 2024	4000	778.097	4778.0979	
	Swimming HSU	The year 2024				

KPMG Taiwan:

Transfer pricing tax service fees for 2022 and 2023, service fees for handling the simplified parent-subsidary merger in 2023, as well as expenses for audit-related travel, report binding, photocopying, postage, and other miscellaneous costs.

Let me know if you need a more formal version or if it's going into a specific document like a financial report or contract.

Total: NT\$ 745,097 thousand

Integrity & Co., CPAs: Service fees for business tax audit certification for the year 2022

Total: NT\$ 33 thousand

3.5

In the year 2023, 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	2024		Current year, as of April 30	
		Shareholding increase (decrease)	Pledged share Increase (decrease)	Shareholding increase (decrease)	Pledged share Increase (decrease)
Chairman	Legal Representative of Fulucun Investment Co., Ltd. Chiu, Li-Chien	0	0	0	0
Director	Wu, Yue-Long	0	0	0	0
Director	Fuho Investment Co., Ltd. - representative: Chiu, Chih-Hsin	0	0	0	0
Director	Yuhuang Co., Ltd. - representative: Chiu, Shi-Kai	0	0	0	0
Independent director	ciu Jing-ya	0	0	0	0
Independent director	Fan, Wei-Guang	0	0	0	0
Independent director	Tsai, Hung-Jian	0	0	0	0
Independent director	Wang, Min-Chi	0	0	0	0
General manager	Chen, Shih-Chieh	0	0	0	0
Vice general manager	Huang, Jian-Cheng	0	0	0	0
Cfo	Chiu, Chi-Hsin	0	0	0	0
Associate	Chen, Yao-Song	0	0	0	0
Associate	Huang, Zhao-Jie	0	0	0	0
Associate	Xu, Ting-Jia	0	0	0	0
Associate	Li, Long-Cheng	0	0	0	0
Associate	Li, Guo-Dong	0	0	0	0
Associate	Luo, Yue-Ying	0	0	0	0
Associate	Zhang, Yong-Chang	0	0	0	0
Associate	Tong, Qing-Wei	0	0	0	0
Associate	You, Rong-Dan	0	0	0	0

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

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

Note 3: The decrease in share count is due to capital reduction. Assistant Managers,

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
None	None	None	None	None	None	None	None	None

Note 1: Fill in names of the Company's directors, supervisors, managerial officers and 10 largest shareholders holding 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.	14,940,045	4.89%					Kai-Ping Lee Bosch Investment	Chairman of the Board Parent and Subsidiary Companies	
Yuhuang Co., Ltd.: Chiu, Shi-Kai	11,507,634	3.81%					None	None	
Chiu, Li-Chien	10,522,267	3.48%					None	None	
Li, Kai-Ping	8,002,781	2.65%					Bo Kai Xin Ye Bosch Investment	Chairman Chairman (Legal Representative)	

Chiu, Chun-Chieh	7, 283, 922	2.41%						None	None	
Chiu, Hung-Yu	7, 066, 676	2.34%						Chiu Chen, Hui-Mei	Couple	
Bosch Investment Co., Ltd.	6,138,228	2.03%						Bokai Investment Kai Ping Lee	arent and subsidiary companies Chairman (Legal Representative)	
Chiu Chen, Hui-Mei	5,926,287	1.96%						Chiu, Hung-Yu	Couple	
Yishui Tang Investment Co., Ltd.	5,477,000	1.81%						None	None	
Chiu Weijie	5,153,345	1.71%						Chiu, Hung-Yu Chiu Chen, Hui-Mei	grandparent and grandchild	

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
Ritiboon International Business Limited, British Virgin Islands	78,646,373	100	--	--	78,646,373	100
Hohong Co., Ltd.	34,713,522	99.6	--	--	34,713,522	99.6
Hoceng Service Co., Ltd.	1,050,000	70	--	--	1,050,000	70
Bao Long Interior Crafts	21,001,000	100	--	--	21,001,000	100

Note 1: The Company adopted the equity method for long-term investment..

Note 2: Haostore Co., Ltd. was approved for merger and dissolution on August 31, 2023, under approval number 11230155080.

Note 3: Holong Industrial Co., Ltd. has been renamed Bao Long Interior Crafts Co., Ltd.

IV Capital Overview.

4.1.1 Source of Equity

Unit: Share, NT\$

Year Month	Issue Price	Authorized share capital		Paid-in share capital		Remark		The use of property other than cash to offset the payment of shares	Other
		Number of shares	Amount	Number of shares	Amount	Source of Equity			
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
2023.9.1 5	10	570,000,000	5,700,000,000	302,303,719	3,023,037,190	註 Cancellation of 976,241 shares.			Note10

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.

Note 10: The cancellation of shares in this instance was approved by the Ministry of Economic Affairs under letter No. 11230155070, and the registration of changes has been processed accordingly.

4.1.2 Shareholder Structure

APR.21, 2025

Shareholder Structure Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	2	1	48	22,455	66	22,572
Number of shares held	110,000	4,547,315	63,643,018	223,815,265	10,188,121	302,303,719
Shareholding Ratio	0.04%	1.5%	21.05%	74.04%	3.37%	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

Apr 21, 2025

Shareholding Classification	Number of shareholders	Number of shares held	Shareholding Ratio
1 to 999	6, 483	1, 910, 373	0. 63%
1,000 to 5,000	12, 504	26, 585, 827	8. 79%
5,001 to 10,000	2, 002	16, 381, 000	5. 43%
10,001 to 15,000	436	5, 635, 692	1. 86%
15,001 to 20,000	386	7, 238, 297	2. 39%
20,001 to 30,000	255	6, 716, 763	2. 22%
30,001 to 40,000	110	3, 972, 652	1. 31%
40,001 to 50,000	77	3, 602, 454	1. 19%
50,001 to 100,000	149	10, 722, 990	3. 56%
100,001 to 200,000	67	9, 669, 966	3. 20%
200,001 to 400,000	30	8, 433, 145	2. 79%
400,001 to 600,000	11	5, 312, 001	1. 76%
600,001 to 800,000	5	3, 488, 460	1. 14%
800,001 to 1,000,000	5	4, 365, 647	1. 44%
1,000,001 or more depending on Actual situation	52	188, 308, 452	62. 29%
Total	22, 572	302, 303, 719	100. 00%

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

4.1.4 List of major shareholders

Apr 21, 2025

Name Of major shareholders	Shares Number of shares held	Shareholding ratio (%)
Dorkay Investment Company Ltd.	14,770,045	4.89
Yuhuang Co., Ltd.	11,507,634	3.81
Chiu, Li-Chien	10,522,267	3.48
Li,Kai-Ping	8,002,781	2.65
Chiu,Jun-Jie	7,266,922	2.40
Chiu,Hong-You	6,411,756	2.12
Bosch Investment Co., Ltd.	6,008,228	1.99
Chiu,Chen-Hui-Mei	5,921,287	1.96
Yishui Tang Investment Co., Ltd.	5,477,000	1.81
Chiu Weijie	5,153,345	1.71

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) (1) The financial statements for the fiscal year 2024 of the company have been audited by Certified Public Accountants Xu Shumin and Wu Zhaoren from Anhou Jianye & Partners Accounting Firm. The net profit after tax for the fiscal year 2024 is NTD 58,417,645. In accordance with the company's articles of association, NTD 18,293,973 is appropriated as statutory surplus, and the year-end distributable profit is NTD 1,673,883,208. It is proposed to distribute a cash dividend of NTD 57,437,707 from the distributable profit of the fiscal year 2024 (NTD 0.19 per share of earnings), rounded down to the nearest whole number. Any fractional amounts below one NTD shall be disregarded and the total of fractional amounts less than one NTD shall be included in 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 2024 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. The company achieved a profit of NTD 66,405,942 for the fiscal year 2024. As recommended by the 2nd Remuneration Committee of the 6th session for the fiscal year 2024, employee (including management) remuneration totaling NTD

4,378,414 and director remuneration totaling NTD 2,189,207 were appropriated, both to be 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.

2024	
Employee Compensation	NTD\$4,378,414
Directors Remuneration	NTD\$2,189,207

The actual amount of payment is congruent with the recognized amount for FY 2023.

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:

2023	
Employee Compensation	NT\$3,722,205
Directors Remuneration	NT\$1,861,102

The actual amount of payment is congruent with the recognized amount for FY 2022

- 4.1.9. Status of the company repurchasing its own shares: In 2024 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 76.8%, while that for export is 23.2% (Hocheng China + Hocheng Philippines + other affiliates). Our products include:

Sanitary Ceramics: Various toilets, water tanks, washbasins, pedestals, urinals, waste basins, urinals, and other related items, accounting for 38% of total revenue. Water

supply copperware: Comprises standard faucets, single-handle faucets, high-end artistic faucets, thermostatic faucets, cistern accessories, makeup mirrors, automated equipment, etc., representing 18.4% of total revenue.

toilet seat lid: Represents 12.6% of total revenue

Precision Ceramics: Contributes 1.5% to total revenue

Others: T Accounts for 29.5% of total 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	2022	2023	202	The Current Year up to March 31, 2025
Amount	111,059	109,406	100,377	24,495

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

Research and Development Results in 2023

Item No.	Item of Product	Item No.	Item of Product
1	BADEN 2.0 Series Development	11	Developing mechanical urinal U283.
2	ETON 2.0 Toilets CS4566, C4588 Development		

3	ETON 2.0 Square Basins L4582, L4568 Development		
4	LEGATO 2.0 Toilets C4297, C4399 Development		
5	LEGATO 2.0 Basins L4103, L4104, L4107 Development		
6	Round Pipe Faucets LF7011, LF7021, LF7031 Development		
7	Square Pipe Faucet LF8011 Development		
8	Bathroom Faucets BF7013, BF8013, BF 8023 Development		
9	Kitchen Faucet KF7024 Development		
10	L7000/L7002 Thin Basin Development		
11	New C106N.C153N High-Pressure Molded Toilet Development		

Research and Development Results in 2024

Item No.	Item of Product	Item No.	Item of Product
1	Development of ETON 2.0 series	10	Development of bathroom accessories
2	Development of LEGATO 2.0 series	11	Application of PVD Technology in Round Tube Faucets
3	Development of new super toilets	12	Development of in-wall urinal flusher
4	Development of smart and lightweight toilets	13	Development of Health Toilets
5	Adjustment of flushing technology for the high-end series AFC6699	14	Development of Children's Toilets
6	Development and application of fall detection system	15	Development of New Material Application for Shower Door
7	Development of wood grain safety handrails	16	Development of New Material Application for Bathroom Cabinets
8	Development of household urinals		
9	Development of wall-mounted urinals		
10	L7000/L7002 Thin Basin Development		

3. Research and Development Plan in the Future:
I Items Scheduled for Development in 2025

No.	Product Item	No.	Product Item
1	ETON 2.0 Series Toilet C4511 Development	11	Super Toilet/Smart Bidet Remote Controller Development
2	LEGATO 2.0 Series Development	12	AFC6695 Sunken Cistern Design
3	New Super Toilet Development	13	L7000 Series Bathroom Cabinet Design and Development
4	Lightweight Smart Toilet Development	14	Mirror Cabinet Design and Development
5	Internet-based Fall Detection System Development and Application	15	New Bidet Design
6	Wall-mounted Urinal Flusher (+ E-Paper Technology) Development	16	AFC230 Model Revision Design
7	New Sensor Technology Application Development	17	Side Vanity Sink Product Line Design and Development
8	Health Toilet Development	18	Tankless Toilet Design and Development
9	Children's Toilet Development	19	ALPS Series Wash Basin Design and Development
10	Berlolini Bathroom Cabinet Design and Development	20	Solar-powered Health Showerhead Design and Development

(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.

5.2. Market and Production & Marketing Overview

1. Economic Growth Rate: Following the inauguration of President Trump, significant policy reforms are anticipated. This has led major international institutions to adjust their economic forecasts for 2025. The

Chung-Hua Institution for Economic Research predicts Taiwan's GDP growth rate at approximately 3.22%, with quarterly growth rates increasing from 1.91% in Q1 to 4.02% in Q4, reflecting a warming economic environment both domestically and internationally.

2. Consumer Confidence Index (CCI): The CCI measures consumers' satisfaction with current economic conditions and their expectations for future economic trends. In December 2025, the CCI stood at 74.61 points, a slight decrease from 75.49 points in November, indicating a marginal decline in consumer confidence.

3. Business Cycle Indicators: The Composite Index of Leading Indicators for December 2025 scored 38 points, an increase of 4 points from the previous month, signaling a positive shift in economic momentum. Notably, the Industrial Production Index and Manufacturing Sales Volume Index both turned positive, reflecting growth in these sectors.

4. Consumer Price Index (CPI): In 2024, the CPI experienced a year-on-year increase of 2.1%. This rise was primarily driven by a 30.69% surge in vegetable prices, the highest in nearly 40 months. December saw food prices rise by 4.05%, the highest in four months, and service prices increased by 2.16%. Housing rents also saw a 2.61 rise, marking the second-highest increase in 28 and a half years. These factors contributed to an inflation rate exceeding the 2% threshold.Tier

Industry Analysis:

Real Estate Market: The real estate market in 2024 faced significant challenges. In July, the number of new construction starts reached a record high of 17,331 units nationwide. However, subsequent months saw a decline due to the central bank's implementation of the seventh wave of credit controls, which dampened developers' confidence. This led to a cooling in market activity, resulting in a more subdued pace of new constructions in the latter part of the year.

Additionally, the central bank's policies aimed at curbing housing market speculation led to decreased market confidence among both buyers and sellers. The Cathay Financial Holdings' "National Economic Confidence Report" indicated that the home-selling willingness index remained negative for three consecutive months, reaching -13.2 in December, the lowest in 17 months since September 2024. The home-buying willingness index showed a slight rebound but remained around -50, reflecting continued market caution. Nearly 50% of respondents felt it was not a good time to sell property, while only 32.5% viewed it as a favorable time, highlighting a prevalent wait-and-see attitude among homeowners.

In summary, Taiwan's economy in 2024 is expected to grow at a moderate pace, supported by domestic consumption and government investments. However, challenges such as external trade tensions and domestic policy impacts, particularly in the real estate sector, may influence overall economic performance.

3. :Analysis of HCG Finechem Co., Ltd.

(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
2024	21.4	12.5	4.8	3.2	9.9	2.1	4.9	2.9	1.0
	41.9				19.8				1.0

Unit: %

Area	Southern Area					Eastern Area		
Rate of Operational Revenue	Kaohsiung	Tainan	Chiayi	Yunlin	Pingtung	Hualien	Ilan	Taitung
2024	13.1	5.3	4.0	5.3	3.8	1.6	3.6	0.6
	31.5					5.8		

- (1) 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.
- (2) AFC6699 intelligent super toilet seat won the MIT Taiwan Golden Selection award.
- (3) 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.
- (4) PERFIT, Formosa Plastics, and Hocheng jointly released carbon fiber safety toe cap.
- (5) Sponsored the National Museum of Marine Science and Technology's marine restoration fund.
- (6) The LAZULI AQUAMARINE series of carbon fiber frog shoes received recognition at the 2023 Taiwan Boutique Awards.
- (7) The Hocheng Cultural and Educational Foundation held the "My Homeland, Taiwan Folk Symphony - Hocheng Appreciation Concert for Medical Staff" charity concert.
- (8) The AFC6699 intelligent super toilet seat received the Taiwan Smile Product MIT Golden Selection certificate.

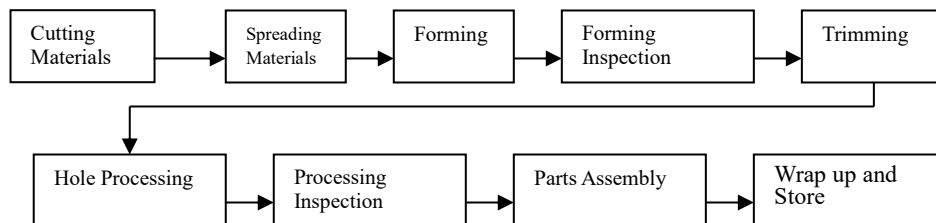
(II) Important Usage and Production Process of Main Products

1. Usage of Main Products

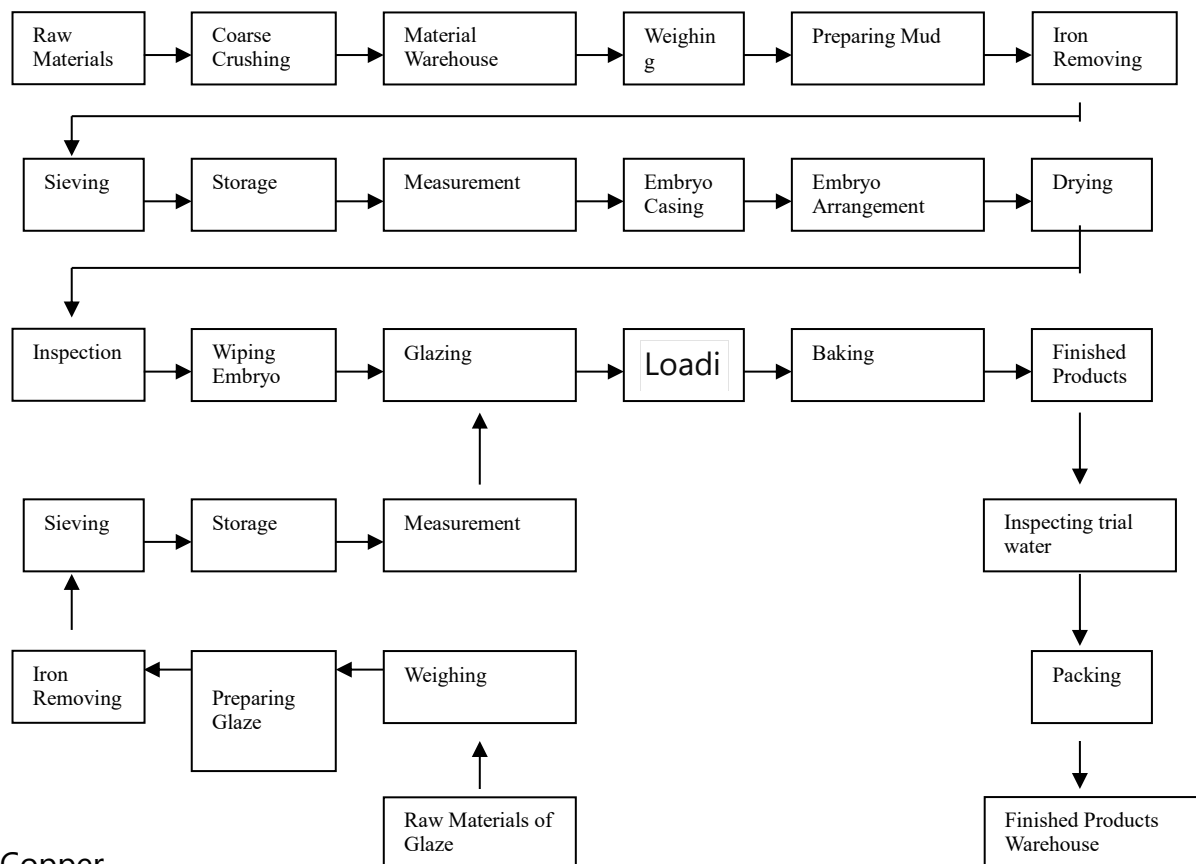
Main Merchandise	Usage
Sanitary Porcelain	For sanitary use
Water Feeding Copper and Ceramic Faucet	For sanitary use
Bathtub and Marble Countertop, Kitchenware	For sanitary use
Shower Sliding Door	For use of construction materials
Bulletproof Ceramics and Composite Materials	For use of high-tech materials

2. The production process of products is as follows:

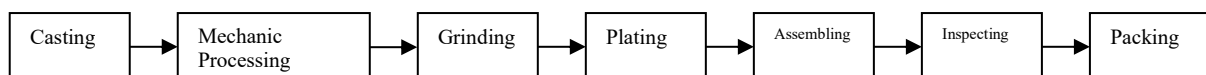
(1) SMC Bathtub



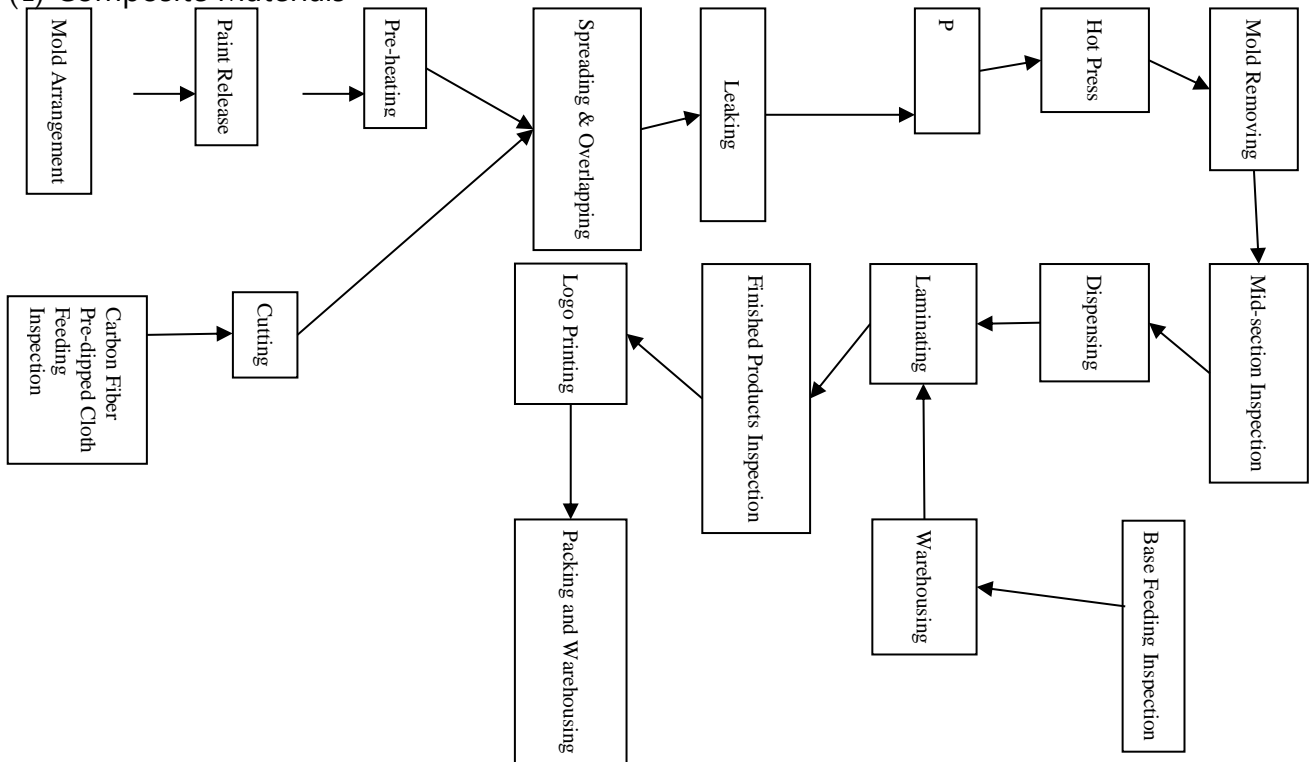
(2) Porcelain



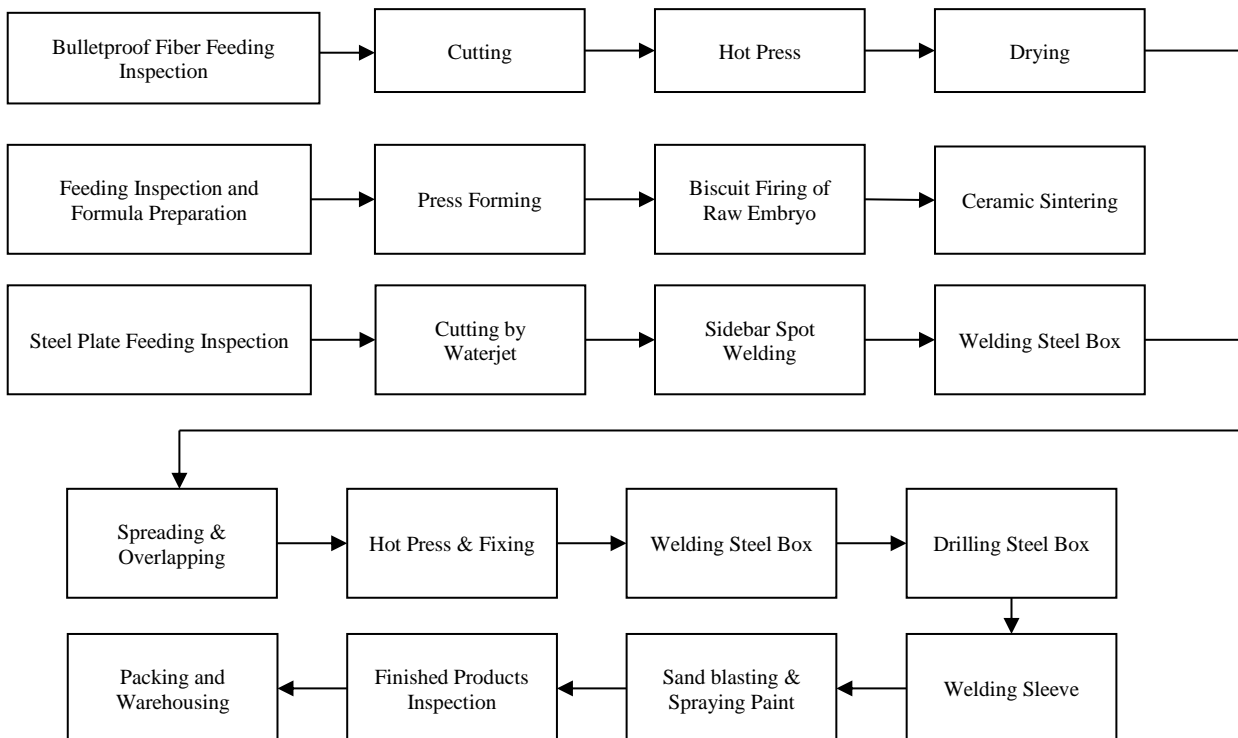
(3) Copper



(4) Composite Materials



(5) Bulletproof Ceramics



(III) Supply Status of Main Materials

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

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.

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

Item	2023				2024				2025 up to the Previous Quarter (Note 2)			
	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	343,295	7.05%	Distributor	A	375,132	11.99%	Distributor	A	104,167	14.90%	Distributor
2	B	136,023	2.79%	Distributor	B	150,950	4.82%	Distributor	B	33,766	4.83%	Distributor
3	C	130,215	2.67%	Distributor	C	139,576	4.46%	Distributor	C	33,025	4.73%	Distributor
4	Others	4,261,254	87.49%		Others	2,462,909	78.73%		其他	527,806	75.54%	
	Net Sales Amount	4,870,787	100%		Net Sales Amount	3,128,567	100%		Net Sales Amount	698,764	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

Item	2022				2023				2024 up to the Previous Quarter (Note 2)			
	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	270,482	14.95%	Related entities	Bao Long	265,451	14.52%	Related entities	Bao Long	53,566	13.75%	Related entities
2	Bao Long	215,570	11.91%	None	Wen Hung	262,939	14.38%	None	Wen Hung	50,104	12.86%	None
3	Fuyun International Limited	178,381	9.86%	None	Yuhuang	139,582	7.64%	None	Yuhuang	33,115	8.5%	Related entities
4	Others	1,145,227	63.28%	Related entities	Others	1,160,255	63.46%	Related entities	Others	252,796	64.89%	None
	Net Purchase Amount	1,809,660	100%		Net Purchase Amount	1,828,227	100%		Net Purchase Amount	389,581	100%	

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

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

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

		March 31, 2025		
Year		2023	2024	March 31, 2025
Employee No.	Key Management Staff	240	259	253
	Staff	360	318	317
	Operator	395	387	388
	Total	995	964	958
Average Age		42.79	42.94	42.92
Average Years of Service		13.63	13.74	13.88
Distribution Rate of Education	Ph. D.	0.30	0.21	0.31
	Master	2.61	2.90	2.82
	University & College	38.19	37.66	37.06
	Senior High School	24.12	23.13	22.96
	Below Senior High School	34.78	36.1	36.85

5.4. Information of Expenses for Environmental Protection

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

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

	2024	2025	2026
Pollution Prevention Equipment Intended for Purchase or Contents of Expenditure	Efficient wastewater separation and treatment	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	8,900	9,900	10,000
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	<ol style="list-style-type: none"> 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. Increase the corporate competitiveness 	<ol style="list-style-type: none"> 1 Meet the requirements of the environmental protection act. Improve the operation environment. Maintain the employees' health. 2 Raise work efficiency. Promote the corporate image. 3 Increase the corporate co Enhancing Corporate Imagem 4 Petitivity 5 Increasing Corporate Competitiveness 	<ol style="list-style-type: none"> 1. Complies with environmental regulations 2. Reduces waste generation Enhances 3. corporate image Lowers production costs, increases corporate competitiveness 4 Increases reuse rate "Increasing Reusability Rate

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:

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.

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.

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

(1) Current Major Labor-Management Agreements and Implementation Status

1.Employee Welfare Measures:

(1) Insurance: In addition to handling labor insurance and national health insurance according to regulations, the company also provides group insurance for employees (life insurance, accident insurance, hospitalization medical insurance, major disease insurance, major burn insurance), and statutory communicable disease protection comprehensive insurance.

(2) Health and Safety:

A. Employees are entitled to a free health checkup once every five years while on duty. Those aged over forty but under sixty-five are entitled to a free health checkup once every three years. Special operation personnel are entitled to a free health checkup annually. The company values the results of employee health checkups and, with the employee's consent, actively assists in tracking treatment or observation for employees with abnormal or special circumstances to ensure their health.

B. Medical personnel are stationed to assist in enhancing employees' health management knowledge, providing relevant improvement advice and follow-up re-examination arrangements and reminders for objects with abnormal health checkups. The company estimates the cardiovascular

disease risk level based on WHO cardiovascular disease risk estimation charts through abnormal reports from labor health checkups for tracking management.

C. Qualified first aid personnel are stationed to handle first aid matters. According to recent statistics from the Ministry of Health and Welfare on the top three causes of death among Taiwanese, heart disease ranks high. Many deaths from heart disease occur in the form of sudden cardiac arrest, and defibrillation is a way to restore normal heartbeats. Studies have shown that for cases of sudden cardiac arrest due to sudden arrhythmia, if defibrillation can be administered within one minute, the success rate of first aid can reach 90%, with a decrease in success rate of 7-10% for every minute of delay. The Automated External Defibrillator (AED) is a device that can automatically detect the heart rhythm of injured or sick patients and deliver a shock to restore normal heart function. Therefore, the company has installed AEDs in office buildings and comprehensively trained employees on how to use them for use in emergencies, reducing the pre-hospital mortality rate for such patients.

D. To strengthen employees' fire and disaster prevention awareness and prevent disasters, a self-defense fire brigade has been established, and regular drills are conducted.

(3) Travel: When employees have served for eighteen years, the company subsidizes domestic and international travel.

(4) Activities: Organizing basketball, baseball, darts, and soccer competitions to enhance team cohesion, promote emotional exchange among employees, and liven up the organizational atmosphere.

(5) Leave: Providing statutory leaves and annual special leaves according to the Labor Standards Act, and providing statistical reports for colleagues to schedule various activities in order to achieve a balance between work and life. (6) Birthdays, weddings, and funerals: Each unit holds irregular birthday celebration events every month, distributing birthday vouchers, and providing congratulations or condolences and hospitalization or major disaster allowances for employees' weddings, funerals, hospitalizations, or major disasters.

(7) Year-end bonuses.

(8) Employee remuneration.

(9) Setting up lactation rooms and friendly parking spaces.

2. Education, Training, and Further Education (1) In the fiscal year 2023, the company conducted a total of 13 internal training sessions, with a total class time of 95 hours and a total of 664 participants; a total of 650 hours of external training was conducted, with a total of 74 participants, and the total training cost was NT\$1,003,359.

(2) Employees' external training and domestic and foreign further education are subsidized in full or in part according to the company's education and training regulations.

3. Retirement System

(1) Handled according to the Labor Standards Act, with monthly contributions made as stipulated to the Labor Retirement Reserve Fund, stored in a special account supervised by the Labor Retirement Reserve Supervision Committee. Since July 1, 94, the Labor Retirement Pension Act (new system) has been implemented, with the following provisions:

A. Employees who started work on or after July 1, 94, are fully subject to the Labor Retirement Pension Act.

B. Employees who started work before July 1, 94, can choose between the "Labor Retirement Pension Act" or the "Labor Standards Act" retirement system within five years from July 1, 94, based on their actual needs. If employees fail to make a choice by the deadline, they will continue to be subject to the retirement pension regulations of the Labor Standards Act from the date of implementation. C. Employees may voluntarily retire under the following conditions:

(A) Those aged fifty-five or older with fifteen or more years of service.

(B) Those with twenty-five or more years of service.

(C) Those aged sixty or older with ten or more years of service.

D. Retirement benefits: Under the old system, retirement benefits are calculated according to the employee's length of service, with two base units granted for each year of service. However, for the portion of service exceeding fifteen years, one base unit is granted for each year. The maximum total

is capped at forty-five base units. Those with less than half a year of service are calculated as half a year, and those with over half a year are calculated as one year. Under the new system, retirement benefits are handled according to the "Labor Retirement Pension Act." Employees are required to contribute a monthly retirement pension of no less than 6% of their monthly salary, stored in a personal account established by the Ministry of Labor's Labor Insurance Bureau. Employees aged sixty or older are eligible to receive retirement benefits (accumulated principal and interest from the personal account). Employees with fifteen or more years of contribution should receive monthly retirement benefits, while those with less than fifteen years of contribution should receive a lump-sum retirement benefit. After receiving retirement benefits, employees can continue working and making contributions, with one annual opportunity to receive additional retirement benefits. In the event of the employee's death before reaching the age of sixty, the retirement benefits can be claimed by the surviving family members or the designated beneficiary according to the will. Employees under the age of sixty who have lost their ability to work can apply for early retirement benefits. (2) Since November of the seventy-fifth year of the Republic of China, the company has been making monthly contributions to the Labor Retirement Reserve Fund account at Taiwan Bank at a certain rate. As of the end of year 112, the balance of the retirement fund was NT\$688,507,000.

4. Work Ethics/Code of Conduct (1) The company has established a system of rewards and punishments for employees, considering the motivation, means, purpose, impact, daily behavior, and post-incident attitude of the parties involved, and handling them accordingly, based on the degree determined by the Personnel Review Committee. (2) Categories of rewards and punishments include commendation: great merit, merit, and praise; disciplinary action: dismissal, major offense, minor offense, and warning.

5. Protection Measures for Workplace Environment and Employee Personal Safety The company outsources operation environment inspections twice a year to maintain employee health.

6. Agreements Between Labor and Management To coordinate labor-management relations and promote cooperation between labor and management, the company holds labor-management meetings in accordance with the Implementation Measures for Labor-Management Meetings. In case of labor disputes, they are resolved through labor-management coordination and mediation.

Promotion of workplace diversity and gender equality policies: The company has established the Gender Equality in Employment Act and the Sexual Harassment Prevention Act in accordance with the law, and promotes workplace diversity. Currently, the company employs 17 individuals with disabilities, accounting for 1.7% of the workforce, and 15 indigenous people, accounting for 1.5% of the workforce, both of which are higher than the legally required employment ratios.

(2) Losses due to labor disputes in the most recent fiscal year and up to the publication date of the annual report, as well as estimated amounts and countermeasures for current and future potential disputes:

1. Losses due to labor disputes in the most recent fiscal year and up to the publication date of the annual report: There have been no significant labor disputes.
2. Estimated amounts and countermeasures for current and future potential disputes: The company consistently values employee welfare, provides an excellent working environment, and emphasizes two-way communication with employees, fostering harmonious labor-management relations. Therefore, the likelihood of future losses due to labor disputes is minimal.

VI. Information Security Management:

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

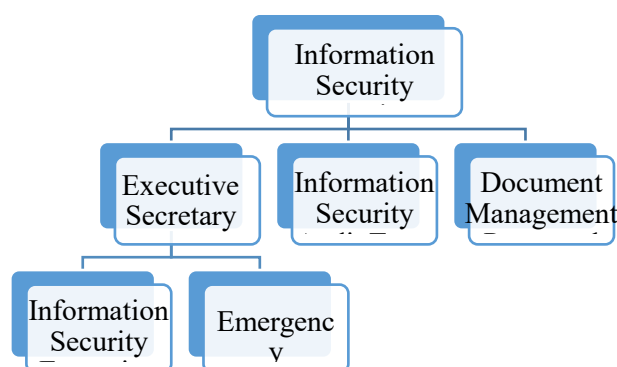
1.Information security risk management framework:

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.

5.6 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 May 09, 2023, maintaining the validity of the certification.



Our company has applied to SGS for ISO/IEC 27001:2022 update certification in 2024. We anticipate document review on April 17, 2024, and the actual audit on May 17, 2024.

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.

5.7. Important Contracts

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
This Company authorizes the copper hardware category in Mainland China to Yu	Yu Da (China) Co., Ltd.	From April 7, 2017 to April 6, 2027	The authorized place is Mainland China (except Taiwan, Hong Kong and Macau) (hereinafter referred to as Authorized Place). Unless otherwise agreed in writing by	(a) The term of operation for the authorized person's company expires and the shareholders of the authorized person do not agree to apply for extending the

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
Da (China) Co., Ltd.			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.	<p>operation term or the assessing authority does not approve the application for extending the operation term.</p> <p>(b) The authorized person incurs material loss and is incapable of repaying his/her mature debt.</p> <p>(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.</p> <p>(d) Either party involves a material breaching behavior and fails to make correction with the written notice.</p> <p>(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.</p> <p>(f) When the authorizer violates the agreement in this Contract, both parties agree to manage it pursuant to the essence as set forth in Article 12.2 of this Contract. When the conditions of termination as specified in (b), (c) & (d), the exercise of the compensation claim for breach of contract by the other party shall not be</p>

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
				interrupted.
				<p>12.2 Continuance of Contract</p> <p>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.</p>
Trademark License Letter of Authorization for Use	Bao Long Interior Art Co., Ltd.	January 1, 2023 December 31, 2024	<p>Party A authorizes Party B to use the HCG trademark on its products (range hoods, electric water heaters, water dispensers, instantaneous electric water heaters, kitchen cabinet sets).</p> <p>However, Party B shall not use the trademark on products of any third party or</p>	<p>HCG reserves the right to appoint representatives in writing at any time to supervise and inspect the production of "Authorized Manufacturing Products" and the production process of Bao Long Interior Art Co., Ltd.</p> <p>Any packaging or advertising must be produced with the consent of HCG, and must be</p>

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
			other companies except its own. Any violation shall be subject to liability under the Trademark Law.	improved according to HCG's requirements until approved by HCG.

VI In the latest annual report up to the printing date, there have been no instances of financial difficulties affecting the financial condition of the company or its related enterprises.

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	2023	2024	Differences	
			Amount	%
Current Assets	4,683,997	4,494,463	(189,534)	(4.05)
Fixed Assets	3,457,571	3,443,810	(13,761)	(0.4)
Intangible Assets	31,279	25,126	(6,153)	(19.67)
Other Assets	2,421,942	2,479,674	57,732	2.38
Total Assets	10,594,789	10,443,073	(151,716)	(1.43)
Current Liabilities	3,358,296	2,694,155	(664,141)	(19.78)
Non-Current Liabilities	509,830	846,760	336,930	66.09
Total Liabilities	3,868,126	3,540,915	(327,211)	(8.46)
Attributes to Shareholders of the parent	6,669,472	6,839,502	170,030	2.55
Capital stock	3,023,037	3,023,037	0	0
Capital surplus	16,587	16,847	260	1.57
Retained Earnings	3,017,205	3,139,684	122,479	4.06
Other Adjustments	617,424	664,715	47,291	7.66
Treasury Stock	(4,781)	(4,781)	0	0
Non-controlling interest	57,191	62,656	5,465	9.56
Total Stockholders' Equity	6,726,663	6,902,158	175,495	2.61

Explanation of significant changes: (Changes exceeding 20% between periods and amounting to over 30 million New Taiwan Dollars)

1. Other assets: Due to a significant increase in deferred tax assets and financial assets measured at fair value through other comprehensive income compared to the same period last year, other assets increased during this period compared to the same period last year.

2. Current liabilities: Due to a substantial increase in income tax liabilities and other current liabilities compared to the same period last year, current liabilities increased significantly during this period compared to the same period last year.

3. Non-current liabilities: Due to the repayment of bank borrowings during this period, non-current liabilities decreased significantly during this period compared to the same period last year.

4. Other equity: Due to a significant increase in unrealized gains and losses from holding financial assets measured at fair value through other comprehensive income at the end of the year compared to the same period last year, other equity increased substantially during this period.

5. Treasury stock: Due to the cancellation of treasury shares during this period, treasury stock decreased significantly during this period 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	2023	2024	Variant Amount	Variance (%)
Net Sales	4,870,787	4,856,946	(13,841)	(0.28)
Cost of Sales	3,670,621	3,645,999	(24,622)	(0.67)
Gross Profit	1,200,166	1,210,947	10,781	0.9
Operating Expenses	1,207,704	1,208,866	1,162	0.1
Operating Income	(7,538)	2,081	9,619	127.61
Non-operating Income and Expenses	73,721	93,660	19,939	27.05
Income Before Tax from Continuing Operation	66,183	95,741	29,558	44.66
Income tax expense	44,106	34,536	(9,570)	(21.7)
Profit for the year	22,077	61,205	39,128	177.23

Explanation of Changes in Ratios: (Changes exceeding 30 million and a percentage change of over 20%)

1. Operating Profit: Due to a decrease in gross profit from product sales compared to the same period last year, coupled with a slight increase in operating expenses, operating profit decreased significantly during this period.
2. Non-operating Income and Expenses: Due to a substantial decrease in dividend income compared to the same period last year, non-operating income and expenses decreased significantly during this period compared to the same period last year.
3. Profit before Tax from Continuing Operations: Due to a decrease in gross profit and dividend income from product sales compared to the same period last year, and with minimal differences in other factors, profit before tax from continuing operations decreased significantly during this period compared to the same period last year.
4. Income Tax Expense: Due to a decrease in gross profit and dividend income from product sales compared to the same period last year, and with minimal differences in other factors, resulting in a significant decrease in pre-tax profit, income tax expense decreased during this period compared to the same period last year.
5. Net Profit for the Period: Due to a decrease in gross profit and dividend income from product sales compared to the same period last year, and with minimal differences in other factors, net profit for the period decreased significantly during this period compared to the same period last year.

7.3 Review and Analysis of Cash Flow:

7.3.1 Description and Analysis of cash flow changes during the most recent fiscal year (2024), 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
1,372,939	(180,809)	(132,215)	(296,401)	771,531	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(2025):

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
376,360	157,213	(321,390)	73,947	286,130	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\$157,213 thousands.

Investing Activities: Mainly due to the capital expenditure and estimated net cash flow is NT\$ 321,390 thousands.

Financing Activities: Mainly due to the payback of long-term and short-term borrowings and cash dividends and estimated net cash flow is NT\$73,947 thousands.

(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 2024 is mainly from the purchase of production equipment, office equipment, and additions to plant and land, which are paid by self-owned capital without affect to normal operating turnover fund of the Company.

7.5 The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

1. Analysis Table of Reinvestment

December 31, 2024; Unit: thousands

Item \ Remarks	2024 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Hohong Co., Ltd.	NTD 2,787	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 -1,241	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Hoceng Service Co., Ltd.	NTD 7,290	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 -13,344	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 -4,035	1. Sales performance weakened by the impact of the pandemic. 2. Sluggish market and increased competition.	1. Expanding distribution outlets and coordinating the supply chain. 2. Enhancing internal management and controlling expenses.	None
United Pacific Express Trading Co., Ltd.	CNY -845	Affected by the epidemic, demand in overseas markets has plummeted	Strengthening the development of overseas market	None
Hocheng Philippines Corporation	PHP 25,804	Low Sales, high cost and expenses. Competition in the market	None	None
Hocheng Philippines Property Holding,	PHP 5,365	Fixed Revenue and normal cost.	None	None

Inc.				
Bao Long Interior Crafts Co., Ltd. (former Holong Ceramic Co., Ltd.)	NTD 17,153	The main reasons for turning losses into profits are the expansion of business operations, effective performance improvement, and better control of budgeted expenses and internal management.	<p>We will continue to strengthen management, promote profit center system, and expand projects such as social housing construction to enhance individual and departmental performance and profitability.</p> <p>We will enhance the development of energy-efficient Class 1 gas water heaters and gas stoves, and introduce smart products to expand the market.</p> <p>We will continue social housing visits and strengthen site visits to private construction sites to negotiate contracts.</p> <p>We will integrate and share resources with the kitchenware division to jointly expand the market.</p>	<p>The Kitchen Cabinet Division's projected performance for the year 2024 is expected to increase from 307 million to 352 million, with operating profit rising from 2.24% to over 4%.</p> <p>In response to H&C's operational needs, the department is brainstorming new product ideas for development. It is anticipated that three new products will undergo development, requiring investment in production molds, production tools, and safety standard applications.</p> <p>Implementation of the annual KPI plan includes enhancing performance expansion, strict adherence to budgetary constraints, and reducing inventory costs.</p> <p>Integration of AI computer software collaboration is being explored for marketing and routine tasks to improve work</p>

				efficiency and reduce labor costs. Enhanced media exposure efforts aim to secure exposure and sales opportunities through the official website, broadcasting platforms, etc. New product development prioritizes energy efficiency, aesthetics, and intelligence to enhance quality and user experience.
Hocheng Group Holding Corp.	USD -1,447	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Swatton International Corp.	USD 204	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.	We are adjusting our sales strategy to allocate more manpower to follow up on potential opportunities, aiming to increase the success rate given the current staffing conditions.	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:

a. Interest Rate Fluctuations

1. Impact on the Company's Profit and Loss:

In recent years, inflation has been a global economic challenge, which eased further in 2024. The U.S. Consumer Price Index (CPI) decreased from 3.3% in December 2023 to 2.4% in September

2024 but has recently risen back to 2.7%. The Eurozone, although having dropped below 2% earlier, recorded a 1.7% CPI in September, but it has since risen to 2.2%. Japan is still grappling with high inflation, rising from 2.6% in December 2023 to 2.9% in November 2024. China, on the other hand, faces concerns of deflation, with CPI remaining below 1%. Since the second half of 2023, the housing market has heated up, leading to accelerated growth in real estate loans. The central bank has asked banks to manage the total amount of real estate loans independently and to raise the reserve requirement ratio. This has caused interest rates to reach new highs in recent years, increasing interest expenses and raising the cost of the company's operating funds, reducing profits.

2. Future Measures by the Company:

With interest rates at a recent high, the company has reduced its bank liabilities to a new low in 2024. However, due to retaliatory tariffs imposed by the U.S., the global economy has been affected, and the central bank is expected to maintain high interest rates to cool the housing market. If interest rates rise further in the future, the company will endeavor to reduce its bank liabilities to minimize funding costs, lower interest expenses, and maintain profitability.

b. Exchange Rate Fluctuations

1. Impact on the Company's Profit and Loss:

In 2024, the New Taiwan Dollar depreciated by about 3.06% against the U.S. Dollar compared to the previous year. Although the fluctuation was not significant, it still impacted the increased costs for import suppliers. The company primarily operates in the domestic market. If supply chain vendors have a large proportion of imported raw materials, costs will be affected. The company's sales mainly target domestic customers, with export sales accounting for less than 0.5% of total sales. Additionally, the company's self-imported raw materials account for less than 1.5% of total procurement. Therefore, the impact of exchange rate fluctuations on the company's profit and loss remains manageable.

2. Future Measures by the Company:

Due to the U.S. retaliatory tariffs, the company expects future exchange rate fluctuations to affect all industries. As the future trend of exchange rates is uncertain, the company has negotiated with suppliers to adjust the purchase price if exchange rate fluctuations exceed a certain threshold. This helps stabilize procurement costs and minimizes the impact of exchange rate fluctuations on profit and loss.

c. Inflation

1. Impact on the Company's Profit and Loss:

In 2024, the annual Consumer Price Index (CPI) increased by 2.18%, slightly lower than the previous year's 2.49%. It is expected that inflation will gradually ease in 2025, driven by a continued decline in energy and commodity prices, improvements in the domestic supply chain, and intensified market competition. However, uncertain factors such as U.S. tariff policies, the Russia-Ukraine war, climate change, and increases in minimum wage and inflation expectations may keep inflation at a relatively high level. The Directorate-General of Budget, Accounting, and Statistics forecasts that the 2025 CPI will increase by 1.94%, slightly higher than 2% in the first half of the year and about 1.8% in the second half. To avoid direct erosion of profits due to inflation, the company will strengthen cost and expense management and tracking, maximizing profits for the benefit of shareholders.

2. Future Measures by the Company:

Due to the U.S. tariff policy, inflation is expected to rise in the future. In response to climate change and the need to reduce carbon emissions, the company continues to research and develop energy-saving, carbon-reducing products and improve the production processes of existing products. The company also collaborates with upstream and downstream suppliers to research energy-saving and carbon-reducing raw materials. These efforts aim to minimize the impact of inflation while optimizing profits and carbon emissions, thus safeguarding the maximum benefit for shareholders.

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

1. The Company did not engage in any high-risk or high-leveraged investments, nor any derivative commodity transactions.
2. As of the end of December 2024, the total amount of endorsements and guarantees provided by our company to subsidiaries both domestically and internationally amounted to NT\$360,801 thousands. The breakdown is as follows:
 - a. Hochen Corporation, Philippines: NT\$210,801 thousands (US\$1,500thousands) and PHP 285,000 thousands.
 - b. Paolung Interior Design Co., Ltd.: NT\$150,000 thousands

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 2023, projects have been completed accordingly, mass production launch and selling and marketing in the market. For 2024, NT\$100,377 thousands 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 for the importance of healthy, comfortable, diverse, and rational living spaces, we encourage the creation of ideal and perfect living environments suitable for Taiwan's local culture and people through creativity, planning, design, and construction. Our company sponsors the Hwa Seng Cultural and Educational Foundation to organize the Taiwan Golden Ceramics Award and related design competition activities, with the aim of rewarding outstanding local works that are creative and contribute to the field.
2. To expand our business scope, diversify product risks, and accelerate the transformation of our product line, in recent years, we have actively collaborated with academic research institutions on product development. Some of these products have reached a mature stage of research and development, and starting this year, mass production orders have already been placed.
3. In order to create superior residential equipment, our company has independently researched and developed new glazing technology, incorporating the globally mainstream "nano" technology into product mass production. This is a pioneering achievement within the domestic industry and one of the few industries in Taiwan to apply high-tech nano technology to everyday life. The application of this technology will enhance our products' anti-stain and antibacterial effects. Furthermore, the company has proactively signed a water-saving strategic alliance with the Industrial Technology Research Institute's Energy and Resources Center. A successful cooperation model has been established, pushing forward various collaborative initiatives, including promoting green building demonstration cases, establishing national standards for water-saving devices, revising these standards, exchanging certification experiences with domestic and international laboratories, developing and promoting water-saving products, organizing public hearings on water-saving issues, and formulating subsidy plans for product replacement. These efforts will significantly enhance water conservation effectiveness. Hwa Seng, with its focus on "creativity" and "proactivity," strives to provide the public with high-quality living standards, which will also contribute to the improvement of the company's corporate image. Moving forward, we will uphold the spirit of a listed company, fulfill our social responsibilities, and maximize benefits 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

The Audit Committee's Review of the annual accounting final report for the year ended Dec. 31, 2024

**Hocheng Corporation
Audit Committee Review Report**

Hereby

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm KMPG was retained to audit Financial Statements (parent company only and consolidated financial statements) of the Company and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of YEM CHIO CO., LTD. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely yours,
2024 Annual General Meeting of Hocheng Corporation.

Chairman of the Audit Committee: Ciu Jingya

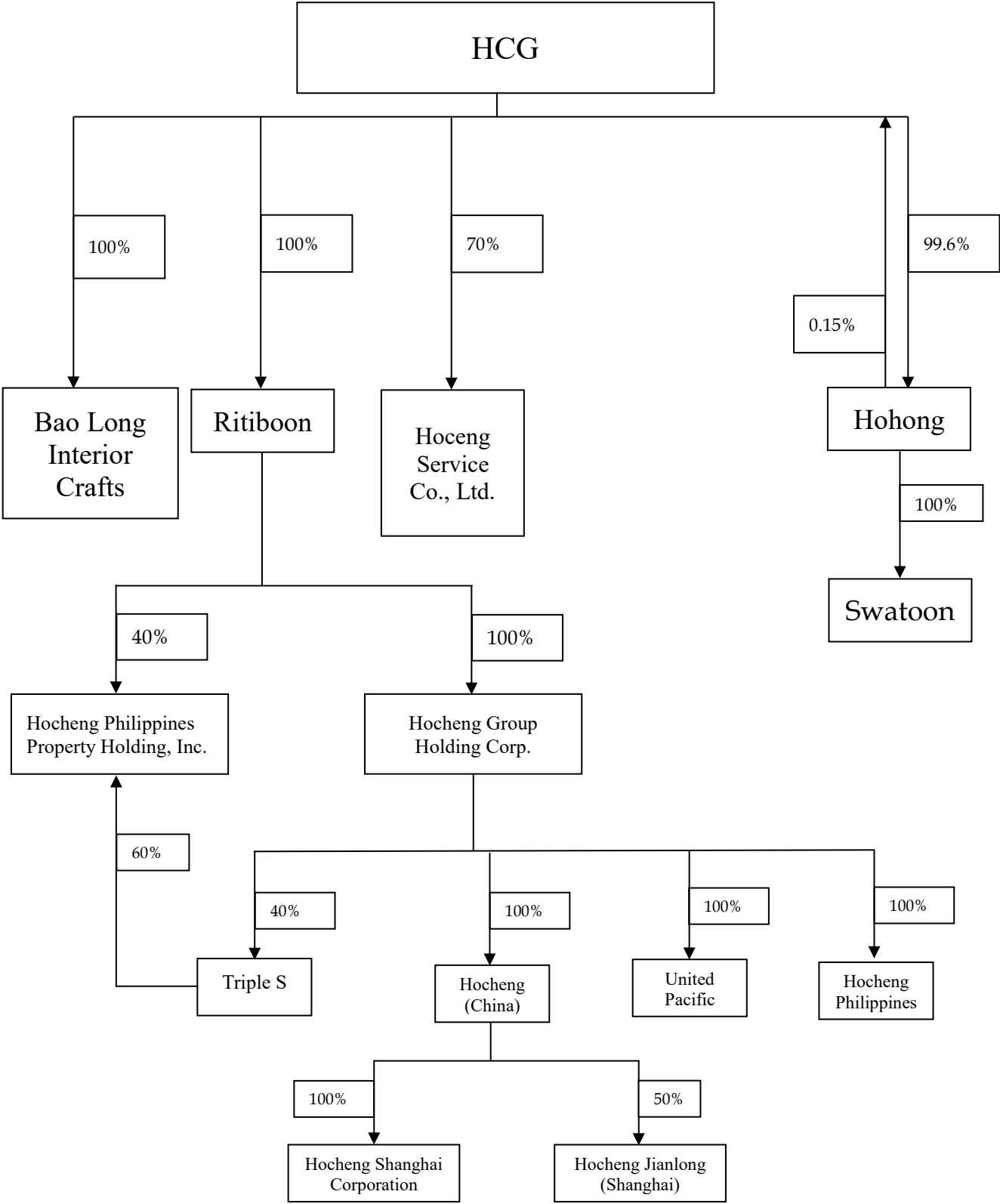
May 6, 2025

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organizational Structure of Affiliates

2024/12/31



8.1.3. Rosters of Directors, Supervisors, and General Managers of affiliates

December 31, 2024; Unit: Shares, %

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding (%)
Hohong Co., Ltd.	Chairman	Chiu, Li-Chien (HCG Legal Representative)	34,713,522	99.6
	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	2.326%
	Director	Chiu, Chi-Chuan (The legal representative of Yuhong Company.)	180,000	13.953%
	Vice Chairman	Chiu, Po-Chun.(The legal representative of Hecheng Xinye.)	1,050,000	81.395%
	Director	Chiu, Yuan-Yi (The legal representative of Hecheng Xinye.)	1,050,000	81.395%
	Director	Chiu, Chun-Chieh (The legal representative of Hecheng Xinye.)	1,050,000	81.395%
	Director	Chiu, Li-Yi . (The legal representative of Hecheng Xinye.)	1,050,000	81.395%
	Supervisor	Chiu, Chi-Hsin	30,000	2.326%

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	Stepahnie 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	Lin,Jen-Pao (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	Lin,Jen-Pao (Hocheng Group Holding Corp. Representative)	1	0
	Chairman	Mornaliza Belardo	1	0
	Stockholder	Sharon Rose Filardo	1	0
	Stockholder	Irene Calubiran	20,962,496	60
	Chairman	Chiu, Yuan-Yi (Representative of HoCheng Corporation)	21,001,000	100
	Vice Chairman	Chiu, Bo-Chun (Representative of HoCheng Corporation)	21,001,000	100
Bao Long Interior Crafts Co., Ltd. (Former Holong Ceramic Co., Ltd.)	Director	Chiu,Li-Chien (Representative of HoCheng Corporation)	21,001,000	100
	Director	Chiu, Chih-Chung (Representative of HoCheng Corporation)	21,001,000	100
	Director	Wu, Yue-Zheng (Representative of HoCheng Corporation)	21,001,000	100
	Supervisor	Wu, Yue-Zheng (Representative of HoCheng Corporation)	21,001,000	100
			21,001,000	100

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

8.1.4. Business Overview of Affiliated Companies.

Unit : \$1,000/ 2024.12.31

Company Name	Currency	Capital	Total Assets	Total liabilities	Net value	Operating Revenue	Operating Benefits	Current Profit and Loss (After tax)	EPS (NT\$) (After tax)
Hohong Co., Ltd.	NTD	348,536	747,193	12,916	734,277	20,275	12,371	2,787	0.08
Ritiboon International Limited	USD	78,646	19,490	0	19,490	0	-25	-1,241	-0.02
Hoceng Service Co., Ltd.	NTD	15,000	234,013	102,622	131,391	286,674	8,785	7,290	9.50
Hocheng (China) Co., Ltd.	CNY	264,891	215,589	306,004	-90,415	66,746	-16,351	-13,344	
Hocheng Shanghai Corporation	CNY	1,000	3,292	28,713	-25,421	30,139	-4,034	-4,035	
United Pacific Express Trading Co., Ltd.	CNY	6,737	3,454	770	2,684	4,317	887	-845	
Hocheng Philippines Corporation	PHP	507,844	1,706,639	646,500	1,060,138	1,543,032	52,022	25,804	.05
Hocheng Philippines Property Holding, Inc.	PHP	83,848	172,855	302,930	139,925	20,528	8,064	5,365	.15
Bao Long Interior Crafts(Holong Ceramic Co., Ltd.)	NTD	210,010	425,459	183,259	242,200	723,350	16,816	17,153	0.82
Hocheng Group Holding Corp.	USD	49,389	21,991	12,349	9,642	0	-6	-1,447	-0.03
Swatton International Corp.	USD	1,300	6,940	0	6,940	106	44	204	15.67
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	CNY	2,000	1,262	2,098	-836	5,390	-1196	-762	

8.1.5. Consolidated financial statements of affiliated companies: The same as the consolidated financial statements without the need for repetition.

II. Private placement of securities in the most recent fiscal year and up to the date of publication of the annual report: None.

III. Other necessary supplementary explanations: None.

IV. Affiliated Enterprises Report:

The "Three Statements of Affiliated Enterprises" are available on the Market Observation Post System (MOPS). The main contents can be found at the following website: <https://mops.twse.com.tw/> → *Basic Information* → *E-Books* → *Affiliated Enterprises Three Statements Section*.

Shareholders can search by entering the company code 1810 and the desired fiscal year.

VII. Significant matters occurring in the most recent fiscal year and up to the date of publication of the annual report that may have a material impact on shareholders' equity or the price of securities, as specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None.

**HOCHENG CORPORATION AND
SUBSIDIARIES**

**Consolidated Financial Statements and
Independent Auditors' Report**

For the Years Ended December 31, 2024 and 2023

**Address: No. 398, Xingshan Road, Neihu District,
Taipei City**
Telephone: (02)2792-5511

Table of Contents

Item	Page/Next
I.Cover page	1
II.Table of Contents	2
III.Representation Letter	3
IV.Independent Auditors' Report	4
V.Consolidated Balance Sheet	5
VI.Consolidated Statement of Comprehensive Income	6
VII.Consolidated Statement of Changes in Equity	7
VIII.Consolidated Statement of Cash Flows	8
IX.Notes to Consolidated Financial Statements	
(I) Company History	10
(II) Date and Procedures of Authorization of Financial Statements for Issue	10
(III) Newly Issued or Revised Standards and Interpretations	10~ 12
(IV) Summary of Significant Accounting Policies	13~ 37
(V) Significant Accounting Judgments, Estimates and Assumptions	37
(VI) Contents of Significant Accounts	38~ 79
(VII) Related-Party Transactions	79~ 81
(VIII) Pledged Assets	82
(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments	82
(X) Losses due to Major Disasters	82
(XI) Significant Subsequent Events	82
(XII) Others	82
(XIII) Additional Disclosures	
1. Significant transactions information	84~ 90
2. Information on investees	91~ 92
3. Information on investments in China	92~ 94
4. Information on principal shareholders	94
(XIV) Segment Information	94~ 97

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, 2024 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: Li- Chien Chiu

Date: March 11, 2025

Independent Auditor's Report

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, 2024 and 2023, 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, 2024 and 2023, 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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 2024 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 16% and 21% of the consolidated total assets as of December 31, 2024 and 2023, respectively; their net operating revenue accounted for 5% and 10% of the consolidated net operating revenue for the years ended December 31, 2024 and 2023, respectively.

Hocheng Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2024 and 2023, 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 2024 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 Taiwan

CPA

Hsu Shu-Min

Wu Tsao-Jen

No. of approval and
certification from the
competent authority of
securities

March 11, 2025

Jin-Guan-Zheng-Liu-Zi
: No.0940100754
Jin-Guan-Zheng-Shen-Zi
No.1070304941

HOCHENG CORPORATION AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2024 and 2023

		Unit: NT\$ thousand			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(23))	\$ 4,856,946	100	4,870,787	100
5000	Operating costs (Note 6(6))	3,645,999	75	3,670,621	75
5950	Operating gross profit	1,210,947	25	1,200,166	25
	Operating expenses:				
6100	Sales and marketing expenses	750,399	16	718,778	15
6200	General and administrative expenses	357,078	7	377,938	8
6300	Research and development expenses	99,734	2	109,058	2
6450	Expected credit loss (Note 6(4))	1,655	-	1,930	-
6300	Subtotal	1,208,866	25	1,207,704	25
6900	Net profit (loss)	2,081	-	(7,538)	-
	Non-operating income and expenses: (Note 6(8) and (25))				
7100	Interest income	27,995	1	13,335	-
7010	Others	110,305	2	150,654	3
7020	Other gains and losses	(15,120)	-	(37,842)	(1)
7050	Finance costs	(29,264)	(1)	(51,893)	(1)
7770	Share of gains of associates and joint ventures recognized by using the equity method	(256)	-	(533)	-
	Subtotal	93,660	2	73,721	1
	Net profits before tax	95,741	2	66,183	1
7950	Less: Income tax expenses (Note 6(20))	34,536	1	44,106	1
	Net profits for the period	61,205	1	22,077	-
8300	Other comprehensive income :				
8310	Not to be reclassified to profit or loss in subsequent periods:				
8311	Remeasurements of defined benefit plans	62,882	1	5,181	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	85,839	2	240,352	5
8349	Income tax related to items that will not be reclassified	(14,794)	-	(869)	-
	Total amount of items that will not be reclassified to profit or loss	133,927	3	244,664	5
8360	Items that may be reclassified to profit or loss subsequently				
8361	Exchange differences on translation of foreign operations	40,821	1	17,763	-
8370	Share of other comprehensive income of associates and joint ventures under the equity method	(2,254)	-	922	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total amount of items that may be reclassified to profit or loss subsequently	38,567	1	18,685	-
8300	Other comprehensive income for the year	172,494	4	263,349	5
8500	Total comprehensive income for the period	\$ 233,699	5	285,426	5
	Net profits attributable to:				
8610	Owner of the parent company	\$ 58,418	1	19,347	-
8620	Non-controlling interests	2,787	-	2,730	-
		\$ 61,205	1	22,077	-
	Comprehensive income attributable to:				
8710	Owner of the parent company	\$ 230,231	5	282,047	5
8720	Non-controlling interests	3,468	-	3,379	-
		\$ 233,699	5	285,426	5
	Earnings per share (NT\$) (Note 6(22))				
9750	Basic earnings per share (NT\$)	\$ 0.19		0.06	
9850	Diluted earnings per share (NT\$)	\$ 0.19		0.06	

(Please refer to the accompanying notes to consolidated financial statements)

Chairman: Li- Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yueh-Yin

HOCHENG CORPORATION AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	Equity attributable to owners of the parent company									
	Shares	Other Components of Equity								Total equity
		Retained earnings		Unappropriated earnings	Foreign operations	Profit or loss measured at fair value	Treasury stock	Attributed to parent	Non-controlling interests	
		Legal reserve	Special reserve		Exchange differences on translation of foreign operations	Unrealized (losses) gains of financial assets at fair value through other comprehensive income		Total equity attributable to owners of the parent company		
Balance at January 1, 2023	3,032,800	15,223	980,671	458,116	1,598,041	377,823	(13,461)	6,448,029	60,663	6,508,692
Net profits for the period	-	-	-	-	19,347	-	-	19,347	2,730	22,077
Other comprehensive income for the year	-	-	-	-	4,542	240,007	-	262,471	878	263,349
Total comprehensive income for the period	-	-	-	-	23,889	240,007	-	281,818	3,608	285,426
Earnings distribution and appropriation:										
Legal reserve	-	22,910	-	-	(22,910)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(60,656)	-	-	(60,656)	-	(60,656)
Other changes in capital reserve	-	(3)	-	-	-	-	-	(3)	-	(3)
Retirement of treasury stock	(9,763)	1,083	-	-	-	-	8,680	-	-	-
Dividends distributed to subsidiaries to adjust additional paid-in capital	-	284	-	-	-	-	-	284	-	284
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,144	(17,144)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(7,080)	(7,080)
Balance at December 31, 2023	3,023,037	16,587	1,003,581	458,116	1,555,508	600,686	(4,781)	6,669,472	57,191	6,726,663
Net profits for the period	-	-	-	-	58,418	-	-	58,418	2,787	61,205
Other comprehensive income for the year	-	-	-	-	48,088	85,688	-	171,813	681	172,494
Total comprehensive income for the period	-	-	-	-	106,506	85,688	-	230,231	3,468	233,699
Earnings distribution and appropriation:										
Legal reserve	-	-	4,103	-	(4,103)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(60,461)	-	-	(60,461)	-	(60,461)
Share of gains of associates and joint ventures recognized by using the equity method	-	-	-	-	76,437	(76,437)	-	-	-	-
Other changes in capital reserve	-	171	-	-	-	-	-	171	-	171
Dividends distributed to subsidiaries to adjust additional paid-in capital	-	89	-	-	-	-	-	89	-	89
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(3)	3	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	1,997	1,997
Balance at December 31, 2024	3,023,037	16,847	1,007,684	458,116	1,673,884	609,940	(4,781)	6,839,502	62,656	6,902,158

(Please refer to the accompanying notes to consolidated financial statements)

Chairman: Li-Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yuch-Ying Lo

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	2024	2023
Cash flows from operating activities:		
Profit before tax from continuing operations	\$ 95,741	66,183
Net income before tax		
Adjustments to reconcile profit (loss)		
Depreciation	210,195	227,117
Amortization expense	9,366	10,290
Expected credit impairment losses	1,655	1,930
Net gains on financial assets at fair value through profit or loss	(3,540)	(2,934)
Interest expenses	29,264	51,893
Interest income	(27,995)	(13,335)
Dividend income	(45,594)	(49,947)
Share of gains of associates and joint ventures recognized by using the equity method	256	533
Gains on disposal and scrapping of property, plant and equipment	(866)	(49)
(gain) loss on lease modification	(149)	121
Total items of income and expenses	172,592	225,619
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes receivable	74,662	16,160
Accounts receivables	16,856	(44,409)
Other receivables	(17,335)	(4,768)
Inventory	19,602	108,148
Other current assets	(28,043)	10,990
Increase in other Financial assets	(406,439)	-
Net defined benefit assets liabilities	(16,144)	(41,192)
Total net changes in assets related to operating activities	(356,841)	44,929
Net changes in liabilities related to operating activities		
Notes payable	260	(72,007)
Accounts payable	50,784	41,361
Other payables	(42,209)	(116,861)
Debt allowance	(3,253)	(3,043)
Other current liabilities	38,443	1,090,010
Total net changes in liabilities related to operating activities	44,025	939,460
Total net changes in assets and liabilities related to operating activities	(312,816)	984,389
Total item of adjustments	(140,224)	1,210,008
Cash inflows (outflows) generated from operations	(44,483)	1,276,191
Interest received	27,995	13,335
Dividends received	45,594	49,947
Interest paid	(29,229)	(51,806)
Income tax paid	(180,686)	(26,923)
Net cash outflows (inflows) from operating activities	(180,809)	1,260,744

(Please refer to the accompanying notes to consolidated financial statements)

Chairman: Li-Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yueh-Ying Lo

HOCHENG CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows (cont'd)

January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	2024	2023
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(46,563)	(50,873)
Disposal of financial assets measured at fair value through other comprehensive income	110,909	89,399
Acquisition of financial assets at fair value through profit or loss	(116,050)	(124,586)
Disposal of financial assets at fair value through profit or loss	46,758	293,258
Acquisition of investments accounted for under the equity method	-	(620)
Acquisition of property, plant and equipment	(115,431)	(105,298)
Proceeds from disposal of property, plant and equipment	1,582	78,563
(Increase) decrease in refundable deposits	(1,353)	18,855
Acquisition of intangible assets	(3,213)	(3,857)
Other Financial assets	(20,151)	-
Other non-current assets	11,297	(28,442)
Net cash outflows (inflows) from investing activities	(132,215)	166,399
Cash flows from financing activities:		
Decrease in short-term borrowings	(262,000)	(461,988)
Short-term notes payable	100,000	(105,000)
Increase in long-term loans	419,419	92,370
Decrease in long-term loans	(450,660)	(156,496)
(Decrease) increase in refundable deposits	347	(107)
Repayment of principal of lease liabilities	(43,126)	(37,355)
Cash dividends paid	(60,461)	(60,470)
Changes in non-controlling interests	(91)	(6,132)
Others	171	-
Net cash outflows from financing activities	(296,401)	(735,178)
Effect of exchange rate changes on cash and cash equivalents	8,017	15,107
Net increase (decrease) in cash and cash equivalents during the period	(601,408)	707,072
Cash and cash equivalents at beginning of year	1,372,939	665,867
Cash and cash equivalents at end of year	\$ 771,531	1,372,939

HOCHENG CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

(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, 2024 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, 2024.

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, 2024:

- Amendments to IAS1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS1 “Non-current Liabilities with Contractual Terms”
- Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”
- Amendments to AFRS16 “Requirements for Sale and Leaseback Transactions”

(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, 2025, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS1 “Disclosure of Accounting Policies”

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

The IASB has issued and amended the following standards and interpretations that are not yet approved by the FSC that may be relevant to the Group:

New standards amendments and interpretations adopted	Main amendments	Effective date announced by the Board of Directors
IFRS18"Expression and Disclosure of Financial Statements	<p data-bbox="746 383 1220 862">·The more structured income statement: According to the existing standards, the Company uses different formats to express its operating results, so that investors can easily compare the financial performance of different companies. The new standard uses a more structured income statement, and introduces the new definition of "operating profits" as a sum. All income and expenses are classified into three new types based on the Company's main business activities.</p> <p data-bbox="746 873 1220 1310">Management Performance Measurement (MPM): The new standard introduces the definition of management performance measurement, and requires the Company to provide the information on each measurement indicator in a single note to the financial statements, and to explain the calculation and how to adjust the measured indicator and the amount recognized in the IFRS accounting standards.</p> <p data-bbox="746 1321 1236 1594">More detailed information: The new standards include how companies can strengthen the guidance on information classification in financial statements. This includes whether the information should be included in the main financial statements or further divided in the notes.</p>	January 1, 2027

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

The consolidated company is currently evaluating the impact of the above-mentioned standards and interpretations on the consolidated company's financial position and business results. The relevant impact will be disclosed when the evaluation is completed.

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”
- Amendment to IFRS 17 “Insurance Contracts” and IFRS 17
- IFRS 19 "Disclosure of Subsidiaries not Responsible for Public Expenditure”
- Amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments
- Annual improvements to IFRSs 2018–2020 cycle
- Amendment to IFRS 9 and IFRS 7 "Contracts for Renewable Electricity from Nature”

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

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 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(18).

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 associated income and expenses arising

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

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:

General investment Company Name	Name of subsidiaries	Main Business Activity Type	Shareholding		Description:
			2024.12.31	2023.12.31	
The Company	Ritiboon International Limited	Holding company	100.00%	100.00%	
"	Hohong Co., Ltd.	Invested in production, securities, construction, tourism and trading	99.60%	99.60%	
"	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%	100.00%	
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.
Ritiboon International Limited	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%	
"	Hocheng TRADING (SHANGHAI) CO., LTD.	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.	Investors	100.00%	100.00%	
Hocheng (China) Corporation	Hocheng Shanghai Corporation	Sale of bathroom equipment	100.00%	100.00%	

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

3. Subsidiaries excluded from the consolidated financial statements:

General investment Company Name	Name of subsidiaries	Main Business Activity Type	Shareholding		Description:
			2024.12.31	2023.12.31	
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, 2024, and 2023, 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

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

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.

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

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.

(V) 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 liability is not settled at the end of the reporting period and has the right to defer the settlement for at least 12 months after the reporting period.

(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

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

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 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

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.

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

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

subsequently measured at fair value. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. At the time of derecognition, the accumulated other comprehensive income is reclassified as profit or loss.

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).

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

(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 ECL that result from default events that are

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

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 loss allowance for debt instrument investment measured at fair value through other comprehensive income is to adjust the profit and loss and recognized in other comprehensive income (without reducing the book value 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 an en off. However, financial assets

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

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).

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

(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) Inventory

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) Investment in associates

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

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.

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

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.

(X) 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(9) 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.

(XI) 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.

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

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.

(XII) 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.

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

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

(XIII) Lease

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 lease

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 movements of the lease liability.

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

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 meet the definition of investment

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

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.

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

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.

(XIV) 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

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 they become available for use.

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

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.

(XV) 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.

(XVI) 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 expense.

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

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.

(XVII) 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.

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

(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.

(XVIII) 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 Group determines the net interest

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

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.

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

(XIX) 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 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 reverse, 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

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

- (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.

(XX) 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.

(XXI) 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 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 consolidated financial statements causes no significant effects.

Information about assumptions or estimation uncertainties that have a significant risk of

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

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

	2024.12.31	2023.12.31
Cash and petty cash	\$ 4,392	4,440
Checking account deposits	2,120	2,394
Demand deposit	597,410	639,129
Time deposits	167,609	726,976
Cash and cash equivalents presented in the consolidated statement of cash flows	<u>\$ 771,531</u>	<u>1,372,939</u>

Please refer to Note 6(26) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

1. Time deposits with original maturity date of more than three months are reported in other financial assets - current and other financial assets - non-current on the maturity date.

2. As of December 31, 2024 and 2023, none of the Group's inventories was pledged as collateral.

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates - open-end fund	\$ 221,524	149,560
Domestic non-listed stocks	981	113
Total	<u><u>\$ 222,505</u></u>	<u><u>149,673</u></u>

As of December 31, 2024 and 2023, none of the financial assets at fair value through profit or loss have been pledged as collateral.

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Equity investments at fair value through other comprehensive income:		
Corporate bonds redeemable	\$ 9,399	-
Equity investments at fair value through other comprehensive income:		
Domestic and foreign listed stocks	\$ 1,174,485	1,161,975
Domestic non-listed stocks	2,526	2,941
Total	<u><u>\$ 1,186,410</u></u>	<u><u>1,164,916</u></u>

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 2024 and 2023, the Group recognized a dividend income of NT\$45,594 thousand and NT\$49,947 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 2024 and 2023, the Group has disposed of its financial assets designated at fair value through other comprehensive income. The fair value upon the disposals was NT\$110,909 thousand and NT\$89,399 thousand, and the Group recorded cumulative disposal gains (losses) of NT\$76,434 thousand and NT\$17,144 thousand in 2024 and 2023, respectively. The cumulative disposal gains or losses have been transferred to retained earnings.

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

2. For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(26).

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

(IV) Notes and accounts receivables

	2024.12.31	2023.12.31
Notes receivable	\$ 352,509	427,171
Accounts receivables	807,758	823,467
Less: loss allowance	(66,646)	(63,844)
	<u>\$ 1,093,621</u>	<u>1,186,794</u>

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:

	2024.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 1,032,005	0% - 0.4%	4,076
1 to 30 days past due	11,804	0% - 16%	1,896
31 to 120 days past due	20,032	0% - 25%	5,095
121 to 365 days past due	9,140	0% - 85%	7,806
More than one year past due	3,488	100%	3,488
	<u>\$ 1,076,469</u>		<u>22,361</u>
	2023.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 1,081,943	0% - 0.2%	1,889
1 to 30 days past due	32,547	0% - 7%	2,261
31 to 120 days past due	36,340	0% - 17%	6,297
121 to 365 days past due	11,856	0% - 46%	5,468
More than one year past due	7,021	100%	7,021
	<u>\$ 1</u>		<u>22,936</u>

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

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

	2024.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 37,513	0% - 3%	987
1 to 90 days past due	3,345	0% - 28%	945
91 to 180 days past due	711	0% - 17%	124
More than one year past due	42,229	100%	42,229
	\$ 83,798		44,285

	2023.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 30,068	0% - 0.5%	134
1 to 90 days past due	3,928	0% - 5%	195
91 to 180 days past due	7,871	0% - 19%	1,519
181 to 365 days past due	9	0% - 56%	5
More than one year past due	15,482	100%	15,482
Individual assessment	23,573	100%	23,573
	\$ 80,931		40,908

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

	2024	2023
Beginning balance	\$ 63,844	63,649
Impairment losses recognized	1,655	1,148
Amounts written off due to the inability to recover during the year	(767)	(545)
Exchange gains or losses	1,914	(408)
Ending balance	\$ 66,646	63,844

(V) Other receivables

	2024.12.31	2023.12.31
Others	\$ 100,896	91,083
Less: loss allowance	(9,244)	(16,766)
	91,652	74,317

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

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

	2024	2023
Beginning balance	\$ 16,766	16,624
Recognized Impairment (Reversal Gain) Loss	(228)	59
Amounts written off due to the inability to recover during the year	(7,529)	(6)
Effects on changes in exchange rates	235	89
Ending balance	<u>\$ 9,244</u>	<u>16,766</u>

(VI) Inventory

	2024.12.31	2023.12.31
Raw materials	\$ 299,895	300,128
Materials	17,766	20,604
Work in process	210,311	183,721
Finished goods	906,854	943,016
Products	278,231	315,861
In transit inventory	36,436	5,765
	<u>\$ 1,749,493</u>	<u>1,769,095</u>

For the years ended December 31, 2024 and 2023, the cost of goods sold and expenses amounted to NT\$3,645,999 thousand and NT\$3,670,621 thousand, respectively. It includes an inventory write-down losses due to reductions to net realizable value of NT\$6,765 thousand in 2024 and NT\$27,059 thousand in 2023, which have been recognized as operating costs.

As of December 31, 2024 and 2023, none of the Group's inventories was pledged as collateral.

(VII) Other Financial assets

The breakdown of financial assets is as follows:

	2024.12.31	2023.12.31
Other Financial assets-Current	<u>\$ 406,439</u>	<u>-</u>
Other non-current liabilities-Non-current	<u>\$ 20,151</u>	<u>-</u>

Other financial assets are time deposits that do not meet the definition of cash equivalents. The annual interest rate for 2024 is 1.05% - 5.10%, and they will mature on June 29, 2026.

The financial assets above had not been pledged as collateral.

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

(VIII) 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:

	2024.12.31	2023.12.31
Associates	\$ 53,073	51,357
Joint ventures	-	776
	\$ 53,073	52,133

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):

	2024.12.31	2023.12.31
Total carrying amount of individually insignificant associates' equity	\$ 53,073	51,357
	2024	2023
Share attributable to the Group:		
Net profits for the period from continuing operations	\$ 542	684
Other comprehensive income	(2,270)	958
Total comprehensive income	\$ (1,728)	1,642

2. Joint ventures

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:

	2024.12.31	2023.12.31
Total carrying amount of individually insignificant joint ventures' equity	\$ -	776
	2024	2023
Share attributable to the Group:		
Net profits for the period from continuing operations	\$ (798)	(1,217)
Other comprehensive income	16	(36)
Total comprehensive income	\$ (782)	(1,253)

3. Guarantee

The Group did not provide any investment guarantee for using the equity method as collateral.

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

(IX) 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	Houses and buildings	Machinery and equipment	Transporta tion equipment	Office equipment	Other equipment	Equipment pending inspection and construction in progress	Total
Cost:									
Balance at January 1, 2024	\$	2,426,459	1,477,578	2,380,400	102,710	330,817	819,349	17,912	7,555,225
Increase		20,970	13,941	25,599	13,252	15,168	26,501	-	115,431
Disposal		-	-	(29,043)	(3,825)	(1,714)	(2,005)	-	(36,587)
Transferred from Investment Property		16,102	-	-	-	-	-	-	16,102
Transferred to investment property		(5,517)	(12,593)	-	-	-	-	-	(18,110)
Effects on changes in exchange rates		7,146	24,525	17,642	563	1,811	5,557	407	57,651
Balance on December 31, 2024	\$	<u>2,465,160</u>	<u>1,503,451</u>	<u>2,394,598</u>	<u>112,700</u>	<u>346,082</u>	<u>849,402</u>	<u>18,319</u>	<u>7,689,712</u>
Balance at January 1, 2023	\$	2,425,201	2,251,931	3,050,580	111,754	485,092	914,654	22,067	9,261,279
Increase		-	2,175	30,737	10,325	16,829	40,235	8,736	109,037
Disposal		(152)	(901,326)	(712,890)	(19,524)	(171,185)	(25,200)	-	(1,830,277)
Reclassification		-	127,328	-	-	(33)	(114,039)	(13,349)	(93)
Effects on changes in exchange rates		1,410	(2,530)	11,973	155	114	3,699	458	15,279
Balance on December 31, 2023	\$	<u>2,426,459</u>	<u>1,477,578</u>	<u>2,380,400</u>	<u>102,710</u>	<u>330,817</u>	<u>819,349</u>	<u>17,912</u>	<u>7,555,225</u>
Depreciation :									
Balance at January 1, 2024	\$	-	832,050	2,204,095	80,232	276,584	704,693	-	4,097,654
Increase		-	47,852	47,918	7,219	18,940	32,471	-	154,400
Disposal		-	-	(28,983)	(3,674)	(1,280)	(1,934)	-	(35,871)
Transferred to investment property		-	(12,041)	-	-	-	-	-	(12,041)
Effects on changes in exchange rates		-	18,075	16,938	413	1,481	4,853	-	41,760
Balance on December 31, 2024	\$	<u>-</u>	<u>885,936</u>	<u>2,239,968</u>	<u>84,190</u>	<u>295,725</u>	<u>740,083</u>	<u>-</u>	<u>4,245,902</u>
Balance at January 1, 2023	\$	-	1,615,736	2,794,328	89,018	411,422	755,805	-	5,666,309
Increase		-	51,708	48,650	7,496	21,005	39,914	-	168,773
Disposal		-	(901,334)	(650,453)	(16,444)	(156,000)	(23,800)	-	(1,748,031)
Reclassification		-	70,657	-	-	9	(70,666)	-	-
Effects on changes in exchange rates		-	(4,717)	11,570	162	148	3,440	-	10,603
Balance on December 31, 2023	\$	<u>-</u>	<u>832,050</u>	<u>2,204,095</u>	<u>80,232</u>	<u>276,584</u>	<u>704,693</u>	<u>-</u>	<u>4,097,654</u>
Carrying amount:									
December 31, 2024	\$	<u>2,465,160</u>	<u>617,515</u>	<u>154,630</u>	<u>28,510</u>	<u>50,357</u>	<u>109,319</u>	<u>18,319</u>	<u>3,443,810</u>
January 1, 2023	\$	<u>2,425,201</u>	<u>636,195</u>	<u>256,252</u>	<u>22,736</u>	<u>73,670</u>	<u>158,849</u>	<u>22,067</u>	<u>3,594,970</u>
December 31, 2023	\$	<u>2,426,459</u>	<u>645,528</u>	<u>176,305</u>	<u>22,478</u>	<u>54,233</u>	<u>114,656</u>	<u>17,912</u>	<u>3,457,571</u>

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

Since the land of the Yingge factory and business premises of the Group is agricultural land, it is not yet possible to transfer it to the name of the Group. As of December 31, 2024 and 2023 the key management personnel are registered in the name of the trust registrant. Please refer to Note 7 for relevant information.

As of December 31, 2024 and 2023, 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.

(X) 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	Houses and buildings	Transportation equipment	Others	Total
Costs of right-of-use assets:						
Balance at January 1, 2024	\$	61,851	186,690	16,842	5,010	270,393
Increase		2,708	12,207	7,978	104	22,997
Less		-	(29,104)	(8,455)	-	(37,559)
Effects on changes in exchange rates		(602)	2,047	-	-	1,445
Balance on December 31, 2024	\$	63,957	171,840	16,365	5,114	257,276
Balance at January 1, 2023	\$	62,493	148,816	15,547	4,906	231,762
Increase		-	43,037	3,392	-	46,429
Less		-	(3,595)	(2,097)	-	(5,692)
Reclassification		488	(592)	-	104	-
Effects on changes in exchange rates		(1,130)	(976)	-	-	(2,106)
Balance on December 31, 2023	\$	61,851	186,690	16,842	5,010	270,393
Depreciation of right-of-use assets:						
Balance at January 1, 2024	\$	35,128	108,603	9,328	2,745	155,804
Depreciation this period		246	37,720	4,422	596	42,984
Other decreases		-	(28,806)	(7,528)	-	(36,334)
Effects on changes in exchange rates		1,188	1,023	-	-	2,211
Balance on December 31, 2024	\$	36,562	1	6,222	3,341	164,665

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

Balance at January 1, 2023	\$	34,827	77,991	7,228	2,166	122,212
Depreciation this period		790	33,328	4,197	536	38,851
Other decreases		-	(2,078)	(2,097)	-	(4,175)
Reclassification		147	(190)	-	43	-
Effects on changes in exchange rates		<u>(636)</u>	<u>(448)</u>	<u>-</u>	<u>-</u>	<u>(1,084)</u>
Balance on December 31, 2023	\$	<u>35,128</u>	<u>108,603</u>	<u>9,328</u>	<u>2,745</u>	<u>155,804</u>

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

	Land	Houses and buildings	Transportation equipment	Others	Total
Carrying amount:					
December 31, 2024	\$ 27,395	53,300	10,143	1,773	92,611
January 1, 2023	\$ 27,666	70,825	8,319	2,740	109,550
December 31, 2023	\$ 26,723	78,087	7,514	2,265	114,589

(XI) 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	Houses and buildings	Total
Cost:			
Balance at January 1, 2024	\$ 466,138	574,383	1,040,521
Transferred from property, plant and equipment	5,517	12,593	18,110
Proceeds from disposal of property, plant and equipment	(16,102)	-	(16,102)
Effects on changes in exchange rates	-	10,902	10,902
Balance on December 31, 2024	\$ 455,553	597,878	1,053,431
Balance at January 1, 2023	\$ 466,138	580,231	1,046,369
Effects on changes in exchange rates	-	(5,848)	(5,848)
Balance on December 31, 2023	\$ 466,138	574,383	1,040,521
Depreciation :			
Balance at January 1, 2024	\$ 5,285	386,308	391,593
Depreciation during the year	-	12,811	12,811
Transferred from property, plant and equipment	-	12,041	12,041
Effects on changes in exchange rates	-	4,854	4,854
Balance on December 31, 2024	\$ 5,285	416,014	421,299
Balance at January 1, 2023	\$ 5,285	369,362	374,647
Depreciation during the year	-	19,493	19,493
Effects on changes in exchange rates	-	(2,547)	(2,547)
Balance on December 31, 2023	\$ 5,285	386,308	391,593

	<u>Land</u>	<u>Houses and buildings</u>	<u>Total</u>
Carrying amount:			
December 31, 2024	<u>\$ 450,268</u>	<u>181,864</u>	<u>632,132</u>
January 1, 2023	<u>\$ 460,853</u>	<u>210,869</u>	<u>671,722</u>
December 31, 2023	<u>\$ 460,853</u>	<u>188,075</u>	<u>648,928</u>
Fair value:			
December 31, 2024			<u>\$ 2,110,401</u>
December 31, 2023			<u>\$ 1,687,104</u>
January 1, 2023			<u>\$ 1,626,593</u>

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(18).

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

As of December 31, 2024 and 2023, 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.

(XII) Short-term borrowings

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Borrowings on unsecured letters of credit	\$ 18,615	-
Unsecured bank borrowings	186,902	319,693
Secured bank borrowings	-	146,270
Total	<u>\$ 205,517</u>	<u>465,963</u>
Outstanding limits	<u>\$ 2,389,871</u>	<u>2,315,804</u>
Interest rates	<u>1.95% -7.77%</u>	<u>1.72% - 7.55%</u>

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 Group is as follows:

	<u>2024.12.31</u>	
	<u>Guarantee or acceptance institution</u>	<u>Interest rates</u>
Commercial papers payable	Bills finance company	1.98% - 2.18%
		<u>\$ 100,000</u>
Outstanding limits		<u>\$ 330,000</u>

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

	Guarantee or acceptance institution	2023.12.31	
		Interest rates	Amount
Commercial papers payable	Bills finance company	-	<u>\$ -</u>
Outstanding limits			<u>\$ 430,000</u>

(XIV) Other current liabilities

Breakdown of other current liabilities

	2024.12.31	2023.12.31
Contract liabilities	\$ 92,998	86,845
Compensation received in advance (Note)	1,103,220	1,060,698
Others	43,283	53,515
Total	<u>\$ 1,239,501</u>	<u>1,201,058</u>

Note: Please refer to Note 9 (2) for details of compensation received in advance for the right-of-use houses and land relocated and acquired.

(XV) Long-term borrowings

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

	Currency	Interest rates	2024.12.31 Maturity date	Amount
Secured bank borrowings	TWD	2.21%-2.49%	2039.04.15	\$ 418,686
Secured bank borrowings	PESO	6.85%	2027.06.25	83,529
				502,215
Less: Portion due within one year				(76,687)
Total				<u>\$ 425,528</u>
Outstanding limits				<u>\$ 154,414</u>

	Currency	Interest rates	2023.12.31 Maturity date	Amount
Secured bank borrowings	TWD	2.37%	2024.10.19	\$ 440,000
Secured bank borrowings	PESO	6.70%	2026.07.17	91,493
				531,493
Less: Portion due within one year				(459,061)
Total				<u>\$ 72,432</u>
Outstanding limits				<u>\$ 129,810</u>

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

For information on the Group's interest risk, currency risk and liquidity risk, please refer to Note 6(26).

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

(XVI) Lease liabilities

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Current	<u>\$ 35,618</u>	<u>39,214</u>
Non-current	<u>\$ 32,239</u>	<u>51,797</u>

For details of the maturity analysis, please refer to Note 6(26) financial instruments.

The amount recognized in profit or loss is as follows:

	<u>2024</u>	<u>2023</u>
Interest expenses on lease liabilities	<u>\$ 2,297</u>	<u>2,252</u>
Expenses relating to short-term leases	<u>\$ 10,045</u>	<u>8,460</u>
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	<u>\$ 982</u>	<u>822</u>

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

	<u>2024</u>	<u>2023</u>
Total cash used in leases	<u>\$ 56,450</u>	<u>48,889</u>

1. Land, house and building leases

As of December 31, 2024 and 2023, 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.

(XVII) Debt allowance

	<u>Debt allowance for discount</u>
Balance at January 1, 2024	\$ 16,046
Debt allowance increased during the period	8,206
Debt allowance used during the period	(10,859)
Debt allowance reversed during the period	<u>(600)</u>
Balance on December 31, 2024	<u>\$ 12,793</u>

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

Balance at January 1, 2023	\$ 19,089
Debt allowance increased during the period	8,399
Debt allowance used during the period	(9,808)
Debt allowance reversed during the period	<u>(1,634)</u>
Balance on December 31, 2023	<u>\$ 16,046</u>

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

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.

(XVIII) 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(11) 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:

	2024.12.31	2023.12.31
Less than 1 year	\$ 29,411	27,332
1 to 5 years	62,082	47,920
> 5 years	1,418	4,784
Total undiscounted lease payment	<u>\$ 92,911</u>	<u>80,036</u>

For the years ended December 31, 2024 and 2023, the rental revenue from investment properties amounted to NT\$23,756 thousand and NT\$34,711 thousand, respectively.

(XIX) 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:

	2024.12.31	2023.12.31
Defined benefit obligation	\$ 666,436	704,311
Fair value of plan assets	(861,039)	(822,494)
Net defined benefit liabilities (assets)	<u>\$ (194,603)</u>	<u>(118,183)</u>

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 Insurance, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall be no less than the

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

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\$861,039 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, 2024 and 2023, the movements in the present value of the defined benefit obligations of the Group are as follows:

	2024	2023
Defined benefit obligations as at January 1	\$ 704,311	790,897
Current service costs and interest	15,918	17,641
Remeasurements of net defined benefit liability		
- Actuarial gains or losses arising from demographic assumptions	-	980
- Actuarial gains or losses arising from financial assumptions	(5,714)	10,141
- Adjustments based on experiences	16,956	(7,365)
Prior service costs	2,352	2,765
Exchange differences from overseas plans	1,395	867
Benefits paid under the plan	(68,782)	(64,286)
Assets acquired from business combination	-	(47,329)
Defined benefit obligations as at December 31	<u>\$ 666,436</u>	<u>704,311</u>

(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, 2024 and 2023 are as follows:

	2024	2023
Fair value of plan assets as at January 1	\$ 822,494	863,576
Interest income	11,814	12,556
Remeasurements of net defined benefit liability		
- Return on plan assets (excluding interest income of the current period)	74,124	8,938
Contributions appropriated to the plan	18,834	32,415
Allocation of the plan participants	1,778	-
Exchange differences from overseas plans	777	389
Benefits paid under the plan	(68,782)	(64,286)
Assets acquired from business combination	-	(31,094)
Fair value of plan assets as at December 31	<u>861,039</u>	<u>822,494</u>

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

(4) Expenses recognized as profit or loss

The breakdown of expenses recognized by the Group as of December 31, 2024 and 2023 is as follows:

	2024	2023
Current period service costs	\$ 4,074	4,266
Prior service costs	2,352	2,765
Net interest of net defined benefit liabilities	8,548	10,093
Interest income from planned assets	(8,518)	(9,274)
Net effect of business combination	-	(16,530)
	\$ 6,456	(8,680)

	2024	2023
Operating cost	\$ 4,480	(1,032)
Sales and marketing expenses	26	(4,354)
General and administrative expenses	1,941	(1,824)
Research and development expenses	9	(1,470)
	\$ 6,456	(8,680)

(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:

	2024.12.31	2023.12.31
Discount rate	1.38% - 6.24%	1.13% - 6.07%
Future salary increase	1.25% - 5.00%	1.25% - 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 2024 is NT\$7,139 thousand.

The weighted average lifetime of the defined benefits plans is 5.7~10.1 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, 2024 and 2023 shall be as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%~1.00%	Decreased by 0.25%~1.00%
December 31, 2024		
Discount rate	\$ 49,876	76,950
Future salary increase	77,113	49,631

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

	Influences on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2023		
Discount rate	\$ 46,686	76,540
Future salary increase	76,650	48,410

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, 2024 and 2023 amounted to NT\$26,184 thousand and NT\$26,634 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\$10,577 thousand and NT\$7,978 thousand for the years ended December 31, 2024 and 2023, respectively.

(XX) Income tax

1. Income tax expenses

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

	2024	2023
Current income tax expense		
Arising during the period	\$ 27,890	176,892
Current income tax with adjustments to the prior period	334	(2,675)
	<u>28,224</u>	<u>174,217</u>
Deferred income tax expense		
Occurrence and reversal of temporary differences	6,312	(130,111)
Income tax expenses for continuing operations	<u>\$ 34,536</u>	<u>44,106</u>

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

The breakdown of income tax expenses recognized in other comprehensive income by the Group for the years ended December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit plans	<u>\$ 14,794</u>	<u>869</u>

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

Reconciliation of income tax and profit before tax of the Group for 2024 and 2023 is as follows:

	2024	2023
Net profits before tax	\$ 95,741	66,183
Income tax calculated at the domestic tax rate at the place where the Company locates	\$ 14,420	13,249
Effect of tax rate differences in foreign jurisdictions	(18,746)	(38,976)
Non-temporary differences	10,047	(16)
Tax-exempted income	7,295	(2,651)
Tax incentives	(3,505)	(7,674)
(2) Unrecognized deferred income tax assets	17,766	42,960
Changes in unrecognized temporary differences	7,643	31,842
Prior under (over) estimation	334	(2,675)
Additional tax on undistributed earnings	229	7,859
Others	(947)	188
Total	\$ 34,536	44,106

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

As of December 31, 2024 and 2023, 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:

	2024.12.31	2023.12.31
Deductible temporary differences	\$ 68,641	57,285
Aggregate amount of temporary differences related to investments in subsidiaries	363,128	355,322
	\$ 431,769	412,607

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.

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

As of December 31, 2024, for taxation losses of the Group (foreign subsidiaries) not recognized as deferred income tax assets, the deduction period is as follows:

<u>Year of loss</u>	<u>Unrecognized losses not deducted</u>	<u>Last year available for deduction</u>
2016	31,584	2026
2017	35,248	2027
2018	27,168	2028
2019	51,067	2029
2020	31,175	2030
2021	1,459	2031
2022	8,087	2032
	<u><u>\$ 185,788</u></u>	

As of December 31, 2024, for taxation losses of the Group (foreign subsidiaries) not recognized as deferred income tax assets, the deduction period is as follows:

<u>Year of loss</u>	<u>Unrecognized losses not deducted</u>	<u>Last year available for deduction</u>
2021	\$ 9,409	2026
2022	24,613	2027
2023	23,994	2028
2024	67,917	2029
	<u><u>\$ 125,933</u></u>	

(3) Recognized deferred income tax assets and liabilities

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

	<u>Defined benefit plans</u>	<u>Reserve for land value increment tax</u>	<u>Others</u>	<u>Total</u>
Deferred income tax liabilities:				
Balance at January 1, 2024	\$ 65,718	276,574	19,784	362,076
Debit (credit) on the income statement	2,917	-	(1,767)	1,150
Debit (credit) on other comprehensive income	1,739	-	-	1,739
Effects on changes in exchange rates	-	-	156	156
Balance on December 31, 2024	<u><u>\$ 70</u></u>	<u><u>76,574</u></u>	<u><u>18,173</u></u>	<u><u>365,121</u></u>

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

Balance at January 1, 2023	\$	7,075	276,574	12,016	295,665
Debit (credit) on the income statement		58,835	-	7,891	66,726
Debit (credit) on other comprehensive income		(192)	-	-	(192)
Effects on changes in exchange rates		-	-	(123)	(123)
Balance on December 31, 2023	\$	<u>65,718</u>	<u>276,574</u>	<u>19,784</u>	<u>362,076</u>

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

	Defined benefit plans	Relocation and compensation	Others	Total
Deferred income tax assets:				
Balance at January 1, 2024	\$ 48,923	147,677	28,575	225,175
(Debit) credit on the income statement	117	(4,304)	(975)	(5,162)
(Debit) credit on other comprehensive income	(10,970)	-	-	(10,970)
Effects on changes in exchange rates	145	3,108	324	3,577
Balance on December 31, 2024	<u>\$ 38,215</u>	<u>146,481</u>	<u>27,924</u>	<u>212,620</u>
Balance at January 1, 2023	\$ 2,644	-	28,723	31,367
(Debit) credit on the income statement	47,462	150,011	(636)	196,837
(Debit) credit on other comprehensive income	(1,061)	-	-	(1,061)
Effects on changes in exchange rates	(122)	(2,334)	488	(1,968)
Balance on December 31, 2023	<u>\$ 48,923</u>	<u>147,677</u>	<u>28,575</u>	<u>225,175</u>

3. Assessment of tax

The Group - The tax returns of Hoceng Service Co., Ltd., Bao Long Interior Crafts Co., Ltd., and Hohong Co., Ltd. through 2020 have been examined and approved by the taxation agency.

(XXI) Capital and other equity

As of December 31, 2024 and 2023, 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 both 302,304 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of the Company's outstanding shares for the years ended December 31, 2024 and 2023 is set out in the following table:

	(presented in thousand shares)	
	Common Stock	
	2024	2023
Opening balance on January 1	302,304	303,280
Retirement of treasury stock	-	(976)
Closing balance on December 31	<u>302,304</u>	<u>302,304</u>

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

1. Shares

Note 1: Based on the benefits of integrated resource utilization, the Company's board of directors resolved to conduct a short-form merger with its subsidiary Hostan Corporation on June 27, 2023. The record date of the merger was July 28, 2023, and the Company became the surviving entity after the merger. The subsidiary Hostan was the merging entity. The Company has not issued new shares for the merger, and at the same time canceled the 976 thousand shares of the Company held by Hostan.

2. Capital reserve

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

	2024.12.31	2023.12.31
Treasury share transactions	\$ 12,951	12,862
Changes in net equity of subsidiaries recognized by using the equity method	1,919	1,919
Consolidation premium	1,275	1,275
Others	702	531
	<u>\$ 16,847</u>	<u>16,587</u>

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

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

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, 2024 and 2023, the carrying amount of the special reserve amounted to NT\$458,116 thousand.

(3) Earnings distribution

The proposal for earning distribution for 2023 and 2022 was approved as a resolution at the shareholders' meeting on June 26, 2024 and July 21, 2023. The amount of dividends distributed to the owners is as follows:

	2023		2022	
	<u>Payout ratio(NTD)</u>	<u>Amount</u>	<u>Payout ratio(NTD)</u>	<u>Amount</u>
Dividends distributed to owners of ordinary shares:				
Cash	\$ 0.	<u>1,461</u>	0.20	<u>60,656</u>

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

4. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2024 and 2023 is as follows:

<u>Company name of the shareholding</u>	<u>Accounting item</u>	<u>2024.12.31</u>			<u>2023.12.31</u>		
		<u>Number of shares (thousan d shares)</u>	<u>Costs</u>	<u>Market price</u>	<u>Number of shares (thousand shares)</u>	<u>Costs</u>	<u>Market price</u>
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	\$ 4,781	7,707	445	4,781	8,086

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

5. Other equity (net of tax)

	Exchange differences on translation of foreign operations	Unrealized (losses) gains of financial assets at fair value through other comprehensive income	Non-controlling interests
Balance at January 1, 2024	\$ 16,738	600,686	57,191
Net profits for the period	-	-	2,787
Exchange differences arising from the translation of net assets of foreign operations	38,037	-	530
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	85,688	151
Disposal of equity instruments measured at fair value through other comprehensive income	-	3	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	(76,437)	-
Others	-	-	1,997
Balance on December 31, 2024	\$ 54,775	609,940	62,656
Balance at January 1, 2023	\$ (1,184)	377,823	60,663
Net profits for the period	-	-	2,730
Exchange differences arising from the translation of net assets of foreign operations	17,922	-	532
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	240,007	346
Disposal of equity instruments measured at fair value through other comprehensive income	-	(17,144)	-
Others	-	-	(7,080)
Balance on December 31, 2023	\$ 16,738	600,686	57,191

(XXII) Earnings per share

1. Basic earnings per share

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

	2024	2023
Net profit of the period attributable to the Company	\$ 58,418	19,347

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

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

	<u>2024</u>	<u>2023</u>
Issued ordinary shares as at January 1	302,304	303,280
Effect of treasury shares	(445)	(1,001)
Weighted average number of issued ordinary shares as at December 31	<u>301,859</u>	<u>302,279</u>

2. Diluted earnings per share

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

	<u>2024</u>	<u>2023</u>
Net profit attributable to ordinary shareholders of the Company	<u>\$ 58,418</u>	<u>19,347</u>

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

	<u>2024</u>	<u>2023</u>
Weighted average number of issued ordinary shares (basic)	301,859	302,279
Effect of employee share bonus	323	409
Weighted average number of issued ordinary shares as at December 31 (diluted)	<u>302,182</u>	<u>302,688</u>

3. Earnings per share are as follows:

	<u>2024</u>	<u>2023</u>
Basic earnings per share	<u>\$ 0.19</u>	<u>0.06</u>
Diluted earnings per share	<u>\$ 0.19</u>	<u>0.06</u>

(XXIII) Revenue from contracts with customers

1. Breakdown of revenue

	<u>2024</u>				
	<u>Taiwan business department</u>	<u>China business department</u>	<u>Philippine business department</u>	<u>Other departments</u>	<u>Total</u>
Primary geographical markets:					
Taiwan	\$ 3,721,959	-	8,303	-	3,730,262
China	-	249,657	-	13,631	263,288
Philippines	-	-	856,577	-	856,577
Other countries	6,464	-	-	355	6,819
Total	<u>\$ 3,728,423</u>	<u>249,657</u>	<u>864,880</u>	<u>13,986</u>	<u>4,856,946</u>

Major

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

products/service

lines:

Porcelain	\$ 1,218,183	145,482	469,134	13,240	1,846,039
Copper	696,793	52,011	144,110	633	893,547
Toilet seat cover	574,102	5,108	31,764	10	610,984
Fine pottery	73,725	-	-	-	73,725
Others	<u>1,165,619</u>	<u>47,056</u>	<u>219,872</u>	<u>104</u>	<u>1,432,651</u>
Total	<u><u>\$ 3,728,422</u></u>	<u><u>249,657</u></u>	<u><u>864,880</u></u>	<u><u>13,987</u></u>	<u><u>4,856,946</u></u>

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

2023					
	<u>Taiwan business department</u>	<u>China business department</u>	<u>Philippine business department</u>	<u>Other departments</u>	<u>Total</u>
Primary geographical markets:					
Taiwan	\$ 3,717,871	-	-	-	3,717,871
China	-	272,959	-	3,779	276,738
Philippines	-	-	860,519	-	860,519
Other countries	13,561	-	-	2,098	15,659
Total	<u><u>\$ 3,731,432</u></u>	<u><u>272,959</u></u>	<u><u>860,519</u></u>	<u><u>5,877</u></u>	<u><u>4,870,787</u></u>
Major products/service lines:					
Porcelain	\$ 1,241,002	151,077	532,052	4,372	1,928,503
Copper	704,592	35,818	114,964	964	856,338
Toilet seat cover	553,108	5,062	42,061	92	600,323
Fine pottery	117,994	-	-	-	117,994
Others	1,114,736	81,002	171,442	449	1,367,629
Total	<u><u>\$ 3,731,432</u></u>	<u><u>272,959</u></u>	<u><u>860,519</u></u>	<u><u>5,877</u></u>	<u><u>4,870,787</u></u>

(XXIV) 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, 2024 and 2023, the estimated remuneration of employees was NT\$4,378 thousand and NT\$3,722 thousand, and the remuneration of Directors was NT\$2,189 thousand and NT\$1,861 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 change in accounting estimates, and such differences are recognized as profit or loss in the following year. For the remuneration of

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

employees and remuneration of Directors and supervisors of the Company, the actual distribution amount and the estimated amount in 2023 were equivalent; for relevant information, please visit MOPS for inquiries.

(XXV) Non-operating income and expenses

1. Interest income

The breakdown of interest income of the Group in 2024 and 2023 is as follows:

	2024	2023
Interest from cash in the bank	\$ 27,995	13,335

2. Other income

The breakdown of other income of the Group in 2024 and 2023 is as follows:

	2024	2023
Rental income	\$ 27,615	39,693
Dividend income	45,594	49,947
Royalties and others	37,096	61,014
	\$ 110,305	150,654

3. Other gains and losses

The breakdown of other gains and losses of the Group in 2024 and 2023 is as follows:

	2024	2023
Currency exchange (losses) gains	\$ 1,701	(11,937)
Net gains on financial assets at fair value through profit or loss	3,540	2,934
Net gains from disposal and scrapping of property, plant and equipment	866	49
Depreciation of investment properties	(12,811)	(19,493)
Other gains and losses	(8,416)	(9,395)
	\$ (15,120)	(37,842)

4. Finance costs

The breakdown of finance costs of the Group in 2024 and 2023 is as follows:

	2024	2023
Interest expenses	\$ 29,264	51,893

(XXVI) Financial instruments

1. Credit risks

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the

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

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, 2024 and 2023, 48% and 46% of notes receivable balance and 20% 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	612 months	12 years	25 years	Over 5 years
December 31, 2024							
Non-derivative financial instruments							
Secured bank	\$ 502,215	551,708	8,047	84,610	87,858	350,027	21,166
borrowings							
Unsecured bank	205,517	207,411	193,973	13,438	-	-	-
borrowings							
Short-term notes payable	100,000	100,059	100,059	-	-	-	-
Notes payable	51,620	51,620	51,620	-	-	-	-
Accounts payable	568,868	568,868	568,868	-	-	-	-
Other payables	378,926	378,926	378,926	-	-	-	-
Lease liabilities	67,857	69,831	19,856	17,200	21,141	11,634	-
	\$ 1,875,003	1,928,423	1,321,349	115,248	108,999	361,661	21,166
December 31, 2023							
Non-derivative financial instruments							
Secured bank	\$ 677,763	699,724	195,385	424,409	4,853	75,077	-
borrowings							
Unsecured bank	319,693	321,753	321,302	451	-	-	-
borrowings							
Notes payable	51,360	51,360	51,360	-	-	-	-

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

Accounts payable	518,084	518,084	518,084	-	-	-	-
Other payables	421,135	421,135	421,135	-	-	-	-
Lease liabilities	91,011	94,419	21,914	19,276	32,334	20,895	-
	<u>\$ 2,079,046</u>	<u>2,106,475</u>	<u>1,529,180</u>	<u>444,136</u>	<u>37,187</u>	<u>95,972</u>	<u>-</u>

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:

	2024.12.31			2023.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary</u>						
<u>items</u>						
USD	\$	390	32.785	426	30.705	13,080
RMB		8,153	4.478	7,870	4.327	34,053
<u>Financial</u>						
<u>liabilities</u>						
<u>Monetary</u>						
<u>items</u>						
USD		2,203	32.785	543	30.705	16,673

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

(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, 2024 and 2023, if an appreciation or depreciation of 1% of the NTD against the USD and RMB occurs, the net profit after tax of 2024 and 2023 would have decreased by NT\$182 thousand and increased by NT\$244 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 2024 and 2023 were losses of NT\$1,701 thousand and gains of NT\$11,937 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\$4,756 thousand and NT\$6,080 thousand for the years ended December 31, 2024 and 2023, 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:

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

	2024.12.31				
	Carrying amount:	Fair value:			
		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	\$ 222,505	222,505	-	-	222,505
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	1,174,485	1,174,485	-	-	1,174,485
Domestic non-listed stocks	2,526	-	-	2,526	2,526
Corporate bonds redeemable	9,399	9,399	-	-	9,399
Subtotal	1,186,410	1,183,884	-	2,526	1,186,410
Financial assets measured at amortized cost					
Cash and cash equivalents	771,531	-	-	-	-
Notes and accounts receivable	1,093,621	-	-	-	-
Other receivables	91,652	-	-	-	-
Other Financial assets	426,590	-	-	-	-
Restricted Assets	2,358	-	-	-	-
Refundable deposits	44,559	-	-	-	-
Subtotal	2,430,311	-	-	-	-
Total	\$ 3,839,226	1,406,389	-	2,526	1,408,915
Financial liabilities at amortized cost					
Bank loan	\$ 707,732	-	-	-	-
Short-term notes payable	100,000	-	-	-	-
Notes and accounts payable	620,488	-	-	-	-
Other payables	378,926	-	-	-	-
Lease liabilities	67,857	-	-	-	-
Guarantee deposits	19,404	-	-	-	-
Total	\$ 1,894,407	-	-	-	-

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

	2023.12.31				
	Carrying amount:	Fair value:			
		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	\$ 149,673	149,673	-	-	149,673
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	1,161,975	1,161,975	-	-	1,161,975
Domestic non-listed stocks	2,941	-	-	2,941	2,941
Subtotal	1,164,916	1,161,975	-	2,941	1,164,916
Financial assets measured at amortized cost					
Cash and cash equivalents	1,372,939	-	-	-	-
Notes and accounts receivable	1,186,794	-	-	-	-
Other receivables	74,317	-	-	-	-
Restricted Assets	2,332	-	-	-	-
Refundable deposits	43,206	-	-	-	-
Subtotal	2,679,588	-	-	-	-
Total	\$ 3,994,177	1,311,648	-	2,941	1,314,589
Financial liabilities at amortized cost					
Bank loan	\$ 997,456	-	-	-	-
Notes and accounts payable	569,444	-	-	-	-
Other payables	421,135	-	-	-	-
Lease liabilities	91,011	-	-	-	-
Guarantee deposits	19,057	-	-	-	-
Total	\$ 2,098,103	-	-	-	-

(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.

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

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 2024 and 2023.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income
	Equity instruments with no open quotation
January 1, 2024	\$ 2,941
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(415)
December 31, 2024	<u>\$ 2,526</u>
January 1, 2023	\$ 3,147
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(206)
December 31, 2023	<u>\$ 2,941</u>

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 2024 and 2023 are as follows:

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

	<u>2024</u>	<u>2023</u>
Total gains or losses		
Recognized in other comprehensive income	<u>\$ (415)</u>	<u>(206)</u>
(presented as “unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income”)		

(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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Interrelationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income	Net asset value method	Net asset value	Not applicable

(XXVII) Financial risk management

1. Overview and Summary

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

- (1) Credit risk
- (2) Liquidity risk

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

(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.

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

(2)Investment

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)Guarantee and certificate

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, 2024 and 2023.

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.

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

(2) Interest rate risk

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

(XXVIII) 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:

	2024.12.31	2023.12.31
Total liabilities	\$ 3,540,915	3,868,126
Less: Cash and cash equivalents	<u>(771,531)</u>	<u>(1,372,939)</u>
Net liabilities	<u>\$ 2,769,384</u>	<u>2,495,187</u>
Total capital	<u>\$ 6,902,158</u>	<u>6,726,663</u>
Debt-to-equity ratio	<u>40.12%</u>	<u>37.09%</u>

As of December 31, 2024, the Group had not changed its capital management method.

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

Investing and financing activities of non-cash transactions performed by the Group in 2024 and 2023.

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

	2024.1.1	Cash flow	Add	Less	Non-cash change Changes in exchange rate	2024.12.31
Short-term borrowings	\$ 465,963	(262,000)	-	-	1,554	205,517
Long-term borrowings	531,493	(31,241)	-	-	1,963	502,215
Lease liabilities	91,011	(43,126)	22,997	1,374	(4,399)	67,857
Short-term notes payable	-	100,000	-	-	-	100,000
Guarantee deposits	19,057	347	-	-	-	19,404
Total liabilities from financing activities	<u>\$ 1,107,524</u>	<u>(236,020)</u>	<u>22,997</u>	<u>1,374</u>	<u>(882)</u>	<u>894,993</u>

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

	2023.1.1	Cash flow	Non-cash change		Changes in exchange rate	2023.12.31
			Add	Less		
Short-term borrowings	\$ 927,415	(461,988)	-	-	536	465,963
Long-term borrowings	596,716	(64,126)	-	-	(1,097)	531,493
Lease liabilities	84,800	(37,355)	46,533	(4,672)	1,705	91,011
Short-term notes payable	105,000	(105,000)	-	-	-	-
Guarantee deposits	19,164	(107)	-	-	-	19,057
Total liabilities from financing activities	\$ 1,733,095	(668,576)	46,533	(4,672)	1,144	1,107,524

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	A company accounted for by using the equity method by Hocheng Group Holdings Corp. (associate)
Hecheng Jianlang (Shanghai) 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)
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:

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

	<u>2024</u>	<u>2023</u>
Other related parties	\$ 8,310	445
Associates	29,087	38,395
	<u>\$ 37,397</u>	<u>38,840</u>

The price of the consolidated company's sales to affiliated companies and other related parties was not significantly different from the general selling price. No collateral was collected for the accounts receivable of related parties, and no bad debt expense was recognized after assessment.

2. Purchase of goods

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

	<u>2024</u>	<u>2023</u>
Other related parties	<u>\$ 139,653</u>	<u>136,072</u>

The consolidated company negotiated the purchase price of the above-mentioned companies with reference to the market price, and the payment term is 120 days.

3. Amounts receivable from related parties

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

<u>Accounting item</u>	<u>Type of related parties</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable	Other related parties	\$ 4	-
Accounts receivables	Other related parties	2,270	38
Accounts receivables	Associates	9,230	7,705
Other receivables	Other related parties	7,095	9,581
		<u>\$ 18,599</u>	<u>17,324</u>

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

4. Amounts payable to related parties

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

<u>Accounting item</u>	<u>Type of related parties</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes payable	Other related parties	\$ 36,544	38,373
Accounts payable	Other related parties	15,121	14,173
Other payables	Other related parties	11	-
		<u>\$ 51,676</u>	<u>52,546</u>

5. Lease

The consolidated company leased offices from other related parties for the years ended December 31, 2024 and 2023 for an amount of NT\$16,377thousand, NT\$16,633thousand, and NT\$20,723thousand, and NT\$20,821thousand, respectively.

6. Others

(1) As of December 31, 2024 and 2023, the Group's real estate of Yingge factory and office amounted to NT\$94,173 thousand and NT\$94,678 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, 2024 and 2023, the real estate had temporarily registered under Li-Chien 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.

(2) In January 2023, the company purchased the outstanding equity of He-Hong Co., Ltd. from key management personnel, and the amount of transaction was NT\$ 620 thousand.

(3) Other related parties

<u>Accounting item</u>	<u>Type of related parties</u>	<u>2024</u>	<u>2023</u>
Operating expenses	Other related parties	\$ 663	-
Non-Operating revenue	Other related parties	1,877	2,048

(IV) Key management transaction

The compensation of the key management includes:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 65,234	63,953
Post-employment benefits	2,688	2,718
	<u>\$ 67,922</u>	<u>66,671</u>

The Group provided 12 and 11 company cars for the key management with a total cost of NT\$18,252 thousand and NT\$16,107 thousand, respectively, for the key management's use in 2024 and 2023.

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

VIII. Pledged assets

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

Asset Name	Target	2024.12.31	2023.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	\$ 1,902,764	2,057,608
Proceeds from disposal of property, plant and equipment	Long-term and short-term borrowings	-	31,494
Investment property - Land and houses	Long-term and short-term borrowings	396,542	402,730
Restricted assets (recognized as other non-current assets - other)	Tender deposits and guarantee deposits for construction projects	2,358	2,332
Refundable deposits	House lease and deposits for construction and sales	44,559	43,206
		<u>\$ 2,346,223</u>	<u>2,537,370</u>

IX. Significant contingencies and unrecognized contractual commitments

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

	2024.12.31	2023.12.31
Promissory notes for engineering and product warranty and subject guarantee	<u>\$ 61,567</u>	<u>47,742</u>

(II) In order to meet the economic development and construction needs of Luzhi Town, Wuzhong District, Suzhou City, the Group's, Hocheng (China) Co., Ltd., signed an agreement for the right-of-use of relocated and purchased houses and land with Suzhou Runsong Development and Construction Co., Ltd. on April 14, 2023. The compensation to the Group is appropriated in installments according to the progress of the contract, and the total amount of compensation is RMB 404,260 thousand. As of December 31, 2024, litigation with the lessee was still ongoing, the relocation has not yet been completed. According to the contract, the Company received a compensation amounting to RMB 282,982 thousand in advance (recognized in other current liabilities).

X. Losses due to major disasters: None.

XI. Significant events after the period: None.

XII. Others

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

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

By function By nature	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	458,507	473,541	932,048	470,247	492,641	962,888
Labor and health insurance	45,368	45,503	90,871	46,397	45,972	92,369
Pension costs	15,694	27,523	43,217	11,014	14,918	25,932
Other employee benefits expense	43,444	41,636	85,080	38,859	32,471	71,330
Depreciation expenses	99,607	97,777	197,384	94,843	112,781	207,624
(Note)						
Amortization expense	2,131	7,235	9,366	2,241	8,049	10,290

(Note): The depreciation expenses, excluding the depreciation of investment properties, in 2024 and 2023 amounted to NT\$12,811 thousand and NT\$19,493 thousand, respectively.

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

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, 2024 is as follows:

1. Loans to others:
2. Guarantees and endorsements for others:

Unit: NT\$ thousand

No.	Endorsement/Guarantee Name of the certificate	Party being endorsed/guaranteed		Single enterprise	Maximum balance of the period	At the end of the period	Actual drawdown amount	Property as collateral	Accumulated endorsement/guarantee amount	Endorsement/Guarantee	Owner of the parent company	Subsidiary	Belonging to the party in China
		Company name	Relationship (Note 1)	Limit of endorsements/guarantees (Note 2)	Balance of endorsement/guarantee	Balance of endorsement/guarantee	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)	Highest limit of securities (Note 3)	Endorsement/guarantee provided to a subsidiary	Endorsement/guarantee provided to a parent company	Endorsement and guarantee for regional
0	Hocheng Corporation	Hoceng Philippines Corporation	3	6,839,502	226,251	210,801	-	-	3.08%	6,839,502	Y		
0	"	Bao Long Interior Crafts Co., Ltd.	3	6,839,502	150,000	150,000	-	50,000	2.19%	6,839,502	Y		
1	Hoceng Service Co., Ltd.	Hocheng Corporation	3	131,391	5,840	5,840	4,017	-	0.09%	131,391		Y	

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):

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

Unit: NT\$ thousand/share

Names of companies held	Securities Type and name	Relationship with the securities issuer Relationship with the issuer	Accounting item	Period: End				Highest shareholding in the period or investment status	Remarks
				Number of 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	44,520	- %	44,520	- %	
	KGI Financial Holding Co., Ltd.	-	"	452,067	7,775	- %	7,775	- %	
	Taishin Financial Holding Co., Ltd.	-	"	580,174	10,095	- %	10,095	- %	
	United Microelectronics Corporation	-	"	800,000	34,440	0.01%	34,440	0.01%	
	Taiwan PCB Techvest Co., Ltd.	-	"	6,575,315	225,205	2.42%	225,205	2.42%	
	Capital Securities Corporation	-	"	8,551,000	210,782	0.39%	210,782	0.39%	
	Pegatron Corporation	-	"	75,000	6,893	- %	6,893	- %	
	Mega Financial Holding Company Ltd.	-	"	1,412,268	54,655	0.01%	54,655	0.01%	

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

Names of companies held	Securities Type and name	Relationship with the securities issuer Relationship with the issuer	Accounting item	Period: End				Highest shareholding in the period or investment status	Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)		
The Company	CTBC Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income -- Non-current	2,498,000	97,672	0.01%	97,672	0.01%	
	Core Pacific City Co., Ltd.	-	"	49,205	251	0.49%	251	0.49%	
	Union Securities Investment Trust Co., Ltd.	-	"	98,869	1,344	0.32%	1,344	0.32%	
	Power Chip Technology Corporation	-	"	27,816	274	- %	274	- %	
	Power Chip Semiconductor Manufacturing Corp.	-	"	50,336	800	- %	800	- %	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss -- Current	1,890,737	26,748	- %	26,748	- %	
	Yuanta Wan Tai Money Market Fund	-	"	1,299,788	20,502	- %	20,502	- %	
	Sinopac TWD Money Market Fund	-	"	2,027,912	29,418	- %	29,418	- %	
	Capital Money Market Fund	-	"	1,821,545	30,639	- %	30,639	- %	
	Hua Nan Phoenix Money Market Fund	-	"	1,088,967	18,470	- %	18,470	- %	
	Hua Nan Kirin Money Market Fund	-	"	338,550	4,221	- %	4,221	- %	
	GREAT WALL ENTERPRISE CO., LTD.	-	Financial assets at fair value through other comprehensive income -- Non-current	40,000	2,060	- %	2,060	- %	
Hohong Co., Ltd.	Formosa Plastics Corporation	-	"	30,000	1,065	- %	1,065	- %	
	CATHAY CONSOLIDATED INC.	-	"	1,099	110	- %	110	- %	
	Zeng Hsing Industrial Co., Ltd.	-	"	10,743	1,191	0.02%	1,191	0.02%	
	Standard Chemical & Pharmaceutical Co. Ltd.	-	"	20,000	1,238	0.01%	1,238	0.01%	
	Hocheng Corporation	Is its subsidiary	"	445,484	7,707	0.15%	7,707	0.15%	Note1
	Longchen Paper & Packaging Co., Ltd.	-	"	268,152	3,110	0.02%	3,110	0.02%	
	Sheh Kai Precision Co., Ltd.	-	"	75,000	2,565	0.15%	2,565	0.15%	
	Iron Force Industrial Co., Ltd.	-	"	39,410	3,893	0.05%	3,893	0.05%	
	Turvo International Co., Ltd.	-	"	50,000	14,125	0.08%	14,125	0.08%	
	Compeq Manufacturing Co., Ltd.	-	"	40,000	2,804	- %	2,804	- %	
	Hong Hai Precision Industrial Co., Ltd.	-	"	58,480	10,760	- %	10,760	- %	
	Yageo Corporation	-	"	4,754	2,572	- %	2,572	- %	
	Taiwan Semiconductor Manufacturing Company Limited	-	"	31,365	33,717	- %	33,717	- %	
	Foxconn Technology Co., Ltd.	-	"	10,000	744	- %	744	- %	
	Elite Material Co., Ltd.	-	"	20,000	12,360	0.01%	12,360	0.01%	
	Walsin Technology Corporation	-	"	10,000	925	- %	925	- %	

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

Names of companies held	Securities Type and name	Relationship with the securities issuer Relationship with the issuer	Accounting item	Period: End				Highest shareholding in the period or investment status	Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)		
Hohong Co., Ltd.	Evergreen International Storage and Transport Corporation	-	Financial assets at fair value through other comprehensive income -- Non-current	160,000	5,000	0.01%	5,000	0.01%	
	Aerospace Industrial Development Corp.	-	"	100,000	4,485	0.01%	4,485	0.01%	
	Cathay Financial Holdings Limited	-	"	151,426	10,342	- %	10,342	- %	
	KGI Financial Holding Co., Ltd.	-	"	132,288	2,275	- %	2,275	- %	
	Taishin Financial Holding Co., Ltd.	-	"	384,256	6,686	- %	6,686	- %	
	National Aerospace Fasteners Corporation	-	"	22,000	2,035	0.04%	2,035	0.04%	
	Getac Technology Corporation	-	"	40,000	4,240	0.03%	4,240	0.03%	
	COMPUCASE ENTERPRISE CO., LTD.	-	"	10,000	894	0.01%	894	0.01%	
	TXC Corporation	-	"	20,000	2,010	0.01%	2,010	0.01%	
	Tripod Technology Corporation	-	"	80,000	15,800	0.02%	15,800	0.02%	
	Ardentec Corporation	-	"	130,205	6,914	0.03%	6,914	0.03%	
	Xintec Inc.	-	"	5,000	990	- %	990	- %	
	Topco Technologies Corp.	-	"	8,538	593	0.01%	593	0.01%	
	Foxsemicon Integrated Technology Inc.	-	"	15,000	4,560	0.01%	4,560	0.01%	
	Avalue Technology Inc.	-	"	52,000	4,649	0.07%	4,649	0.07%	
	Well Shin Technology Co., Ltd.	-	"	26,000	1,604	0.02%	1,604	0.02%	
	Ruby Tech Corporation	-	"	40,000	3,920	0.01%	3,920	0.01%	
	Shih Her Technologies Inc.	-	"	70,000	8,890	0.12%	8,890	0.12%	
	Materials Analysis Technology Inc.	-	"	14,725	3,652	0.02%	3,652	0.02%	
	Arcadyan Technology Corporation	-	"	45,000	7,898	0.02%	7,898	0.02%	
	TSC Auto ID Technology Co., Ltd.	-	"	16,496	3,283	0.03%	3,283	0.03%	
	Allied Circuit Co., Ltd.	-	"	1,000	3,280	- %	3,280	- %	
	Bizlink Holding Inc.	-	"	10,354	6,337	0.01%	6,337	0.01%	
	ASE Technology Holding Co., Ltd.	-	"	80,000	12,960	- %	12,960	- %	
	WELLELL INC.	-	"	15,000	374	0.01%	374	0.01%	
	Global Tek Fabrication Co., Ltd.	-	"	2,000	164	- %	164	- %	
	Wistron Information Technology & Services Corporation	-	"	74,619	8,469	0.10%	8,469	0.10%	
	Zhen Ding Technology Holding Limited	-	"	120,000	14,400	0.01%	14,400	0.01%	
	KMC (Kuei Meng) International Inc.	-	"	30,100	3,597	0.02%	3,597	0.02%	

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

Names of companies held	Securities Type and name	Relationship with the securities issuer Relationship with the issuer	Accounting item	Period: End				Highest shareholding in the period or investment status	Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)		
Hohong Co., Ltd.	Sino American Silicon Products Inc.	-	Financial assets at fair value through other comprehensive income -- Non-current	50,000	6,725	0.01%	6,725	0.01%	
	Chailease Holding Company Limited	-	"	40,184	4,541	- %	4,541	- %	
	Simplo Co., Ltd.	-	"	10,000	3,970	0.01%	3,970	0.01%	
	Chipbond Technology Corporation	-	"	30,000	1,932	- %	1,932	- %	
	Powertech Technology Inc.	-	"	65,000	7,930	0.01%	7,930	0.01%	
	Lanner Electronics Inc.	-	"	80,700	7,602	0.06%	7,602	0.06%	
	Tong Hsing Electronic, Ltd.	-	"	20,000	2,780	0.01%	2,780	0.01%	
	GlobalWafers Co., Ltd	-	"	10,000	3,815	- %	3,815	- %	
	GEM Services, Inc.	-	"	60,450	3,978	0.05%	3,978	0.05%	
	Crystalvue Medical Corporation	-	"	6,300	535	0.02%	535	0.02%	
	Nova Technology Corp.	-	"	26,000	4,680	0.03%	4,680	0.03%	
	KEYSTONE MICROTECH CO.	-	"	5,000	2,138	0.02%	2,138	0.02%	
	Acer Cyber Security Inc.	-	"	9,893	2,043	0.04%	2,043	0.04%	
	Sensortek Technology Corp.	-	"	10,000	2,500	0.02%	2,500	0.02%	
	Unictron Technologies Corporation	-	"	10,000	640	0.02%	640	0.02%	
	Acer E-Enabling Service Business Inc.	-	"	7,000	2,013	0.02%	2,013	0.02%	
	WONDER PETS ENTERPRISES CORPORATION	-	"	10,000	603	0.02%	603	0.02%	
	Formosa Advanced Technologies Co., Ltd.	-	"	75,000	2,115	0.02%	2,115	0.02%	
	Allied Circuit Co., Ltd.	-	"	30,000	3,600	0.06%	3,600	0.06%	
	Chenbro Micom Co., Ltd.	-	"	10,000	2,665	0.01%	2,665	0.01%	
	Taiwan PCB Techvest Co., Ltd.	-	"	1,602,000	54,869	0.59%	54,869	0.59%	
	Actron Technology Corporation	-	"	5,000	833	- %	833	- %	
	Cleanaway Company Limited	-	"	10,000	1,800	0.01%	1,800	0.01%	
	Pou Chen Corporation	-	"	140,000	5,166	- %	5,166	- %	
	Macauto Industrial Co., Ltd.	-	"	40,000	2,140	0.05%	2,140	0.05%	
	Power Chip Technology Corporation	-	"	66,404	657	- %	657	- %	
	Power Chip Semiconductor Manufacturing Corp.	-	"	50,000	795	- %	795	- %	

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

Names of companies held	Securities Type and name	Relationship with the securities issuer Relationship with the issuer	Accounting item	Period: End				Highest shareholding in the period or investment status	Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)		
Hohong Co., Ltd.	D NET International Corporation	-	Financial assets at fair value through profit or loss -- Current	10,025	-	- %	-	- %	
	Syntronix Corporation	-	"	1,150	-	- %	-	- %	
	CASA Cost (AbGenomics Holding Ltd. Formosa Pharmaceuticals, Inc.)	-	"	20,000	-	- %	-	- %	
	UPAMC James Bond Money Market Fund	-	"	1,229,315	21,381	- %	21,381	- %	
	Franklin Templeton Sinoam Money Market Fund	-	"	756,571	8,158	- %	8,158	- %	
	Yunata De-Li Money Market Fund	-	"	122,436	2,082	- %	2,082	- %	
	Capital Money Market Fund	-	"	1,149,229	19,330	- %	19,330	- %	
	Hua Nan Phoenix Money Market Fund	-	"	241,557	4,097	- %	4,097	- %	
	Taishin 1699 Money Market Fund	-	"	217,086	3,071	- %	3,071	- %	
	JPMorgan Funds--China Fund--JPM	-	"	5,626	11,286	- %	11,286	- %	
	Pyxis	-	"	65,000,000	-	- %	-	- %	
Ritiboon International Limited	Asia Technology	-	"	1,400	-	- %	-	- %	
	HOTA INDUSTRIAL MFG. CO., LTD.	-	"	1,000	68	- %	68	- %	
	SOLAR APPLIED MATERIALS TECHNOLOGY CORP.	-	"	5,000	313	- %	313	- %	
Bao Long Interior Crafts Co., Ltd.	United Microelectronics Corporation	-	"	7,000	301	- %	301	- %	
	CO-TECH DEVELOPMENT CORP.	-	"	5,000	293	- %	293	- %	
	TCI Co., Ltd.	-	"	50	6	- %	6	- %	
Swatton International Corp.	PFBC	-	Financial assets at fair value through other comprehensive income -- Non-current	30,000	84,959	- %	84,959	- %	
	NEXTEER MOTOR CO.,LTD.	-	"	50,000	701	- %	701	- %	
	HKT Trust and HKT Ltd.	-	"	100,000	4,052	- %	4,052	- %	
	CK HUTCHISON HOLDINGS LTD	-	"	20,000	3,503	- %	3,503	- %	
	FOCONN INTERCONNECT TECHNOLOGY LTD.	-	"	95,000	1,463	- %	1,463	- %	
	MINTH GROUP LTD	-	"	60,000	3,829	- %	3,829	- %	
	Amazon	-	"	1,000	7,193	- %	7,193	- %	
	TSMC GLOBAL LTD	-	"	3,000	9,399	- %	9,399	- %	
	JPMorgan Chase Bank	-	Financial assets at fair value through profit or loss -- Current	20	10,249	- %	10,249	- %	
	Black Rock	-	"		11,872	- %	11,872	- %	

Note 1: The Company's shares possessed by subsidiaries have been deducted from the carrying amount. The shares are treated as treasury shares.

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

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 Name	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	Bao Long Interior Crafts Co., Ltd.	Subsidiary	Purchases	262,755	15.74%	Three months	-	No general transaction is comparable	(54,933)	(17.26)%	
"	Yuhuang Co., Ltd.	Substantive Related Party	"	139,052	8.33%	Four months	-	"	(48,895)	(15.37)%	

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			
				Subject	Amount	Term	Ratio to the consolidated total operating revenue
0	Hocheng Corporation	Hoceng Service Co., Ltd.	1	Sales income	61,504	At the transfer price	1.27%
0	"	Bao Long Interior Crafts Co., Ltd.	1	Cost of sales	262,755	At the transfer price	5.41%

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 liabilities 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 2024 is as follows:

Unit: NT\$ thousand

Investors Name and title	Investees Name and title	Where the Company is located Region	Main business line Item	Original / investment amount		Held at the end of the period			Highest shareholding in the period or investment status	Investees (losses) gains recognized during the period	Investment gains recognized during the period (losses) gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount:				
Hocheng Corporation	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	638,103	100.00%	(39,838)	(39,035)	Note 2
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,620	198,620	34,713,522	99.60%	719,192	99.60%	2,787	2,689	Note 1

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

Investors	Investees	Where the Company is located	Main business line	Original / investment amount		Held at the end of the period			Highest shareholding in the period	Investees	Investment gains recognized during the period	
Name and title	Name and title	Region	Item	Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount:	or investment status	(losses) gains recognized during the period	Investment (losses) gains recognized during the period	Remarks
Hocheng Corporation	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	1,050,000	70.00%	73,196	70.00%	7,290	4,511	Note 2
	Bao Long Interior Crafts Co., Ltd.	Taiwan	Manufacturing, processing, and trading of porcelain, ceramic boards, and tiles	804,761	804,761	21,001,000	100.00%	238,473	100.00%	17,112	16,172	Note 2
Ritiboon International Limited	Philippines Property	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	61,312	40.00%	3,007	2,256	
	Hocheng Group Holding Corp.	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	400,690	100.00%	(46,469)	(46,469)	
	HCG North American, LLC	USA	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	49.00%	-	-	
Hohong Co., Ltd.	Swatton International Corp.	British V	Holding	41,590	41,590	13,004	100.00%	227,541	100.00%	6,545	6,545	
Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	601,153	100.00%	14,465	14,465	
	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	53,073	40.00%	616	542	Note 3
Hoceng Philippines Corporation	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	35.00%	-	-	

Note 1: The Company's shares held by subsidiaries 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: The Company is entitled to 88% of the rights to allocation regarding the earnings of the company.

Note 4: 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	Investments Method	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	Investees	The Company's direct or indirect investments	Highest shareholding in the period	Investment (losses) gains recognized during the period	At the end of the period Carrying amount:	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered							
Company name	Item	Paid-in capital	(Note 1)	Investment amount			Investment amount	Total comprehensive income for the	Ownership	or investment status	(Note 2)	Price/Value	Investment income
Hocheng (China)	Production and sale of plumbing	953,760	(II)	894,627	-	-	894,627		100.00%	100.00%	(59,438)	(404,880)	-

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

Corporation Hocheng TRADING (SHANGHAI) CO., LTD. <u>Hocheng (China) Corporation</u>	products Sale of bathroom equipment	29,805	(II)	5,961	-	-	5,961	(3,765)	100.00%	100.00%	(3,765)	12,019	-
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(II)	-	-	-	-	(17,974)	100.00%	100.00%	(17,974)	(118,317)	-
Hocheng (Ningbo) Corporation (Note 9)	Sale of bathroom equipment	-	(II)	-	-	-	-	-	- %	- %	-	-	-
Hecheng Jianlang (Shanghai) Kitchen and Bathroom Co., Ltd.	Sale of bathroom equipment	4,300	(II)	-	-	-	-	(5,330)	50.00%	50.00%	(798)	-	-

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

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 MOEA (Note 3)
The Company	900,588	928,336	4,103,701

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.

Note9: The business license was obtained on December 24, 2024, and as of December 31, 2024, no capital has been contributed.

3. Significant transactions:

For details of the significant transactions between the Group and investees in Mainland China in 2024, please refer to “Information on significant transactions.”

(IV) Major shareholders:

XIV. Segment information

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

(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, 2024 and 2023, the above

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

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:

2024	Taiwan business department	Investment department	Philippine business department	China business department	Other departments	Adjustment and write-off	Total
Income:							
Revenue from external customers	\$ 3,728,423	-	864,880	249,656	13,987	-	4,856,946
Inter-segment	413,636	-	113	47,528	16,752	(478,029)	-
Total revenue	\$ 4,142,059	-	864,993	297,184	30,739	(478,029)	4,856,946
Interest expenses	\$ 18,308	6	10,218	1,896	369	(1,533)	29,264
Depreciation and amortization	158,633	600	50,294	26,111	618	(16,695)	219,561
Share of profit or loss of associates and joint ventures accounted for using the equity method	(15,663)	6,545	-	(799)	(92,478)	102,139	(256)
Profit or loss of reportable departments	\$ 111,591	14,419	20,130	(59,532)	11,960	(2,827)	95,741

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

<u>2023</u>	<u>Taiwan business department</u>	<u>Investment department</u>	<u>Philippine business department</u>	<u>China business department</u>	<u>Other departments</u>	<u>Adjustment and write-off</u>	<u>Total</u>
Income:							
Revenue from external customers	\$ 3,731,432	-	860,519	272,959	5,877	-	4,870,787
Inter-segment	566,331	-	10	29,150	17,589	(613,080)	-
Total revenue	\$ 4,297,763	-	860,529	302,109	23,466	(613,080)	4,870,787
Interest expenses	\$ 22,685	-	14,581	17,156	-	(2,529)	51,893
Depreciation and amortization	183,330	813	50,914	38,138	691	(36,485)	237,401
Share of profit or loss of associates and joint ventures accounted for using the equity method	(140,025)	6,032	-	(1,217)	(324,876)	459,553	(533)
Profit or loss of reportable departments	\$ 209,821	17,339	12,576	(172,898)	5,017	(5,672)	66,183

(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.

<u>By region</u>	<u>2024</u>	<u>2023</u>
Revenue from external customers		
Taiwan	\$ 3,728,423	3,731,432
Mainland China	263,643	278,836
Philippines	864,880	860,519
Total	\$ 4,856,946	4,870,787

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

<u>By region</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Non-current assets:		
Taiwan	\$ 3,266,615	3,545,906
Mainland China	570,738	354,815
Philippines	399,841	406,458
Total	<u><u>\$ 4,237,194</u></u>	<u><u>4,307,179</u></u>

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, 2024 and 2023, none of the revenue from a single customer exceeds 10% of the Group's consolidated operating revenue.

Hocheng Corporation
Parent Company Only Financial
Statements and Independent Auditors’
Report

For the Years Ended December 31, 2024 and 2023

Address: No. 398, Xingshan Road, Neihu District, Taipei City
Telephone: (02)2792-5511

Table of Contents

Item	Page
I.Cover page	1
II.Table of Contents	2
III.Independent Auditors' Report	3
IV.Balance Sheet	4
V.Statement of Comprehensive income	5
VI.Statement of Changes in Equity	6
VII.Statement of Cash Flows	7
VIII.Notes to the Parent-Only Financial Statements	
(I) Company History	9
(II) Date and Procedures of Authorization of Financial Statements for Issue	9
(III) Newly Issued or Revised Standards and Interpretations	9~ 10
(IV) Summary of Significant Accounting Policies	12~ 29
(V) Significant Accounting Judgments, Estimates and Assumptions	29~ 30
(VI) Contents of Significant Accounts	30~ 66
(VII) Related-Party Transactions	66~ 70
(VIII) Pledged Assets	71
(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments	71
(X) Losses due to Major Disasters	72
(XI) Significant Subsequent Events	72
(XII) Others	73
(XIII) Additional Disclosures	
1. Significant transactions information	73~ 79
2. Information on investees	79~ 80
3. Information on investments in China	81
(XIV) Segment Information	91
IX.List of Major Accounting Items	82~ 96

Independent Auditor's Report

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, 2024 and 2023, 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, 2024 and 2023, 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 Attestation of Financial Statements by Certified Public Accountants and 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\$1,668,964 thousand, accounting for 20% 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 4% and 7% of total assets as of Dec 31, 2024 and 2023, respectively; the

share of gains or losses from subsidiaries, associates, and joint ventures accounted for (91)% and (284)% of net profit before tax for the years ended December 31, 2024 and 2023, 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 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 2024 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 Taiwan

CPA

Hsu, Shu-Min

Wu Tsao-Jen

No. of approval and
certification from the
competent authority of
securities
March 11, 2025

Jin-Guan-Zheng-Liu-Zi
No.0940100754
Jin-Guan-Zheng-Shen-Zi No.
1070304941

Unit: NT\$ thousand

Unit: NT\$ thousand

(Please refer to the accompanying notes to parent company only financial statements)

Head-Finance & Accounting: Yueh-Ying Lo

Hocheng Corporation
Statement of Comprehensive income
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(22) and 7)	\$ 3,132,034	100	3,255,265	100
5000	Operating costs (Note 6(6) and 7)	2,387,917	76	2,411,916	74
5900	Gross profit before adjustment	744,117	24	843,349	26
5910	Less: Unrealized sales gains or losses	3,145	-	8,632	-
5920	Add: Realized sales gains or losses	8,632	-	7,060	-
5950	Operating gross profit	749,604	24	841,777	26
	Operating expenses(note 7)				
6100	Sales and marketing expenses	473,085	15	462,226	14
6200	General and administrative expenses	175,522	6	154,133	5
6300	Research and development expenses	100,377	3	109,406	3
6450	Expected credit impairment (reversal gains) losses (Note 6(4))	(1,920)	-	224	-
6300	Subtotal	747,064	24	725,989	22
6900	Operating profit	2,540	-	115,788	4
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	4,222	-	1,678	-
7010	Other income (Note 6(24) and 7)	98,559	3	109,837	3
7020	Other gains and losses (Note 6(24))	(5,988)	-	(7,117)	-
7050	Finance costs (Note 6(24))	(17,264)	(1)	(21,987)	(1)
7070	Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method (Note 6(7))	(15,663)	(1)	(141,745)	(4)
	Subtotal	63,866	1	(59,334)	(2)
7900	Net profits before tax	66,406	1	56,454	2
7950	Less: Income tax expenses (Note 6(19))	7,988	-	37,107	1
	Net profits for the period	58,418	1	19,347	1
8300	Other comprehensive income :				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	51,538	2	9,486	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	47,945	2	144,015	4
8330	Share of gains of subsidiaries, associates, and joint ventures recognized by using the equity method - Items not reclassified to profit or loss	46,481	1	91,973	3
8349	Less: Income tax related to items that will not be reclassified	12,188	-	925	-
	Total amount of items that will not be reclassified to profit or loss	133,776	5	244,549	7
8360	Items that may be reclassified to profit or loss subsequently				
8361	Exchange differences on translation of foreign operations	38,037	1	17,922	1
8380	Share of gains of subsidiaries, associates, and joint ventures recognized by using the equity method - Items that may be reclassified to profit or loss	-	-	-	(1)
8399	Less: Income tax related to items that may be reclassified	-	-	-	-
	Total amount of items that may be reclassified to profit or loss subsequently	38,037	1	17,922	-
8300	Other comprehensive income or loss of the period (net after taxes)	171,813	6	262,471	7
8500	Total comprehensive income for the period	\$ 230,231	7	281,818	8
	Earnings per share (NT\$) (Note 6(21))				
9750	Basic earnings per share (NT\$)	\$ 0.19		0.06	
9850	Diluted earnings per share (NT\$)	\$ 0.19		0.06	

(Please refer to the accompanying notes to parent company only financial statements)

Chairman: Li-Chien Chiu Managerial officer: Shih-Chieh Chen Head-Finance & Accounting: Yueh-Ying Lo

Hocheng Corporation
Statement of Changes in Equity
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand									
	Shares	Other Components of Equity						Treasury stock (13,461)	Total equity 6,448,029
		Retained earnings			Foreign operations	Others Profit or loss measured at fair value	Unrealized (losses) gains of financial assets at fair value through other comprehensive income		
		Capital surplus	Legal reserve	Special reserve					
	Common stock	\$ 3,032,800	15,223	980,671	458,116	1,598,041	(1,184)	377,823	19,347
	-	-	-	-	-	19,347	-	-	-
	-	-	-	-	-	4,542	17,922	240,007	262,471
	-	-	-	-	-	23,889	17,922	240,007	281,818
	-	-	-	-	-	(22,910)	-	-	-
	-	-	-	-	-	(60,656)	-	-	(60,656)
	-	(3)	-	-	-	-	-	-	(3)
	(9,763)	1,083	-	-	-	-	-	-	-
	-	284	-	-	-	-	-	-	8,680
	-	-	-	-	-	-	-	-	284
	-	-	-	-	-	17,144	-	(17,144)	-
	-	-	-	-	-	-	-	-	-
	3,023,037	16,587	1,003,581	458,116	1,555,508	16,738	600,686	(4,781)	6,669,472
	-	-	-	-	58,418	-	-	-	58,418
	-	-	-	-	48,088	38,037	85,688	-	171,813
	-	-	-	-	106,506	38,037	85,688	-	230,231
	-	-	4,103	-	(4,103)	-	-	-	-
	-	-	-	-	(60,461)	-	-	-	(60,461)
	-	-	-	-	76,437	-	(76,437)	-	-
	-	171	-	-	-	-	-	-	171
	-	89	-	-	-	-	-	-	89
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
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(Please refer to the accompanying notes to parent company only financial statements)

Chairman: Li-Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yueh-Ying Lo

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Hocheng Corporation
Statement of Cash Flows
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Profit before tax from continuing operations	\$ 66,406	56,454
Net income before tax		
Adjustments to reconcile profit (loss)		
Depreciation	137,289	149,793
Amortization expense	4,358	4,853
Expected credit impairment losses	(1,920)	224
Net gains on financial assets at fair value through profit or loss	(1,732)	(3,572)
Interest expenses	17,264	21,987
Interest income	(4,222)	(1,678)
Dividend income	(29,169)	(28,658)
Share of losses (gains) of subsidiaries, associates, and joint ventures recognized by using the equity method	15,663	141,745
Gains (losses) from disposal and scrapping of property, plant and equipment	6	(886)
(gain) loss on lease modification	(146)	209
Loss on disposal of intangible assets	-	558
Unrealized (Realized) Sales (Gains) Losses	(5,487)	1,572
Total items of income and expenses	<u>131,904</u>	<u>286,147</u>
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes receivable	79,204	45,489
Accounts receivables	(2,646)	160,770
Other receivables	(13,973)	(8,052)
Inventory	11,255	96,129
Other current assets	5,222	11,243
Net defined benefit assets liabilities	(12,372)	(35,786)
Total net changes in assets related to operating activities	<u>66,690</u>	<u>269,793</u>
Net changes in liabilities related to operating activities		
Notes payable	(2,705)	(64,110)
Accounts payable	26,156	(28,945)
Other payables	(4,003)	(106,929)
Debt allowance	(2,432)	(4,258)
Other current liabilities	(9,708)	(8,482)
Total net changes in liabilities related to operating activities	<u>7,308</u>	<u>(212,724)</u>
Total net changes in assets and liabilities related to operating activities	<u>73,998</u>	<u>57,069</u>
Total item of adjustments	<u>205,902</u>	<u>343,216</u>
Cash inflows generated from operations	272,308	399,670
Interest received	4,222	1,678
Dividends received	51,732	61,965
Interest paid	(17,230)	(21,900)
Income tax paid	(37,784)	(15,803)
Net cash inflows from operating activities	<u>273,248</u>	<u>425,610</u>

(Please refer to the accompanying notes to parent company only financial statements)

Chairman: Li-Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yueh-Ying Lo

Hocheng Corporation
Statement of Cash Flows (cont'd)
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	2024	2023
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(922)	(23,434)
Disposal of financial assets measured at fair value through other comprehensive income	2,924	47,330
Acquisition of financial assets at fair value through profit or loss	(11,000)	(52,900)
Disposal of financial assets at fair value through profit or loss	-	24,259
Acquisition of investments accounted for under the equity method	-	(150,620)
Acquisition of property, plant and equipment	(44,586)	(51,543)
Proceeds from disposal of property, plant and equipment	65	6,140
Decrease in refundable deposits	2,125	18,057
Acquisition of intangible assets	(1,590)	(1,863)
Disposal of intangible assets	-	356
Cash inflow from merger	-	257,434
Other Financial assets	(26)	-
Other non-current assets	(11,552)	(1,144)
Net cash outflows (inflows) from investing activities	(64,562)	72,072
Cash flows from financing activities:		
(Decrease) Increase in short-term borrowings	(181,385)	20,000
Increase (Decrease) in short-term notes payable	100,000	(105,000)
Increase in long-term loans	400,000	-
Decrease in long-term loans	(440,000)	(80,000)
Increase in guarantee deposits received	347	-
Repayment of principal of lease liabilities	(21,047)	(42,447)
Cash dividends paid	(60,461)	(60,461)
Others	171	-
Net cash outflows from financing activities	(202,375)	(267,908)
Net increase in cash and cash equivalents during the period	6,311	229,774
Cash and cash equivalents at beginning of year	370,049	140,275
Cash and cash equivalents at end of year	\$ 376,360	370,049

(Please refer to the accompanying notes to parent company only financial statements)

Chairman: Li-Chien Chiu

Managerial officer: Shih-Chieh Chen

Head-Finance & Accounting: Yueh-Ying Lo

Hocheng Corporation
Notes to the Parent-Only Financial Statements
For the Years Ended December 31, 2024 and 2023
(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-only financial statements were authorized for issue by the Board of Directors (the “Board”) on March 11, 2025.

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, 2024.

- Amendments to IAS1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS1 “Non-current Liabilities with Contractual Terms”
- Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(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, 2025, would not have a significant impact on its parent company only financial statements.

- Amendments to IAS1 “Disclosure of Accounting Policies”

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

The IASB has issued and amended the following standards and interpretations that are not yet approved by the FSC:

New standards amendments and interpretations adopted	Main amendments	Effective date announced by the Board of Directors
IFRS18"Expression and Disclosure of Financial Statements	<p>The new standards introduce three types of income and expenses, two small sums of gains and losses, and one single note about the performance measurement of the management. These three amendments and enhancements provide a guide for how to divide information in financial statements, and provide users with better and more consistent information to lay the foundation. This will affect all companies.</p> <p>·The more structured income statement: According to the existing standards, the Company uses different formats to express its operating results, so that investors can easily compare the financial performance of different companies. The new standard uses a more structured income statement, and introduces the new definition of "operating profits" as a sum. All income and expenses are classified into three new types based on the Company's main business activities.</p> <p>·Management Performance Measurement (MPM): The new standard introduces the definition of management performance measurement, and requires the Company to provide the information on each measurement indicator in a single note to the financial statements, and to explain the calculation and how to adjust the measured indicator and the amount recognized in the IFRS accounting standards.</p> <p>·More detailed information: The new standards include how companies can strengthen the guidance on information classification in financial statements. This includes whether the information should be included in the main financial statements or further divided in the notes.</p>	January 1, 2027

The Company is currently evaluating the impact of the above-mentioned standards and interpretations on the Company's financial position and business results. The relevant impact will be disclosed when the evaluation is completed.

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”
- ·Amendment to IFRS 17 “Insurance Contracts” and IFRS 17
- ·IFRS 19 "Disclosure of Subsidiaries not Responsible for Public Expenditure”
- ·Amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments
- ·Annual improvements to IFRS Accounting Standards
- ·Amendment to IFRS 9 and IFRS 7 "Contracts for Renewable Electricity from Nature”

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 liability is not settled at the end of the reporting period and has the right to defer the settlement for at least 12 months after the reporting period.

(V) 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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 other comprehensive income

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).

(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 (such as those held for trading or managed and evaluated on a fair value basis) 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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 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).

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 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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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. For corporate accounts, 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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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) Inventory

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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) Houses and buildings	2~60 years
(2) Machinery and equipment	2~20 years
(3) Transportation equipment	2~8 years
(4) Office equipment	2~15 years
(5) 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) Leasing

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 lease

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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).

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.

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.

(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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 on the financial reporting date 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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 reverse, 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 the separate financial statements, management is required to make judgments and estimates regarding the future (including climate-related risks and opportunities), which affect the application of accounting policies and the reported amounts 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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Cash and petty cash	\$ 3,022	3,328
Checking account deposits	2,117	2,392
Demand deposit	371,221	364,329
Cash and cash equivalents presented in the statement of cash flows	<u>\$ 376,360</u>	<u>370,049</u>

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:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificates - open-end fund	<u>\$ 129,998</u>	<u>117,266</u>

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	<u>2024.12.31</u>	<u>2023.12.31</u>
Equity investments at fair value through other comprehensive income:		
Domestic and foreign listed stocks	\$ 692,837	646,585
Domestic non-listed stocks	<u>1,869</u>	<u>2,178</u>
Total	<u>\$ 694,706</u>	<u>648,763</u>

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 2024 and 2023, the Company recognized a dividend income of NT\$29,169 thousand and NT\$28,658 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 2024 and 2023, the Company has disposed of its financial assets designated at fair value through other comprehensive income. The fair value upon the disposals was NT\$2,924 thousand and NT\$47,330 thousand, and the Company recorded cumulative disposal (losses) gains of NT\$(3) thousand and NT\$2,684 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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable	\$ 306,385	385,589
Accounts receivables	496,775	494,129
Less: loss allowance	<u>(782)</u>	<u>(2,702)</u>
	<u>\$ 802,378</u>	<u>877,016</u>

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:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	2024.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 796,457	0% - 0.04%	292
1 to 30 days past due	2,133	0% - 6.56%	140
31 to 120 days past due	4,570	0% - 7.66%	350
More than one year past due	-	0% - 100%	-
	<u>\$ 803,160</u>		<u>782</u>
	2023.12.31		
	Book value of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	\$ 863,116	0% - 0.06%	491
1 to 30 days past due	2,716	0% - 11.39%	309
31 to 120 days past due	13,883	0% - 13.69%	1,901
121 to 365 days past due	3	0% - 50.44%	1
More than one year past due	-	0% - 100%	-
	<u>\$ 879,718</u>		<u>2,702</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

	2024	2023
Beginning balance	\$ 2,702	2,299
Impairment losses recognized	(1,920)	224
Transferred in from consolidated financial statements	-	179
Ending balance	<u>\$ 782</u>	<u>2,702</u>

(V) Other receivables

	2024.12.31	2023.12.31
Others	\$ 71,249	64,363
Less: loss allowance	-	(7,087)
	<u>\$ 71,249</u>	<u>57,276</u>

(VI) Inventory

	2024.12.31	2023.12.31
Raw material	\$ 214,979	201,828
Supplies	8,635	8,238
Work in progress	170,968	155,176
Finished goods	489,383	523,881
Merchandise	219,928	251,741
Raw materials in transit	31,483	5,767
	<u>\$ 1,135,376</u>	<u>1,146,631</u>

For the years ended December 31, 2024 and 2023, the cost of goods sold and expenses amounted to NT\$2,387,917 thousand and NT\$2,411,916 thousand, respectively. It includes an inventory valuation loss of NT\$4,831 thousand recognized in 2024 due to the write-down of inventory to net realizable value, which has been accounted for as part of operating costs. In 2023, as the factors that had previously caused the net realizable value of inventory to fall below cost had ceased to exist, an inventory recovery gain of NT\$5,689 thousand was recognized and accounted for as a deduction from operating costs. Additionally, inventory scrap losses of NT\$5,904 thousand and NT\$8,343 thousand were recognized in 2024 and 2023, respectively.

As of December 31, 2024 and 2023, 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:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	2024.12.31	2023.12.31
Subsidiary	\$ 1,668,964	1,618,976

Please refer to the 2024 consolidated financial statements.

For the purpose of integrating the utilization of resources, the Company's Board of Directors resolved to carry out a short-form merger with the subsidiary, Haussi Co., Ltd. on June 27, 2023. The record date of the merger was July 28, 2023, and the Company was the surviving company after the merger.

As of December 31, 2024 and 2023, 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	Houses and buildings	Machinery and equipment	Transport ation equipment	Office equipment	Other equipment	Total
Costs:							
Balance on December 31, 2024	\$ 2,256,359	622,255	1,591,787	66,914	151,852	659,241	5,348,408
Increase	-	8,389	11,740	2,861	6,792	14,804	44,586
Disposal	-	-	(27,110)	-	(260)	(2,518)	(29,888)
Transferred to investment property	(5,517)	(12,593)	-	-	-	-	(18,110)
Balance on December 31, 2024	\$ 2,250,842	618,051	1,576,417	69,775	158,384	671,527	5,344,996
Balance at January 1, 2023	\$ 682,549	302,660	1,598,451	67,577	155,948	769,358	3,576,543
Increase	-	2,074	16,077	3,162	3,005	25,147	49,465
Transferred in from consolidated financial statements	1,573,963	192,392	-	-	236	3,489	1,770,080
Disposal	(153)	(138)	(22,741)	(3,825)	(7,346)	(13,477)	(47,680)
Reclassified	-	125,267	-	-	9	(125,276)	-
Balance on December 31, 2023	\$ 2,256,359	622,255	1,591,787	66,914	151,852	659,241	5,348,408
Depreciation:							
Balance on December 31, 2024	\$ -	259,287	1,450,621	53,094	135,692	554,901	2,453,595
Depreciation this period	-	38,589	33,771	4,253	6,028	27,916	110,557
Disposal	-	-	(27,110)	-	(260)	(2,447)	(29,817)
Transferred to investment property	-	(12,041)	-	-	-	-	(12,041)
Balance on December 31, 2024	\$ -	285,835	1,457,282	57,347	141,460	580,370	2,522,294
Balance at January 1, 2023	\$ -	166,119	1,434,626	51,801	136,149	605,079	2,393,774
Depreciation this period	-	22,639	34,559	4,837	6,655	33,557	102,247
Disposal	-	(128)	(18,564)	(3,544)	(7,121)	(13,069)	(42,426)
Reclassified	-	70,657	-	-	9	(70,666)	-
Balance on December 31, 2023	\$ -	259,287	1,450,621	53,094	135,692	554,901	2,453,595
Carrying amount:							
December 31, 2024	\$ 2,250,842	332,216	119,135	12,428	16,924	91,157	2,822,702
January 1, 2023	\$ 682,549	136,541	163,825	15,776	19,799	164,279	1,182,769
December 31, 2023	\$ 2,256,359	362,968	141,166	13,820	16,160	104,340	2,894,813

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Since the land of the Yingge factory and business premises of the Company is agricultural land, it is not yet possible to transfer it to the name of the Company. As of December 31, 2024 and 2023 the key management personnel are registered in the name of the trust registrant. Please refer to Note 7 for relevant information.

As of December 31, 2024 and 2023, regarding the execution of the deed of real estate trust for the property, plant and equipment of the Company 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 Company are as follows:

	Land	Houses and buildings	Transport ation equipmen t	Others	Total
Costs of right-of-use assets:					
Balance on January 1, 2024	\$ 1,499	114,440	9,037	4,977	129,953
Increase	-	2,077	7,978	-	10,055
Less	-	(2,912)	(7,087)	-	(9,999)
Balance on December 31, 2024	\$ 1,499	113,605	9,928	4,977	130,009
Balance at January 1, 2023	\$ 1,011	372,539	6,488	4,873	384,911
Acquired through business combination	488	2,242	2,549	104	5,383
Less	-	(260,341)	-	-	(260,341)
Balance on December 31, 2023	\$ 1,499	114,440	9,037	4,977	129,953
Depreciation of right-of-use assets:					
Balance on January 1, 2024	\$ 1,022	74,168	6,424	2,745	84,359
Depreciation this period	246	17,732	2,011	509	20,498
Less	-	(2,912)	(6,160)	-	(9,072)
Balance on December 31, 2024	\$ 1,268	88,988	2,275	3,254	95,785
Balance at January 1, 2023	\$ 674	203,951	2,782	2,166	209,573
Acquired through business combination	147	810	2,159	43	3,159
Depreciation this period	201	39,210	1,483	536	41,430
Less	-	(169,803)	-	-	(169,803)
Balance on December 31, 2023	\$ 1,022	74,168	6,424	2,745	84,359
Carrying amount:					
December 31, 2024	\$ 231	24,617	7,653	1,723	34,224
December 31, 2023	\$ 477	40,272	2,613	2,232	45,594
January 1, 2023	\$ 337	168,588	3,706	2,707	175,338

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(X) Investment property

The breakdown of The Company's investment properties is as follows:

	Land	Buildings	Total
Costs:			
Balance on January 1, 2024	\$ 435,671	258,712	694,383
Transferred from property, plant and equipment	<u>5,517</u>	<u>12,593</u>	<u>18,110</u>
Balance on December 31, 2024	<u>\$ 441,188</u>	<u>271,305</u>	<u>712,493</u>
Balance at January 1, 2023	\$ 408,284	258,712	666,996
Acquired through business combination	<u>27,387</u>	<u>-</u>	<u>27,387</u>
Balance on December 31, 2023	<u>\$ 435,671</u>	<u>258,712</u>	<u>694,383</u>
Depreciation and impairment losses:			
Balance on January 1, 2024	\$ 5,285	245,657	250,942
Depreciation during the year	-	6,234	6,234
Transferred from property, plant and equipment	<u>-</u>	<u>12,041</u>	<u>12,041</u>
Balance on December 31, 2024	<u>\$ 5,285</u>	<u>263,932</u>	<u>269,217</u>
Balance at January 1, 2023	\$ -	239,541	239,541
Depreciation during the year	-	6,116	6,116
Acquired through business combination	<u>5,285</u>	<u>-</u>	<u>5,285</u>
Balance on December 31, 2023	<u>\$ 5,285</u>	<u>245,657</u>	<u>250,942</u>
Carrying amount:			
December 31, 2024	<u>\$ 435,903</u>	<u>7,373</u>	<u>443,276</u>
January 1, 2023	<u>\$ 408,284</u>	<u>19,171</u>	<u>427,455</u>
December 31, 2023	<u>\$ 430,386</u>	<u>13,055</u>	<u>443,441</u>
Fair value:			
December 31, 2024		<u>\$ 2,110,401</u>	
December 31, 2023		<u>\$ 1,687,104</u>	

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

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).

As of December 31, 2024 and 2023, 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 2024 and 2023 is as follows:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	<u>Computer software cost</u>
Cost:	
Balance on January 1, 2024	\$ 70,339
Increase	<u>1,590</u>
Balance on December 31, 2024	<u>\$ 71,929</u>
Balance at January 1, 2023	\$ 71,354
Increase	1,863
Less	<u>(2,878)</u>
Balance on December 31, 2023	<u>\$ 70,339</u>
Amortization:	
Balance on January 1, 2024	\$ 54,650
Amortization during the period	<u>4,358</u>
Balance on December 31, 2024	<u>\$ 59,008</u>
Balance at January 1, 2023	\$ 51,760
Amortization during the period	4,853
Decrease this period	<u>(1,963)</u>
Balance on December 31, 2023	<u>\$ 54,650</u>
Carrying amount:	
Balance on December 31, 2024	<u>\$ 12,921</u>
Balance at January 1, 2023	<u>\$ 19,594</u>
Balance on December 31, 2023	<u>\$ 15,689</u>

1. Amortization expenses

Amortization expenses of intangible assets were presented in the following items of the statement of comprehensive income in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating cost	<u>\$ 117</u>	<u>106</u>
Operating expenses	<u>\$ 4,241</u>	<u>4,747</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(XII) Short-term borrowings

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Borrowings on unsecured letters of credit	\$ 18,615	250,000
Unsecured bank borrowings	150,000	-
Secured bank borrowings	-	100,000
Total	<u>\$ 168,615</u>	<u>350,000</u>
Outstanding limits	<u>\$ 1,641,385</u>	<u>1,650,000</u>
Interest rates	<u>1.95% - 6.65%</u>	<u>1.72% - 1.88%</u>

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:

		<u>2024.12.31</u>	
	<u>Guarantee or acceptance institution</u>	<u>Interest rates</u>	<u>Amount</u>
Commercial papers payable	Bills finance company	1.98% - 2.18%	<u>\$ 100,000</u>
Outstanding limits			<u>\$ 330,000</u>
		<u>2023.12.31</u>	
	<u>Guarantee or acceptance institution</u>	<u>Interest rates</u>	<u>Amount</u>
Commercial papers payable	Bills finance company	-	<u>\$ -</u>
Outstanding limits			<u>\$ 430,000</u>

(XIV) Long-term borrowings

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

			<u>2024.12.31</u>	
	<u>Currency</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>Amount</u>
Secured bank borrowings	TWD	2.49%	2029.10.19	\$ 400,000
Less: Portion due within one year				(25,000)
Total				<u>\$ 375,000</u>
Outstanding limits				<u>\$ -</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	2023.12.31		
	Currency	Interest rates	Maturity date
Secured bank borrowings	TWD	2.37%	2024.10.19
Less: Portion due within one year			
Total			\$ 440,000 (440,000)
Outstanding limits			\$ -

For information on the Company'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.

(XV) Lease liabilities

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

	2024.12.31	2023.12.31
Current	\$ 13,930	19,566
Non-current	\$ 21,269	27,698

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

The amount recognized in profit or loss is as follows:

	2024	2023
Interest expenses on lease liabilities	\$ 659	1,706
Expenses relating to short-term leases	\$ 233	185
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	\$ 982	822

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

	2024	2023
Total cash used in leases	\$ 22,921	45,160

1. Land, house and building leases

As of December 31, 2024 and 2023, 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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(XVI) Debt allowance

	Debt allowance for discount
Balance on January 1, 2024	\$ 7,136
Debt allowance increased during the period	4,316
Debt allowance used during the period	(6,749)
Debt allowance reversed during the period	-
Balance on December 31, 2024	<u>\$ 4,703</u>
Balance at January 1, 2023	\$ 10,033
Debt allowance increased during the period	4,868
Debt allowance used during the period	(7,765)
Debt allowance reversed during the period	-
Balance on December 31, 2023	<u>\$ 7,136</u>

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 the 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:

	2024.12.31	2023.12.31
Less than 1 year	\$ 21,775	19,517
1 to 5 years	43,389	35,804
> 5 years	1,418	4,784
Total undiscounted lease payment	<u>\$ 66,582</u>	<u>60,105</u>

For the years ended December 31, 2024 and 2023, the rental revenue from investment properties amounted to NT\$15,961 thousand and NT\$10,812 thousand, respectively.

(XVIII) Employee benefits

1. Defined benefit plans

The reconciliation of the present value of defined benefit obligations and the fair

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

value of plan assets is as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Defined benefit obligation	\$ 546,821	583,655
Fair value of plan assets	<u>(715,583)</u>	<u>(688,507)</u>
Net defined benefit assets liabilities	<u>\$ (168,762)</u>	<u>(104,852)</u>

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\$715,583 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, 2024 and 2023, the movements in the present value of the defined benefit obligations of the Company are as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit obligations as at January 1	\$ 583,655	630,887
Current service costs and interest	7,920	9,776
Remeasurements of net defined benefit liability		
- Adjustments based on experiences	16,350	(8,360)
- Actuarial gains or losses arising from financial assumptions	(3,928)	4,528
Prior service costs	681	2,765
Benefits paid under the plan	<u>(57,857)</u>	<u>(55,941)</u>
Defined benefit obligations as at December 31	<u>\$ 546,821</u>	<u>583,655</u>

(3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets as at January 1	\$ 688,507	690,467
Interest income	8,518	9,274
Net defined benefit (liabilities) assets remeasurement		
- Return on plan assets (excluding interest income of the current period)	63,960	5,654
Contributions appropriated to the plan	12,455	22,523
Benefits paid under the plan	(57,857)	(55,941)
Assets merged from business combination	-	16,530
Fair value of plan assets as at December 31	<u><u>\$ 715,583</u></u>	<u><u>688,507</u></u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(4) Expenses recognized as profit or loss

The breakdown of expenses recognized by the Company as of December 31, 2024 and 2023 is as follows:

	2024	2023
Current period service costs	\$ 828	1,335
Prior service costs	681	2,765
Net interest of net defined benefit liabilities (assets)	7,092	8,441
Interest income from planned assets	(8,518)	(9,274)
The amount of the discontinued company transferred to the net effect	-	(16,530)
	\$ 83	(13,263)
Operating cost	\$ 37	(5,863)
Sales and marketing expenses	26	(4,354)
General and administrative expenses	11	(1,576)
Research and development expenses	9	(1,470)
	\$ 83	(13,263)

(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:

	2024.12.31	2023.12.31
Discount rate	1.375%	1.250%
Future salary increase	1.250%	1.250%

The expected allocation payment to be made by the Company to the defined benefit plan within one year after the reporting date of 2024 is NT\$0.

The weighted average lifetime of the defined benefits plans is 5.7 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, 2024 and 2023 shall be as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2024		
Discount rate (changes of 0.25%)	(7,727)	7,901
Future salary increase (changes of 0.25%)	7,766	(7,632)

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	Influences on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2023		
Discount rate (changes of 0.25%)	(9,001)	9,219
Future salary increase (changes of 0.25%)	9,051	(8,881)

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, 2024 and 2023 amounted to NT\$17,839 thousand and NT\$18,284 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, 2024 and 2023 is as follows:

	2024	2023
Current income tax expense		
Arising during the period	\$ 8,178	27,061
Current income tax with adjustments to the prior period	(3,218)	(2,723)
	<u>4,960</u>	<u>24,338</u>
Deferred income tax expense		
Occurrence and reversal of temporary differences	3,028	12,769
Income tax expenses for continuing operations	<u>\$ 7,988</u>	<u>37,107</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

The breakdown of income tax expenses (gains) recognized in other comprehensive income by the Company for the years ended December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit plans	<u>\$ 12,188</u>	<u>925</u>

The reconciliation of income tax and profit before tax of the Company for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Net profits before tax	<u>\$ 66,406</u>	<u>56,454</u>
Income tax calculated at the domestic tax rate at the place where the Company locates	\$ 13,281	11,291
Additional tax on undistributed earnings	-	7,277
Effect of tax rate differences in foreign jurisdictions	-	53
Adjustments to non-temporary differences	(5,267)	(3,147)
Tax incentives	(3,505)	(7,674)
Changes in unrecognized temporary differences	7,643	31,842
Prior over (under) estimation	(3,218)	(2,723)
Others	(946)	188
Income tax expense	<u>\$ 7,988</u>	<u>37,107</u>

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:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Deductible temporary differences	\$ 12,158	12,321
Aggregate amount of temporary differences related to investments in subsidiaries	<u>363,128</u>	<u>355,322</u>
	<u>\$ 375,286</u>	<u>367,643</u>

(2) Recognized deferred income tax assets and liabilities

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	Unrealized revaluation appreciation	Provision for land value increment tax	Defined benefit plans	Others	Total
Deferred income tax liabilities:					
Balance on December 31, 2024	\$ 13,868	274,420	58,129	301	346,718
Debit (credit) on the income statement	-	-	2,474	(69)	2,405
Balance on December 31, 2024	<u>\$ 13,868</u>	<u>274,420</u>	<u>60,603</u>	<u>232</u>	<u>349,123</u>
Balance at January 1, 2023	\$ 13,868	448	-	73	14,389
Debit (credit) on the income statement	-	-	58,129	-	58,129
Debit (credit) on the income statement	-	273,972	-	228	274,200

Balance on December 31, 2023	<u>\$ 13,868</u>	<u>274,420</u>	<u>58,129</u>	<u>301</u>	<u>346,718</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	Defined benefit plans	Others	Total
Deferred income tax assets:			
Balance on January 1, 2024	\$ 32,615	18,678	51,293
(Debit) credit on the income statement	-	(623)	(623)
(Debit) credit on other comprehensive income	(10,308)	-	(10,308)
Balance on December 31, 2024	\$ 22,307	18,055	40,362
Balance at January 1, 2023	\$ (11,913)	17,974	6,061
(Debit) credit on the income statement	47,665	(2,305)	45,360
(Debit) credit on other comprehensive income	(1,897)	-	(1,897)
(Debit) credit on the income statement	-	3,009	3,009
(Debit) credit on other comprehensive income	(1,240)	-	(1,240)
Balance on December 31, 2023	\$ 32,615	18,678	51,293

3. Assessment of tax

The Company's income tax returns for the years through 2022 were assessed by the taxation agency.

(XX) Capital and other equity

As of December 31, 2024 and 2023, 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 both 302,304 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of the Company's outstanding shares for the years ended December 31, 2024 and 2023 is set out in the following table:

	(presented in thousand shares)	
	Common Stock	
	2024	2023
Opening balance on January 1	302,304	303,280
Retirement of treasury stock	-	(976)
Closing balance on December 31	302,304	302,304

1. Shares

For the purpose of integrating the effectiveness of resource utilization, the Company's Board of Directors resolved to carry out a short-form merger with the subsidiary, Hauchi Co., Ltd. on June 27, 2023. The record date of the merger was July 28, 2023. After the merger, the Company was the surviving company and Hauchi Co., Ltd. was discontinued. The Company did not issue any shares for the merger and at the same time, the Company

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

eliminated 976 thousand common shares of the subsidiary, Hauchi Co., Ltd. held by the Company.

2. Capital reserve

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Treasury share transactions	\$ 12,951	12,862
Changes in net equity of subsidiaries recognized by using the equity method	1,919	1,919
Consolidation premium	1,275	1,275
Others	702	531
	<u>\$ 16,847</u>	<u>16,587</u>

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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, 2024 and 2023, the carrying amount of the special reserve amounted to NT\$458,116 thousand.

(3) Earnings distribution

The proposal for earning distribution for 2023 and 2022 was approved as a resolution at the shareholders' meeting on June 26, 2024 and July 21, 2023. The amount of dividends distributed to the owners is as follows:

	2023		2022	
	Payout ratio(NTD)	Amount	Payout ratio(NTD)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	\$ 0.20	<u>60,461</u>	0.20	<u>60,656</u>

4. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2024 and 2023 is as follows:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Holding		2024.12.31			2023.12.31		
company	Accounting item	<u>Number of shares (thousand shares)</u>	Costs	<u>Market price</u>	<u>Number of shares (thousand shares)</u>	Costs	<u>Market price</u>
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	4,781	7,707	445	4,781	8,086

5. Other equity (net of tax)

	<u>Exchange differences on translation of foreign operations</u>	<u>Unrealized (losses) gains of financial assets at fair value through other comprehensive income</u>
Balance on January 1, 2024	\$ 16,738	600,686
Exchange differences arising from the translation of net assets of foreign operations	38,037	-
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	47,945
Disposal of equity instruments measured at fair value through other comprehensive income	-	3
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method	-	37,743
Disposal of equity instruments measured at fair value through other comprehensive income	-	(76,437)
Balance on December 31, 2024	<u>\$ 54,775</u>	<u>609,940</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	Exchange differences on translation of foreign operations	Unrealized (losses) gains of financial assets at fair value through other comprehensive income
Balance at January 1, 2023	\$ (1,184)	377,823
Exchange differences arising from the translation of net assets of foreign operations	17,922	-
Unrealized (losses) gains of financial assets at fair value through other comprehensive income	-	144,015
Disposal of equity instruments measured at fair value through other comprehensive income	-	(17,144)
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method	-	95,992
Balance on December 31, 2023	<u><u>\$ 16,738</u></u>	<u><u>600,686</u></u>

(XXI) Earnings per share

1. Basic earnings per share

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

	2024	2023
Net profit attributable to ordinary shareholders of the Company	<u><u>\$ 58,418</u></u>	<u><u>19,347</u></u>

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

	2024	2023
Ordinary shares issued as of January 1	302,304	303,280
Effect of treasury shares	(445)	(1,001)
Weighted average number of issued ordinary shares as at December 31	<u><u>301,859</u></u>	<u><u>302,279</u></u>

2. Diluted earnings per share

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	2024	2023
Net profit attributable to ordinary shareholders of the Company (diluted)	\$ 58,418	19,347
(2) Weighted average number of issued ordinary shares (diluted) (thousand shares)		
	2024	2023
Weighted average number of issued ordinary shares (basic)	301,859	302,279
Effect of employees' compensation on shares	323	409
Weighted average number of issued ordinary shares (diluted) as of December 31	302,182	302,688
3. Earnings per share are as follows:		
	2024	2023
Basic earnings per share	\$ 0.19	0.06
Diluted earnings per share	\$ 0.19	0.06

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(XXII) Revenue from contracts with customers

1. Breakdown of revenue

	<u>2024</u>	<u>2023</u>
Primary geographical markets:		
Taiwan	\$ 3,127,674	3,250,321
China	1,143	571
Philippines	2,585	4,373
Other countries	632	-
	<u><u>\$ 3,132,034</u></u>	<u><u>3,255,265</u></u>
Major products/service lines:		
Porcelain	\$ 1,213,274	1,236,924
Copper	697,668	711,066
Toilet seat cover	548,077	534,048
Fine pottery	73,725	117,994
Others	599,290	655,233
	<u><u>\$ 3,132,034</u></u>	<u><u>3,255,265</u></u>

(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, 2024 and 2023, the estimated remuneration of employees was NT\$4,378 thousand and NT\$3,722 thousand, and the remuneration of Directors was NT\$2,189 thousand and NT\$1,861 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 2023 were equivalent; for relevant information, please visit MOPS for inquiries.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(XXIV) Non-operating income and expenses

1. Interest income

The breakdown of the interest income of the Company in 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Interest from cash in the bank	<u>\$ 4,222</u>	<u>1,678</u>

2. Other income

The breakdown of other income of the Company in 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Rental income	\$ 21,184	17,177
Dividend income	29,169	28,658
Royalties and others	48,206	64,002
	<u>\$ 98,559</u>	<u>109,837</u>

3. Other gains and losses

The breakdown of other gains and losses of the Company in 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Foreign exchange gains	\$ 952	(1,857)
Net gains from disposal and scrapping of property, plant and equipment	(6)	328
Depreciation of investment properties	(6,234)	(6,116)
Net gains on financial assets at fair value through profit or loss	1,732	3,572
Others	(2,432)	(3,044)
	<u>\$ (5,988)</u>	<u>(7,117)</u>

4. Finance costs

The breakdown of finance costs of the Company in 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Interest expenses	<u>\$ 17,264</u>	<u>21,987</u>

(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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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, 2024 and 2023, 50% and 46% of notes receivable balance and 26% and 19% 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	612 months	12 years	25 years	Over 5 years
December 31, 2024							
Non-derivative financial instruments							
Secured bank borrowings	\$ 400,000	436,618	4,980	29,856	58,776	343,006	-
Unsecured bank borrowings	168,615	169,478	169,478	-	-	-	-
Short-term notes payable	100,000	100,059	100,059	-	-	-	-
Notes payable	47,758	47,758	47,758	-	-	-	-
Accounts payable	270,440	270,440	270,440	-	-	-	-
Other payables	219,786	219,786	219,786	-	-	-	-
Lease liabilities	35,199	36,042	8,214	6,172	10,352	11,304	-
	\$ 1,241,798	1,280,181	820,715	36,028	69,128	354,310	-
December 31, 2023							
Non-derivative financial instruments							
Secured bank borrowings	\$ 540,000	548,348	145,484	402,864	-	-	-
Unsecured bank borrowings	250,000	250,924	250,924	-	-	-	-

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

borrowings

Notes payable	50,463	50,463	50,463	-	-	-	-
Accounts payable	244,284	244,284	244,284	-	-	-	-
Other payables	223,755	223,755	223,755	-	-	-	-
Lease liabilities	47,264	48,435	10,494	9,620	10,840	17,481	-
	\$ 1,355,766	1,366,209	925,404	412,484	10,840	17,481	-

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:

		2024.12.31			2023.12.31		
		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	192	32.79	6,295	133	30.71	4,084
RMB		13,671	4.478	61,219	13,057	4.327	56,498
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		1,636	32.79	53,636	165	30.71	5,066

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(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, 2024 and 2023, if an appreciation or depreciation of 1% of the NTD against the USD occurs, the net profit after tax of 2024 and 2023 would have increased or decreased by NT\$122 thousand and NT\$444 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 2024 and 2023 were gains of NT\$952 thousand and losses of NT\$1,857 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\$4,100 thousand and NT\$4,800 thousand for the years ended December 31, 2024 and 2023, 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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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:

		2024.12.31			
		Fair value:			
		Level 1	Level 2	Level 3	Total
Carrying amount:					
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 129,998	129,998	-	-	129,998
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	692,837	692,837	-	-	692,837
Domestic non-listed stocks	1,869	-	-	1,869	1,869
Subtotal	694,706	692,837	-	1,869	694,706

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

		2024.12.31				
		Carrying amount:	Fair value:			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	376,360	-	-	-	-	-
Notes and accounts receivable	802,378	-	-	-	-	-
Other receivables	71,249	-	-	-	-	-
Other Financial assets	9,565	-	-	-	-	-
Restricted Assets	2,358	-	-	-	-	-
Refundable deposits	21,516	-	-	-	-	-
Subtotal	1,283,426	-	-	-	-	-
Total	\$ 2,108,130	822,835	-	1,869	824,704	

Financial liabilities at amortized cost

Bank loan	\$ 568,615	-	-	-	-
Short-term notes payable	100,000	-	-	-	-
Notes and accounts payable	318,198	-	-	-	-
Other payables	219,786	-	-	-	-
Lease liabilities	35,199	-	-	-	-
Guarantee deposits	19,404	-	-	-	-
Total	\$ 1,261,202	-	-	-	-

	2023.12.31				
	Carrying amount:	Fair value:			
		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	\$ 117,266	117,266	-	-	117,266
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	646,585	646,585	-	-	646,585
Domestic non-listed stocks	2,178	-	-	2,178	2,178
Subtotal	648,763	646,585	-	2,178	648,763
Financial assets measured at amortized cost					
Cash and cash equivalents	370,049	-	-	-	-
Notes and accounts receivable	877,016	-	-	-	-
Other receivables	57,276	-	-	-	-
Restricted Assets	2,332	-	-	-	-
Refundable deposits	23,641	-	-	-	-
Subtotal	1,330,314	-	-	-	-
Total	\$ 2,096,343	763,851	-	2,178	766,029

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

		2023.12.31				
		Carrying amount:	Fair value:			
			Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost						
Bank loan	\$	790,000	-	-	-	-
Notes and accounts payable		294,747	-	-	-	-
Other payables		223,755	-	-	-	-
Lease liabilities		47,264	-	-	-	-
Guarantee deposits		19,057	-	-	-	-
Total	\$	1,374,823	-	-	-	-

(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:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 2024 and 2023.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income
	Equity instruments with no open quotation
January 1, 2024	\$ 2,178
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(309)
December 31, 2024	\$ 1,869
January 1, 2023	\$ 2,350
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(172)
December 31, 2023	\$ 2,178

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 2024 and 2023 are as follows:

	2024	2023
Total gains or losses		
Recognized in other comprehensive income	\$ (309)	(172)
(presented as “unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income”)		

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 measured at fair value through other comprehensive income	Net asset value method	Net asset value	Not applicable

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(XXVI) Financial risk management

1. Overview and Summary

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 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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

statistics of similar financial assets.

(2)Investment

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)Guarantee and certificate

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, 2024 and 2023.

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(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:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 1,679,902	1,836,082
Less: Cash and cash equivalents	<u>(376,360)</u>	<u>(370,049)</u>
Net liabilities	<u>\$ 1,303,542</u>	<u>1,466,033</u>
Total equity	<u>\$ 6,839,502</u>	<u>6,669,472</u>
Debt-to-equity ratio	<u>19.06%</u>	<u>21.98%</u>

As of December 31, 2024, the Company had not changed its capital management method.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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

Investing and financing activities of non-cash transactions performed by the Company in 2024 and 2023.

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

	2024.1.1	Cash flow	Non-cash change		2024.12.31
			Increase	Disposal	
Short-term borrowings	\$ 350,000	(181,385)	-	-	168,615
Long-term borrowings	440,000	(40,000)	-	-	400,000
Lease liabilities	47,264	(21,047)	10,055	(1,073)	35,199
Short-term notes payable	-	100,000	-	-	100,000
Guarantee deposits	19,057	347	-	-	19,404
Total liabilities from financing activities	\$ 856,321	(142,085)	10,055	(1,073)	723,218

	2023.1.1	Cash flow	Non-cash change		2023.12.31
			Increase	Disposal	
Short-term borrowings	\$ 330,000	20,000	-	-	350,000
Long-term borrowings	520,000	(80,000)	-	-	440,000
Lease liabilities	180,793	(42,447)	5,383	(96,465)	47,264
Short-term notes payable	105,000	(105,000)	-	-	-
Guarantee deposits	18,585	-	472	-	19,057
Total liabilities from financing activities	\$ 1,154,378	(207,447)	5,855	(96,465)	856,321

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

Subsidiary – Hostan Corporation was merged into the Company on July 28, 2023, with the Company succeeding to all related rights and obligations. During the reporting period covered by these parent company only financial statements, the Company's subsidiaries and other related parties with which the Company had transactions are as follows:

Name of the related parties	Relationship with the Company
Hohong Co., Ltd.	Subsidiary
SWATTON INTERNATIONAL CORP.	"
Bao Long Interior Crafts Co., Ltd.	"
Hoceng Service Co., Ltd.	"
Ritiboon International Limited	"
Hocheng Philippines Property Holding, Inc.	"
HOCHENG GROUP HOLDING CORP.	"
Hocheng (China) Corporation	"

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Name of the related parties	Relationship with the Company
Hocheng Philippines Corporation	Subsidiary
Hocheng TRADING (SHANGHAI) CO., LTD.	"
Lazuli International Co., Ltd.	"
Hocheng Jianlang (Shanghai) Kitchen and Bathroom Co., Ltd.	"
Yuhuang Co., Ltd.	Substantial related party (other related parties)

(III) Significant transactions with related parties

1. Operating revenue

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

	2024	2023
Subsidiary		
Hoceng Service Co., Ltd.	\$ 61,504	63,732
Bao Long Interior Crafts Co., Ltd.	2,772	38,735
Other subsidiaries	3,728	4,952
Other related parties	7	29
	<u><u>\$ 68,011</u></u>	<u><u>107,448</u></u>

The selling price of the Company to subsidiaries and other related parties are not significantly different from those for general sales, with payment terms being due three months after the end of the month.

2. Purchase of goods

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

	2024	2023
Subsidiary		
Bao Long Interior Crafts Co., Ltd.	\$ 262,755	215,280
Other subsidiaries	36,921	62,954
Other related parties		
Yuhuang Co., Ltd.	139,052	135,794
	<u><u>\$ 438,728</u></u>	<u><u>414,028</u></u>

The purchase price of the Company to the subsidiaries and other related parties is not significantly different from the purchase price of the Company to the general manufacturers, and the payment terms are three months.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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	2024.12.31	2023.12.31
Notes receivable	Subsidiary		
	Hoceng Service Co., Ltd.	\$ 8,369	12,275
	Other related parties	4	-
Accounts receivables	Subsidiary		
	Hoceng Service Co., Ltd.	8,529	6,059
	Bao Long Interior Crafts Co., Ltd.	385	2,484
	Other subsidiaries	1,135	60
	Other related parties	-	21
Other receivables -- Rent and royalties	Subsidiary		
	Hocheng (China) Corporation	23,064	22,443
	Bao Long Interior Crafts Co., Ltd.	2,939	2,732
	Other subsidiaries	3,162	1,235
	Other related parties	55	54
	Key management transaction	7,040	9,246
		\$ 54,682	56,609

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	2024.12.31	2023.12.31
Notes payable	Other related parties		
	Yuhuang Co., Ltd.	\$ 36,544	38,283
Accounts payable	Subsidiary		
	Bao Long Interior Crafts Co., Ltd.	54,933	63,220
	Other subsidiaries	8,834	3,784
	Other related parties		
	Yuhuang Co., Ltd.	12,351	12,076
Other payables	Subsidiary		
	Hoceng Service Co., Ltd.	5,023	5,167
	Bao Long Interior Crafts Co., Ltd.	920	139
	Other subsidiaries	3	3
	Other related parties	11	-
		\$ 118,619	122,672

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

5. Foreign currency transaction

(1) Acquisition of property, plant and equipment

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

	2024	2023
Subsidiary	\$ 2,014	-

6. Endorsement/guarantee

(1) Endorsement/guarantee provided by the Company to related parties

As of December 31, 2024 and 2023, the Company issued letters of credit for the guarantee of bank borrowings for subsidiaries in the amount of US\$1,500 thousand, PHP285,000 thousand and US\$2,000 thousand, and PHP285,000 thousand, respectively.

The Company's endorsement and guarantee amount for the subsidiary's bank loan on December 31, 2024 was NT\$150,000 thousand.

(2) Endorsement/guarantee provided by related parties to the Company

The subsidiaries of the Company provided joint and several guarantees for the contracted projects of the Company in a total amount of NT\$5,840 thousand as of December 31, 2024 and 2023, respectively.

7. Royalty income

Subsidiaries of the Company made use of the trademark rights of the Company. In 2024 and 2023, royalties collected from related parties amounted to NT\$23,054 thousand and NT\$21,353 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 2024 and 2023, rental income collected from related parties amounted to NT\$7,186 thousand and NT\$5,762 thousand, respectively.

9. Rental expenses

The Company rented the office located in the southern area of Tainan City from other related parties in 2024 for an amount of 220 thousand and 222 thousand, respectively.

The Company rented the office located in the south district of Taichung City from other related parties in 2023 for an amount of 57 thousand and 60 thousand, respectively.

10. Others

(1) As of December 31, 2024 and 2023, the Company's real estate of Yingge factory and office amounted to NT\$94,173 thousand and NT\$94,678 thousand, respectively. The real estate has not yet transferred the account in the name of the Company as it is a

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

piece of agricultural land. For the years ended December 31, 2024 and 2023, the real estate had temporarily registered under Li-Chien 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.

(2) In January 2023, the Company purchased the outstanding equity of He-Hong Co., Ltd. from key management personnel, and the amount of transaction was NT\$ 620 thousand.

(3) Other related parties

Accounting item	Type of related parties	2024	2023
Operating cost	Subsidiary	\$ 110	107
Operating expenses	Subsidiary	5,065	2,558
	Other related parties	663	1,624
Non-Operating revenue	Subsidiary	51	36

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\$46,920 thousand and NT\$45,935 thousand in 2024 and 2023, respectively.

(IV) Key management transaction

The compensation of the key management includes:

	2024	2023
Short-term employee benefits	\$ 13,053	13,577
Post-employment benefits	258	222
	<u>\$ 13,311</u>	<u>13,799</u>

The Company provided 4 company cars with a cost of NT\$7,801 thousand for the key management's use in 2024 and 2023.

VIII. Pledged assets

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

Asset Name	Target	2024.12.31	2023.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	\$ 1,774,468	1,797,357
Investment property - Land and houses	Long-term and short-term borrowings	396,542	402,730
Restricted assets (recognized as other non-current assets - other)	Bid bond and performance bond for projects	2,358	2,332
Refundable deposits	House lease and deposits for construction	21,516	23,641
		<u>\$ 2,194,884</u>	<u>2,226,060</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Promissory notes for engineering and product warranty and subject guarantee	<u>\$ 29,180</u>	<u>36,182</u>

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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:

By function By nature	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	309,124	276,670	585,794	315,510	281,997	597,507
Labor and health insurance	33,302	28,896	62,198	34,903	29,831	64,734
Pension costs	6,787	11,135	17,922	1,179	3,842	5,021
Directors' remuneration	-	3,117	3,117	-	2,769	2,769
Other employee benefits expense	12,355	14,894	27,249	11,839	13,692	25,531
Depreciation expenses (Note)	76,764	54,291	131,055	85,932	57,745	143,677
Amortization expense	117	4,241	4,358	106	4,747	4,853

(Note): The abovementioned depreciation expenses exclude the depreciation expenses of investment properties; in 2024 and 2023, the expenses amounted to NT\$6,234 thousand and NT\$6,116 thousand (accounted for under other gains and losses).

Additional information on the number of employees and employee benefits of the Company in 2024 and 2023 is as follows:

	2024	2023
Number of employees	<u>968</u>	<u>999</u>
Number of employees who are not concurrently Directors	<u>4</u>	<u>4</u>
Average employee benefits expenses	<u>\$ 719</u>	<u>696</u>
Average employee salary expenses	<u>\$ 608</u>	<u>601</u>
Average adjustments to employee salary expenses	<u>1.16%</u>	<u>(3.84)%</u>

Information on the Company's remuneration policies (including Directors, managerial officer officers, and employees) is as follows:

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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, 2024 is as follows:

1. Loans to others: None.
2. Guarantees and endorsements for others:

Unit: NT\$ thousand

No.	Endorsement/Guarantee Name of the certificate	Party being endorsed/guaranteed		Single enterprise	Maximum balance of the period	At the end of the period	Actual drawdown amount	Property as collateral	Accumulated endorsement/guarantee amount	Endorsement/Guarantee	Belonging to the parent company	Belonging to the Subsidiary	Belonging to the party in China
		Company name	Relationship (Note 1)	Limit of endorsement/guarantees Note 2	Balance of endorsement/guarantee	Balance of endorsement/guarantee	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	Highest limit of securities Note 3	Endorsement/guarantee provided to a subsidiary	Endorsement/guarantee provided to a parent company	Endorsement and guarantee for regional
0	Hocheng Corporation	Hocheng Philippines Corporation	3	6,839,502	226,251	210,801	-	-	3.08%	6,839,502	Y		
0	"	Bao Long Interior Crafts Co., Ltd.	3	6,839,502	150,000	150,000	-	50,000	2.19%	6,839,502	Y		
1	Hoceng Service Co., Ltd.	Hocheng Corporation	3	131,391	5,840	5,840	4,017	-	0.09%	131,391		Y	

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.

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

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Unit: NT\$ thousand/share

Names of companies held	Securities Type and name	and securities Relationship with the issuer	Accounting item	Period: End				Remarks
				Number of 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	44,520	- %	44,520	
	KGI Financial Holding Co., Ltd.	-	"	452,067	7,775	- %	7,775	
	Taishin Financial Holding Co., Ltd.	-	"	580,174	10,095	- %	10,095	
	United Microelectronics Corporation	-	"	800,000	34,440	0.01%	34,440	
	Taiwan PCB Techvest Co., Ltd.	-	"	6,575,315	225,205	2.42%	225,205	
	Capital Securities Corporation	-	"	8,551,000	210,782	0.39%	210,782	
	Pegatron Corporation	-	"	75,000	6,893	- %	6,893	
	Mega Financial Holding Company Ltd.	-	"	1,412,268	54,655	0.01%	54,655	
	CTBC Financial Holding Co., Ltd.	-	"	2,498,000	97,672	0.01%	97,672	
	Core Pacific City Co., Ltd.	-	"	49,205	251	0.49%	251	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Securities Type and name	and securities Relationship with the issuer	Accounting item	Period: End				Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)	
The Company	Union Securities Investment Trust Co., Ltd.	-	Financial assets at fair value through other comprehensive income -- Non-current	98,869	1,344	0.32%	1,344	
	Power Chip Technology Corporation	-	"	27,816	274	- %	274	
	Power Chip Semiconductor Manufacturing Corp.	-	"	50,336	800	- %	800	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss -- Current	1,890,737	26,748	- %	26,748	
	Yuanta Wan Tai Money Market Fund	-	"	1,299,788	20,502	- %	20,502	
	Sinopac TWD Money Market Fund	-	"	2,027,912	29,418	- %	29,418	
	Capital Money Market Fund	-	"	1,821,545	30,639	- %	30,639	
	Hua Nan Phoenix Money Market Fund	-	"	1,088,967	18,470	- %	18,470	
	Hua Nan Kirin Money Market Fund	-	"	338,550	4,221	- %	4,221	
	GREAT WALL ENTERPRISE CO., LTD.	-	Financial assets at fair value through other comprehensive income -- Non-current	40,000	2,060	- %	2,060	
Hohong Co., Ltd.	Formosa Plastics Corporation	-	"	30,000	1,065	- %	1,065	Note1
	CATHAY CONSOLIDATED INC.	-	"	1,099	110	- %	110	
	Zeng Hsing Industrial Co., Ltd.	-	"	10,743	1,191	0.02%	1,191	
	Standard Chemical & Pharmaceutical Co. Ltd.	-	"	20,000	1,238	0.01%	1,238	
	Hocheng Corporation	Is its subsidiary	"	445,484	7,707	0.15%	7,707	
	Longchen Paper & Packaging Co., Ltd.	-	"	268,152	3,110	0.02%	3,110	
	Sheh Kai Precision Co., Ltd.	-	"	75,000	2,565	0.15%	2,565	
	Iron Force Industrial Co., Ltd.	-	"	39,410	3,893	0.05%	3,893	
	Turvo International Co., Ltd.	-	"	50,000	14,125	0.08%	14,125	
	Compeq Manufacturing Co., Ltd.	-	"	40,000	2,804	- %	2,804	
	Hong Hai Precision Industrial Co., Ltd.	-	"	58,480	10,760	- %	10,760	
	Yageo Corporation	-	"	4,754	2,572	- %	2,572	
	Taiwan Semiconductor Manufacturing Company Limited	-	"	31,365	33,717	- %	33,717	
	Foxconn Technology Co., Ltd.	-	"	10,000	744	- %	744	
	Elite Material Co., Ltd.	-	"	20,000	12,360	0.01%	12,360	
	Walsin Technology Corporation	-	"	10,000	925	- %	925	
	Evergreen International Storage and Transport Corporation	-	"	160,000	5,000	0.01%	5,000	
	Aerospace Industrial Development Corp.	-	"	100,000	4,485	0.01%	4,485	
	Cathay Financial Holdings Limited	-	"	151,426	10,342	- %	10,342	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Securities Type and name	and securities Relationship with the issuer	Accounting item	Period: End				Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)	
Hohong Co., Ltd.	KGI Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income -- Non-current	132,288	2,275	- %	2,275	
	Taishin Financial Holding Co., Ltd.	-	"	384,256	6,686	- %	6,686	
	National Aerospace Fasteners Corporation	-	"	22,000	2,035	0.04%	2,035	
	Getac Technology Corporation	-	"	40,000	4,240	0.03%	4,240	
	COMPUCASE ENTERPRISE CO., LTD.	-	"	10,000	894	0.01%	894	
	TXC Corporation	-	"	20,000	2,010	0.01%	2,010	
	Tripod Technology Corporation	-	"	80,000	15,800	0.02%	15,800	
	Ardentec Corporation	-	"	130,205	6,914	0.03%	6,914	
	Xintec Inc.	-	"	5,000	990	- %	990	
	Topco Technologies Corp.	-	"	8,538	593	0.01%	593	
	Foxsemicon Integrated Technology Inc.	-	"	15,000	4,560	0.01%	4,560	
	Avalue Technology Inc.	-	"	52,000	4,649	0.07%	4,649	
	Well Shin Technology Co., Ltd.	-	"	26,000	1,604	0.02%	1,604	
	FORMOSA SUMCO TECHNOLOGY CORPORATION	-	"	40,000	3,920	0.01%	3,920	
	Shih Her Technologies Inc.	-	"	70,000	8,890	0.12%	8,890	
	Materials Analysis Technology Inc.	-	"	14,725	3,652	0.02%	3,652	
	Arcadyan Technology Corporation	-	"	45,000	7,898	0.02%	7,898	
	TSC Auto ID Technology Co., Ltd.	-	"	16,496	3,283	0.03%	3,283	
	Alchip Technologies, Limited	-	"	1,000	3,280	- %	3,280	
	Bizlink Holding Inc.	-	"	10,354	6,337	0.01%	6,337	
	ASE Technology Holding Co., Ltd.	-	"	80,000	12,960	- %	12,960	
	WELLELL INC.	-	"	15,000	374	0.01%	374	
	Global Tek Fabrication Co., Ltd.	-	"	2,000	164	- %	164	
	Wistron Information Technology & Services Corporation	-	"	74,619	8,469	0.10%	8,469	
	Zhen Ding Technology Holding Limited	-	"	120,000	14,400	0.01%	14,400	
	KMC (Kuei Meng) International Inc.	-	"	30,100	3,597	0.02%	3,597	
	Sino American Silicon Products Inc.	-	"	50,000	6,725	0.01%	6,725	
	Chailease Holding Company Limited	-	"	40,184	4,541	- %	4,541	
	Simplo Co., Ltd.	-	"	10,000	3,970	0.01%	3,970	
	Chipbond Technology Corporation	-	"	30,000	1,932	- %	1,932	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Securities Type and name	and securities Relationship with the issuer	Accounting item	Period: End				Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)	
Hohong Co., Ltd.	Powertech Technology Inc.	-	Financial assets at fair value through other comprehensive income -- Non-current	65,000	7,930	0.01%	7,930	
	Lanner Electronics Inc.	-	"	80,700	7,602	0.06%	7,602	
	Tong Hsing Electronic, Ltd.	-	"	20,000	2,780	0.01%	2,780	
	GlobalWafers Co., Ltd	-	"	10,000	3,815	- %	3,815	
	GEM Services, Inc.	-	"	60,450	3,978	0.05%	3,978	
	Crystalvue Medical Corporation	-	"	6,300	535	0.02%	535	
	Nova Technology Corp.	-	"	26,000	4,680	0.03%	4,680	
	KEYSTONE MICROTECH CO.	-	"	5,000	2,138	0.02%	2,138	
	Acer Cyber Security Inc.	-	"	9,893	2,043	0.04%	2,043	
	Sensortek Technology Corp.	-	"	10,000	2,500	0.02%	2,500	
	Unictron Technologies Corporation	-	"	10,000	640	0.02%	640	
	Acer E-Enabling Service Business Inc.	-	"	7,000	2,013	0.02%	2,013	
	WONDER PETS ENTERPRISES CORPORATION	-	"	10,000	603	0.02%	603	
	Formosa Advanced Technologies Co., Ltd.	-	"	75,000	2,115	0.02%	2,115	
	Allied Circuit Co., Ltd.	-	"	30,000	3,600	0.06%	3,600	
	Chenbro Micom Co., Ltd.	-	"	10,000	2,665	0.01%	2,665	
	Taiwan PCB Techvest Co., Ltd.	-	"	1,602,000	54,869	0.59%	54,869	
	Actron Technology Corporation	-	"	5,000	833	- %	833	
	Cleanaway Company Limited	-	"	10,000	1,800	0.01%	1,800	
	Pou Chen Corporation	-	"	140,000	5,166	- %	5,166	
	Macauto Industrial Co., Ltd.	-	"	40,000	2,140	0.05%	2,140	
	Power Chip Technology Corporation	-	"	66,404	657	- %	657	
	Power Chip Semiconductor Manufacturing Corp.	-	"	50,000	795	- %	795	
	D NET International Corporation	-	Financial assets at fair value through profit or loss -- Current	10,025	-	- %	-	
	Syntronix Corporation	-	"	1,150	-	- %	-	
	CASA Cost (AbGenomics Holding Ltd. Formosa Pharmaceuticals, Inc.)	-	"	20,000	-	- %	-	
	UPAMC James Bond Money Market Fund	-	"	1,229,315	21,381	- %	21,381	
	Franklin Templeton Sinoam Money Market Fund	-	"	756,571	8,158	- %	8,158	
	Yunata De-Li Money Market Fund	-	"	122,436	2,082	- %	2,082	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

Names of companies held	Securities Type and name	and securities Relationship with the issuer	Accounting item	Period: End				Remarks
				Number of shares	Carrying amount:	Shareholding percentage	Fair value (Note 2)	
Hohong Co., Ltd.	Capital Money Market Fund	-	Financial assets at fair value through profit or loss -- Current	1,149,229	19,330	- %	19,330	
	Hua Nan Phoenix Money Market Fund	-	"	241,557	4,097	- %	4,097	
	Taishin 1699 Money Market Fund	-	"	217,086	3,071	- %	3,071	
	JPMorgan Funds--China Fund--JPM	-	"	5,626	11,286	- %	11,286	
Ritiboon International Limited	Pyxis	-	"	65,000,000	-	- %	-	
	Asia Technology	-	"	1,400	-	- %	-	
	HOTA INDUSTRIAL MFG. CO., LTD.	-	"	1,000	68	- %	68	
Bao Long Interior Crafts Co., Ltd.	SOLAR APPLIED MATERIALS TECHNOLOGY CORP.	-	"	5,000	313	- %	313	
	United Microelectronics Corporation	-	"	7,000	301	- %	301	
	CO-TECH DEVELOPMENT CORP.	-	"	5,000	293	- %	293	
	TCI Co., Ltd.	-	"	50	6	- %	6	
Swatton International Co., Ltd.	PFBC	-	Financial assets at fair value through other comprehensive income -- Non-current	30,000	84,959	- %	84,959	
	NEXTEER MOTOR CO.,LTD	-	"	50,000	701	- %	701	
	HKT Trust and HKT Ltd.	-	"	100,000	4,052	- %	4,052	
	CK HUTCHISON HOLDINGS LTD	-	"	20,000	3,503	- %	3,503	
	FOCONN INTERCONNECT TECHNOLOGY LTD.	-	"	95,000	1,463	- %	1,463	
	MINTH GROUP LTD	-	"	60,000	3,829	- %	3,829	
	Amazon	-	"	1,000	7,193	- %	7,193	
	TSMC GLOBAL LTD	-	"	3,000	9,399	- %	9,399	
	JPMorgan Chase Bank	-	Financial assets at fair value through profit or loss -- Current	20	10,249	- %	10,249	
	Black Rock	-	"	3,000	11,872	- %	11,872	

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.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

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 Name	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	Bao Long Interior Crafts Co., Ltd.	Subsidiary	Purchases	262,755	15.74%	Three months	-	No general transaction is comparable	(54,933)	(17.26)%	
"	Yuhuang Co., Ltd.	Substantive Related Party	Purchases	139,052	8.33%	Four months	-	"	(48,895)	(15.37)%	

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 2024 is as follows:

Unit: NT\$ thousand/share

Investors	Investees	Where the Company is located	Main business line	Original / investment amount		Held at the end of the period			Investees	Investment gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount:			
Hocheng Corporation	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	638,103	(39,838)	(39,035)	Note2
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,620	198,620	34,713,522	99.60%	719,192	2,787	2,689	Note1
	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	1,050,000	70.00%	73,196	7,290	4,511	Note2
	Bao Long Interior Crafts Co., Ltd.	Taiwan	Manufacturing, processing, and trading of porcelain, ceramic boards, and tiles	804,761	804,761	21,001,000	100.00%	238,473	17,112	16,172	Note2
Ritiboon International Limited	Philippines Property	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	61,312	3,007	2,256	
	Hocheng Group Holding	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	400,690	(46,469)	(46,469)	

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

	Corp.										
	HCG North American, LLC	USA	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	-	-	
Hohong Co., Ltd.	Swatton International Co., Ltd.	British V	Holding	41,590	41,590	13,004	100.00%	227,541	6,545	6,545	
Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	601,153	14,465	14,465	
	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	53,073	616	542	Note 3
Hoceng Philippines Corporation	PT HCG Indonesia	Indonesia	Sale of bathroom equipment	12,400	12,400	420,000	35.00%	-	-	-	

Note 1: The Company's shares held by subsidiaries 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: The Company is entitled to 88% of the rights to allocation regarding the earnings of the company.

Hocheng Corporation Parent Company Only Financial Statements (cont'd)

(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	(2) Investment Method	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Investment flows		Accumulated investment amount of remittance from Taiwan at the ending of the period	Investees	The Company's direct or indirect investments	Investment (losses) gains recognized during the period	At the end of the period Carrying amount	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered						
Company name	Item	Paid-in capital	(Note 1)	Investment amount			Investment amount	Total comprehensive income for the period	Ownership	Note 2	Price/Value	Investment income
Hocheng (China) Corporation	Production and sale of plumbing products	953,760	(II)	894,627	-	-	894,627	(59,438)	100.00%	(59,438)	(404,880)	-
Hocheng TRADING (SHANGHAI) CO., LTD.	Sale of bathroom equipment	29,805	(II)	5,961	-	-	5,961	(3,765)	100.00%	(3,765)	12,019	-
Hocheng (China) Corporation												
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(II)	-	-	-	-	(17,974)	100.00%	(17,974)	(118,317)	-
Hocheng (Ningbo) Corporation (Note 8)	Sale of bathroom equipment	-	(II)	-	-	-	-	-	- %	-	-	-
Hocheng Jianlang (Shanghai) Kitchen and Bathroom Co., Ltd.	Sale of bathroom equipment	4,300	(II)	-	-	-	-	(5,330)	50.00%	(798)	-	-

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 MOEA (Note 3)
900,588	928,336	4,103,701

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 Ritibo International Limited).

(III) Others methods.

Note 2: The investment gains (losses) recognized for the current period were 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 Ritibo 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 business license was obtained on December 24, 2024, and as of December 31, 2024, no capital has been contributed.

3. Significant transactions:

For details of the significant transactions between the Company and investees in Mainland China in 2024, please refer to "Information on significant transactions."

(IV) Major shareholders: None.

XIV. Segment information

For details, please refer to the 2024 consolidated financial statements.

Hocheng Corporation
Breakdown of cash and cash equivalents

December 31, 2024

Unit: NT\$ thousand

Item	Summary	Amount
Cash	Cash in hand	\$ 260
	Working capital	<u>2,762</u>
	Subtotal	<u>3,022</u>
Bank deposits	Checking account deposits	2,117
	Demand deposit	364,992
	Deposits in foreign currency	<u>6,229</u>
	Subtotal	<u>373,338</u>
		<u>\$ 376,360</u>

Hocheng Corporation

Breakdown of financial assets at fair value through profit or loss -

Current

December 31, 2024

Unit: NT\$ thousand

Name and title	Period: Beginning		Increase this period		Decrease this period		Period: End		Guarantee or Pledge and mortgage	Note
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value		
Taishin 1699 Money Market Fund	1,890,737	\$ 26,362	-	387	-	-	1,890,737	26,749	None	
Yuanta Wan Tai Money Market Fund	981,110	15,259	318,678	5,243	-	-	1,299,788	20,502	"	
Sinopac TWD Money Market Fund	1,612,066	23,054	415,846	6,364	-	-	2,027,912	29,418	"	
Capital Money Market Fund	1,821,545	30,214	-	425	-	-	1,821,545	30,639	"	
Hua Nan Phoenix Money Market Fund	1,088,967	18,213	-	257	-	-	1,088,967	18,470	"	
Hua Nan Kirin Money Market Fund	338,550	4,164	-	56	-	-	338,550	4,220	"	
		<u>\$ 117,266</u>		<u>12,732</u>		<u>-</u>		<u>129,998</u>		

Hocheng Corporation
Breakdown of notes receivable

December 31, 2024

Unit: NT\$ thousand

Client Name	Summary	Amount	Note
Related party:			
Hoceng Service Co., Ltd.	Due within one year	\$ 8,369	
Yuhuang Co., Ltd.	"	<u>4</u>	
Subtotal		<u>8,373</u>	
Non-related party:			
Company A	Due within one year	114,264	
Company B	"	31,362	
Others	"	<u>152,386</u>	The balance of a single customer has not exceeded 5%
Subtotal		<u>298,012</u>	
Total		<u><u>\$ 306,385</u></u>	

Hocheng Corporation
Breakdown of accounts receivable

December 31, 2024			Unit: NT\$ thousand
Client Name	Summary	Amount	Note
Related party:			
Hoceng Service Co., Ltd.		\$ 8,529	
Hocheng (China) Corporation		647	
Bao Long Interior Crafts Co., Ltd.		385	
Hocheng Philippines Corporation		<u>488</u>	
Subtotal		<u>10,049</u>	
Non-related party:			
Company A		69,139	
Company C		46,460	
Others		<u>371,127</u>	The balance of a single customer has not exceeded 5%
Subtotal		486,726	
Less: Impairment loss allowance		<u>(782)</u>	
Net amount		<u>485,944</u>	
Total		<u>\$ 495,993</u>	

Breakdown of other receivables

Item	Summary	Amount	Note
Related party:			
Hocheng (China) Corporation	Use of trademark rights	\$ 23,064	
Others	Rental income and rights to use trademarks	<u>13,196</u>	
Subtotal		<u>36,260</u>	
Non-related party	Trademark income	<u>34,989</u>	
Total		<u><u>\$ 71,249</u></u>	

Hocheng Corporation
Breakdown of inventories

December 31, 2024

Unit: NT\$ thousand

Item	Amount		Note
	Amounts received	Net realized value	
Raw materials	\$ 220,853	216,588	
Materials	8,974	8,759	
Work in process	181,109	560,870	
Finished goods	503,333	793,603	
Products	244,430	337,889	
In transit inventory	31,483	31,483	
Subtotal	1,190,182	<u>1,949,192</u>	
Less: loss allowance	<u>(54,806)</u>		
Total	<u>\$ 1,135,376</u>		

Breakdown of other current assets

Item	Summary	Amount	Note
Paid temporarily	Provisional rents and payment for natural gas	\$ 22,276	
Prepayments	Prepaid rent and advertisement fees	10,760	
	Others	22,909	
Prepayment for supplies purchases	Prepayment for raw material purchases	<u>5,730</u>	
Total		<u>\$ 61,675</u>	

Hocheng Corporation

Breakdown of financial assets at fair value through other comprehensive income - Non-current

For the year ended December 31, 2024

Unit: NT\$ thousand

Name and title	Period: Beginning		Increase this period		Decrease this period		Period: End		Provision of guarantees or pledges	Pledge and mortgage	Note
	Number of shares	Fair value	Number or amount of shares	Amount	Number or amount of shares	Amount	Number of shares	Fair value			
Listed stocks											
Cathay Financial Holdings Limited	651,834	\$ 29,821	-	14,699	-	-	651,834	44,520	None	Based on the closing price on December 31, 2024	
China Development Financial Holdings Limited	452,067	5,674	-	2,101	-	-	452,067	7,775	"	"	
Taishin Financial Holding Co., Ltd.	557,860	10,097	22,314	-	-	-	580,174	10,095	"	"	
United Microelectronics Corporation	800,000	42,080	-	-	-	-	800,000	34,440	"	"	
Taiwan PCB Techvest Co., Ltd.	6,575,315	284,711	-	-	-	-	6,575,315	225,205	"	"	
Capital Securities Corporation	8,551,000	139,809	-	70,973	-	-	8,551,000	210,782	"	"	
Pegatron Corporation	75,000	6,548	-	345	-	-	75,000	6,893	"	"	
Taishin Financial Holding Co., Ltd. Preferred Stock E	16,280	832	-	-	16,280	832	-	-	"	"	
Cathay Financial Holding Co., Ltd. Preferred Stock A	14,808	883	-	-	14,808	883	-	-	"	"	
Mega Financial Holding Company Ltd.	1,343,160	52,652	69,108	2,003	-	-	1,412,268	54,655	"	"	
Cathay Financial Holding Co., Ltd. Stock B	12,284	733	-	-	12,284	733	-	-	"	"	
Taishin Financial Holding Co., Ltd. Preferred Stock E II	9,753	445	-	-	9,753	445	-	-	"	"	
CTBC Financial Holding Co., Ltd.	2,498,000	70,818	-	26,854	-	-	2,498,000	97,672	"	"	
Yuhuang Co., Ltd.	49,205	429	-	-	-	178	49,205	251	"	"	
Core Pacific City Co., Ltd.	98,869	1,396	-	-	-	52	98,869	1,344	"	"	
Power Chip Technology Corporation	27,816	353	-	-	-	79	27,816	274	"	"	
Power Chip Semiconductor Manufacturing Corp.	50,336	1,482	-	-	-	682	50,336	800	"	"	
		<u>\$ 648,763</u>		<u>116,975</u>		<u>71,032</u>		<u>694,706</u>			

Breakdown of changes in investments accounted for using the equity method

Unit: NT\$ thousand

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, 2024

Unit: NT\$ thousand

Item	Summary	Amount	Note
Prepayments for equipment		\$ 20,966	
Others		<u>11,611</u>	
Total		<u><u>\$ 32,577</u></u>	

Hocheng Corporation

Breakdown of short-term borrowings

December 31, 2024

Unit: NT\$ thousand

Types of borrowings	Description:	Ending balance	Contract Duration	Interest rates	Financing limit	Pledge or Guarantee	Note
Credit borrowings	Borrowings from financial institutions	\$ 100,000	2024.12.25-2025.03.25	1.95%	120,000	None	Note1
"	"	50,000	2024.12.06-2025.03.06	1.95%	50,000	"	"
"	"	18,615	2024.07.18-2025.06.02	5.83%-6.65%	150,000	"	"
		<u>\$ 168,615</u>			<u>\$ 320,000</u>		

Note 1: A comprehensive limit is executed, which is included in the total limit of credit and secured borrowings.

Hocheng Corporation
Breakdown of notes payable

December 31, 2024

Unit: NT\$ thousand

Client Name	Summary	Amount	Note
Related party:			
Yuhuang Co., Ltd.		\$ 36,544	
Non-related party:			
Company A		6,112	
Company B		4,199	
Others		903	The balance of a single supplier has not exceeded 5%
Subtotal		11,214	
Total		\$ 47,758	

Breakdown of accounts payable

Client Name	Summary	Amount	Note
Related party:			
Bao Long Interior Crafts Co., Ltd.		\$ 54,933	
Yuhuang Co., Ltd.		12,351	
Hocheng (China) Corporation		8,834	
Subtotal		76,118	
Non-related party:			
Company C		53,680	
Company D		22,241	
Others		118,401	The balance of a single supplier has not exceeded 5%
Subtotal		194,322	
Total		\$ 270,440	

Hocheng Corporation
Breakdown of other payables

December 31, 2024

Unit: NT\$ thousand

Item	Summary	Amount	Note
Salary, annual bonus, and board wages payable		\$ 131,325	
Labor and health insurance payable		11,762	
Pension payable		3,465	
Others		67,277	
Total		<u><u>\$ 213,829</u></u>	

Breakdown of other current liabilities

Item	Summary	Amount	Note
Contract liabilities	Advances for products	\$ 28,062	
Tax payable	Business tax	8,952	
Temporary credit	Provisional advances for taxes, labor and health insurance premiums, and rent	15,669	
Total		<u><u>\$ 52,683</u></u>	

Hocheng Corporation

Breakdown of long-term borrowings

December 31, 2024

Unit: NT\$ thousand

Creditors	Summary	Borrowing amount	Contract Duration	Interest rate	Pledge or Guarantee	Note
Mega International Commercial Bank	\$	400,000	2024.10.19-2029.10. 19	2.49% 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 9 installments; the repayment for the 1st to 8th installments shall be NT\$25,000 thousand, and the repayment for the last installment shall be NT\$200,000 thousand.
Less: Portion due within one year		(25,000)				
Total	\$	<u><u>375,000</u></u>				

Hocheng Corporation
Breakdown of operating costs
For the year ended December 31, 2024

Unit: NT\$ thousand

Item	Amount	
	Sub-total	Total
Cost of sales for self-produced products		
Raw materials at the beginning of the period	\$ 207,701	
Add: Incoming stock during the period	576,739	
Others	1,062	
Less: Transfer to various expenses	(4,465)	
Disposals of raw materials	(15,656)	
Report and scrap	(1,631)	
Raw materials at the end of the period	<u>(220,853)</u>	542,897
Indirect raw materials		
Supplies at the beginning of the period	8,577	
Add: Incoming stock during the period	66,013	
Less: Others	(28)	
Disposals of supplies	(123)	
Report and scrap	(7)	
Transfer to other equipment	(10,772)	
Transfer to various expenses	(24,533)	
Supplies at the end of the period	<u>(8,974)</u>	30,153
Direct labor costs		237,246
Manufacturing expenses		<u>467,718</u>
Manufacturing costs		1,278,014
Add: Work in progress at the beginning of the period	165,317	
Work in progress purchased	11,877	
Others	96	
Less: Work in progress sold	(1,135)	
Report and scrap	(301)	
Transfer to various expenses	(236)	
Losses on inventory	(51)	
Work in progress at the end of the period	<u>(181,109)</u>	(5,542)
Cost of finished good		1,272,472
Finished good at the beginning of the period		537,831
Add: Gain on inventory		155
Others - Finished good processing		8,710
Less: Scrapping		(2,656)
Losses on inventory		(970)
Transfer to other equipment		(14,579)
Transfer to various expenses		(8,760)
Others		(17,198)
Finished good at the end of the period		<u>(503,333)</u>
Costs of production and sales		1,271,672
Cost of sales for purchased products		
Products purchased at the beginning of the period	282,011	
Add: Purchases during the period	1,083,224	
Gains on inventory	62	
Others	10,520	
Less: Products purchased at the end of the period	(275,913)	
Report and scrap	(1,309)	
Transfer to various expenses	(12,989)	
Losses on inventory	<u>(152)</u>	
Cost of sales - Products		1,085,454
Disposals of semi-finished good		1,135
Disposals of raw materials and supplies		15,656
Disposals of supplies		<u>123</u>
Cost of sales		2,374,040
Add: Loss on inventory		956
Processing costs		2,710
Inventory scrapping losses		5,904
Gain from the recovery of inventory write-down or obsolescence		4,831
Less: Income from disposal of scraps		<u>(524)</u>
Total operating cost	\$	<u>2,387,917</u>

Hocheng Corporation
Breakdown of marketing expenses
For the year ended December 31, 2024 **Unit: NT\$ thousand**

Item	Summary	Amount	Note
Salary expenses		\$ 141,097	
Advertising expenses		77,371	
Freight expenses		34,398	
Entertainment expenses		26,322	
Depreciation		26,205	
Other expenses		<u>167,692</u>	Any single amount has not exceeded 5%
Total		<u><u>\$ 473,085</u></u>	

Breakdown of management fees

Item	Summary	Amount	Note
Salary expenses		\$ 67,051	
Tax and levy		17,748	
Depreciation		16,272	
Entertainment expenses		12,021	
Other expenses		<u>62,430</u>	Any single amount has not exceeded 5%
Total		<u><u>\$ 175,522</u></u>	

Hocheng Corporation
Breakdown of R&D expenses
For the year ended December 31, 2024 **Unit: NT\$ thousand**

Item	Summary	Amount	Note
Salary expenses		\$ 44,083	
Research and experiment expenses		13,981	
Depreciation		11,814	
Other expenses		<u>30,499</u>	Any single amount has not exceeded 5%
		<u>\$ 100,377</u>	

H O C H E N G C o r p o r a t i o n

Chairman Chiu, Li-Chien

