Stock Code:：1810

HOCHENG CORPORATION

2025 Annual Report

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http:// mops.twse.com.tw
Company Website：http://www.hcg.com.tw/

（I）Spokesperson :

1. Name: Lo, Yue-Ying
2. Title: Associate Manager
3. Tel.: (03)3623105
4. Mail: monica@hcgnet.com.tw

Deputy Spokesperson：

1. Name: Lin, Jin-Yuan
2. Title: Manager
3. Tel.: (03)3623105
4. Mail: nick@hcgnet.com.tw

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

Name	Current Location	Tel No.
Headquarter	No. 398, Xingshan Rd., Neihu Dist., Taipei 14066 , Taiwan	(02)2792-5511
2nd Plant	No. 1, Bade Rd., Yingge Dist., New Taipei City, Taiwan	(02)2679-2294
Taoyuan Factory	No. 405, Fude 1st Road, Dafa Village, Bade District, Taoyuan City	(03)362-3105
Bade Factory	No. 89 and No. 135, Houzhuang Street, Dafa Village, Bade District, Taoyuan City	(03)362-3105
Taipei Branch	No. 105, Binjiang St., Zhongshan Dist., Taipei, Taiwan	(02)2502-1971
Taoyuan Branch	No. 89, Houzhuang St., Da Fa Village, Bade Dist., Taoyuan County, Taiwan	(03)362-8101
Hsinchu Branch	No. 2, Sec. 1, Zhongshan Rd., Hukou Township, Hsinchu County, Taiwan	(03)569-2949
Miaoli Branch	No. 22-9, Shuiliuniang, Miaoli City, Miaoli County, Taiwan	(037)234-911
Chiayi Branch	No. 136-20, Cuxi, Shuishang Township, Chiayi County, Taiwan	(05)235-3168
I-Lan Branch	No. 7- , Ln. 41, Sec. 3, Dafu Rd., Zhuangwei Township, Yilan County, Taiwan	(039)304-107
Keelung Branch	No. 4- 1, De'an Rd., Zhongshan Dist., Keelung, Taiwan	(02)2437-1411
Nanto Branch	No. 37, Nangang 3rd Rd., Nantou City, Nantou County, Taiwan	(049)225-3626
Taichung Branch	No. 312, Ln. 16, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung, Taiwan	(04)2452-7560

（III）Stock Transfer Agent：

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

（IV）CPA for the latest annual financial report.

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

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

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

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I. Report to Shareholders

Dear Shareholders,

As the Year of the Snake draws to a close, I would like to express my sincere gratitude to all employees for their dedication and active cooperation over the past year in meeting the Company's operational objectives. Thanks to these collective efforts, the Company has maintained its performance across various product markets and continued to generate profits. As we welcome the coming year, I would also like to extend my best wishes to everyone for a smooth and prosperous Year of the Horse.Over the past year, the Israel–Palestine conflict has reached a ceasefire agreement, and there are also signs of a potential ceasefire in the Russia–Ukraine war. However, on the economic front, the disruptions caused by the tariff policies initiated by the United States have yet to subside, and tensions between the U.S. and China remain unresolved. Since President Trump took office, policies in both political and economic spheres have significantly departed from previous approaches, emphasizing an "America First" agenda. Domestically, cross-strait relations have continued to deteriorate, and concerns over industrial relocation have become more pronounced, leading to a widening disparity in performance across different industries.The real estate sector, which is closely related to our Company's business, has been significantly affected by ongoing credit restrictions since September 2024. These measures have led to a substantial decline in property transactions throughout 2025. The total number of property transfers in the six major municipalities reached 204,596 units, representing a year-on-year decrease of 24.6%, the lowest level in the past eight years. Nationwide, total property transfers amounted to 261,000 units in 2025, compared to 350,000 units in 2024, marking a 25.5% annual decline. This not only represents a nine-year low but also the third-lowest level on record, and the largest annual decline since records began in 1991.Since last year, government mortgage control measures have not been significantly relaxed. In addition, recent issues related to earthworks have further delayed construction progress. As a result, the outlook for real estate transactions in 2026 remains pessimistic, which will inevitably impact the sales of sanitary ware and related products.

1. 2025 Annual Business Results:

Here are the business results for the year 2025:

- Operating Revenue: NT$ 4,556,763 thousand (net)
- Gross Profit: NT$ 1,176,208 thousand
- Operating Profit: NT$ (49,252) thousand
- Net Profit After Tax: NT$ 17,456 thousand
- Earnings Per Share: NT$ 0.05

2. 2025 Annual Business Plan Overview:

(1). Promotion and Development of the UB Product Line : The Company began investing in integrated bathroom (UB) technology and research and development as early as 30 years ago. In 2025, in response to evolving market trends, we have once again made a comprehensive commitment to this field. We have also established a strategic partnership with a subsidiary of the Bridgestone Group in Japan specializing in integrated bathroom solutions, introducing advanced construction methods and well-established products.Bridgestone's integrated bathroom solutions are recognized for their mature design and superior quality. Combined with HCG's strong foundation in distribution channels and marketing, this collaboration is expected to generate significant synergies and accelerate the adoption of integrated bathroom systems in Taiwan.The use of modular bathroom units offers several key advantages: reducing labor requirements, shortening construction timelines, and minimizing on-site construction waste. Although market conditions in the past were not yet conducive to widespread adoption, the industry is now undergoing a transformation that is reshaping traditional bathroom sales models.Since 2025, the Company has already secured multiple orders. Moving forward, we will continue to actively pursue new customers and additional orders to establish a solid foundation for future growth.

(2). New Product and New Business Development : In 2025, the Company launched a new smart toilet model, the "Feather Series," which has received a highly positive market response. In the coming year, in addition to continuing the development of sanitary ware products, we will also expand into new business areas. During the Russia–Ukraine war, many new types of military technologies have emerged. In particular, products such as drones, which demonstrate high efficiency with relatively low cost, have attracted significant attention. In addition to our existing development of armored and bullet-resistant ceramic products and protective shields, the Company will actively expand into composite-material applications, including products such as swim fins and drones, with the aim of accelerating commercialization and broader market adoption. With the rapid rise of artificial intelligence (AI) and strong growth in semiconductor exports in 2025, the development of semiconductor-related equipment components has also become a potential direction for the Company. We look forward to our teams dedicating greater efforts to these initiatives, expanding into new industries and product categories, and increasing the proportion of high value-added products.

(3). Optimization and Enhancement of the Logistics and Supply Chain : The development of integrated bathroom (UB) solutions is expected to reshape business models in the new construction market, while the downturn in the real estate sector will also impact the Company's future product sales. In response to these market changes, the Company will integrate diverse product demands and undertake a comprehensive review and adjustment of its supply chain and logistics systems. This includes evaluating the scope and proportion of in-house manufacturing versus outsourced procurement, with the aim of enhancing the value-added contribution of domestic assets and production. At the same time, we will focus on revitalizing assets, increasing supply chain flexibility, and advancing the adoption of AI-driven logistics systems. Through these initiatives, the Company seeks to ensure a more responsive, efficient, and agile supply capability to meet market demand in real time, thereby improving overall operational and management synergies.

(4). Development and Application of AI Technologies : With the rapid advancement of artificial intelligence (AI), the Company will actively incorporate AI into its operational, marketing, and customer service strategies. Through automation and acceleration enabled by AI, we aim to enhance efficiency while reducing labor costs. AI is also driving the emergence of asset-light business models, where capabilities that previously required ten times the cost can now be achieved with significantly lower investment. In the future, competition will no longer be defined solely by industry boundaries, but rather by capabilities. AI is effectively dissolving traditional barriers between industries. Leveraging AI, next-generation operational models will enable the automation, intelligent optimization, and even reconfiguration of the Company's value chain. We will actively deepen our understanding of AI technologies and adopt them at appropriate stages to improve overall operational efficiency and management effectiveness.

3. Future Company Development Strategies:

(1) Actively expand markets and distribution channels to achieve annual revenue targets.

(2) Strengthen logistics management, diversify supply chain risks, and enhance the utilization of the Company's cash flow.

(3) Accelerate the development of new products and technologies to improve market competitiveness.

(4) Reinforce advertising and marketing efforts to increase market share.

(5) Enhance talent development and implement effective performance management systems.

(6) Ensure full compliance with ISO standards in quality, information security, and environmental policies.

(7) Strengthen budgetary control and enforce unit cost management.

(8) Complete the ESG Sustainability Report and implement greenhouse gas inventory policies.

For many years, the Company has been committed to delivering high-quality sanitary ware products and services to its customers. Integrated bathroom (UB) solutions will serve as the Company’s second growth curve, while the expansion of advanced ceramic technologies and composite materials is expected to drive a third growth curve. Let us continue to build on the Company’s core strengths, reach new heights for HCG, and ensure that the HCG brand remains strong, vibrant, and enduring.

Best wishes for your health and success.

Chairman: Qiu Li-Jian

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

2.1. Directors information:

1. Directors

April 01, 2025

Title (Note 1)	Nationality or place of registration	Name	Gender/ Age (Note 2)	Date elected (inaugurated)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 4)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Fulucun Investment 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 representative of Fu Lu Cun Investment Co., Ltd.: Qiu Li-jian	Male/ 61~70 years old	2024.06.26	3 years	2003.06.27									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	2,243,861	0.74%	2,243,861	0.74%	65,768	0.02%	0	0%	Tokai University (Japan), Master degree	Yuhuang, Chairman (Xinjiexu, Representative) HCG Philippines, Director (HCG Holdings, Representative)				
Director	R.O.C.	Fuho Investment Co., Ltd Representative: Chiu, Chi-Hsin		2024.06.26	3 years	2003.06.27	1,113,542	0.62%	1,113,542	0.37%	0	0%	0	0%						

Title (Note 1)	Nationality or place of registration	Name	Gender/ Age (Note 2)	Date elected (inaugurated)	Term	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Spouse & minors current shareholding		Shareholding in the name of others		Experience (Education) (Note 4)	Current positions at the Company and other companies	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Chiu, Chi-Hsin	Male/ 51~60 years old	2024.06.26	3 years	2003.06.27									Columbia University (USA), Master of BA	HCG, Finance Department CFO Yuhuang, Director (Xin Jie Xu, Representative) Hocheng Philippines, Director Helong, Supervisor Hocheng (China), Director (Ritiboon, Representative) Fuho, Chairman Hohong, Chairman (HCG, Representative) Xinjiexu, Director				
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									WENTWORTH 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

Dec. 31, 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%)
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%)
Fulucun Investment Co., Ltd.	Chairperson Chiou Mu-Ni (40%), Chiou Chi-Ni (30%), Chiou Chi-Er (30%)

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	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. 1. Yuhuang, Director (Xinjiexu, Representative) 2. Holong, Director (HCG, Representative) 3. Hostan, Director (HCG, Representative) 4. Hocheng Group Holding Corp., Director (Ritiboon, Representative) 5. Hocheng (China), Director (Ritiboon, Representative) 6. Ritiboon, Director 7. Hohong, Director (HCG, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.	0

Criteria Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Wu, Yue-Long	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. Yuhuang, Chairman (Xinjiexu, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.	0
Yuhuang Co., Ltd.: Chiu, Shi-Kai	Have Work Experience in the Areas of Commerce or Otherwise Necessary for the Business of the Company. Hocheng (China), Chairman (Ritiboon, Representative) Not been a person of any conditions defined in Article 30 of the Company Act.	Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided.	0

Criteria Name	Professional Qualifications and Experiences (Note 1)	Independence Criteria(Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Fuho Investment Co., Ltd.: Chiu, Chi-Hsin	Have Work Experience in the Areas of Commerce, Finance or Otherwise Necessary for the Business of the Company. 1. HCG, Finance Department CFO 2. Yuhuang, Director (Xinjiexu, Representative) 3. Hocheng Philippines, Director 4. Helong, Supervisor 5. Hocheng (China), Director (Ritiboon, Representative) 6. Fuho Investment Ltd., Chairman 7. Hohong, Chairman (HCG, Representative) 8. Xinjiexu, Director Not been a person of any conditions defined in Article 30 of the Company Act.	Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided.	0
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 Company's Board of Directors come from diverse industrial backgrounds, enabling the Board to take into account compliance with relevant laws and regulations in the course of business operations.

Gender composition: 1 female and 6 males.
Age distribution: 5 directors aged 51–60, and 2 directors aged 61–70. All directors are nationals of the Republic of China (Taiwan).

Independent directors: 3 individuals, accounting for 43% of the total number of directors. The current Board consists of seven directors. Although the number of directors of different genders has not yet reached one-third (inclusive) of the total Board seats, it meets the requirement of having at least one director of a different gender, representing 14.3% (Ms. Chiu Ching-Ya).

Explanation: The composition of the Board primarily considers candidates' professional backgrounds, experience, level of participation, and potential contributions to the Company's future development, without setting specific limits on gender ratio.

Measures adopted: The Company will continue to promote gender equality among Board members. Achieving at least one-third representation of different genders will be set as a long-term goal. Prior to the next Board re-election upon term expiration, the Company will seek talent recommendations from multiple channels to enhance corporate governance effectiveness and implement Board diversity policies.

Board Independence:

The Company's Board consists of 7 directors, including 3 independent directors, with independent directors accounting for more than one-third of the total. There are no spousal or second-degree kinship relationships among the directors, and none of the circumstances specified under Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act apply. The Company has complied with all relevant legal requirements in the selection and appointment process.

Core Projects / Full Name	Concurrently serves as an employee of the company	Basic Composition			Professional Background					Industry Experience				Professional Skills							
		Nationality	Gender	Age	Law	Accounting	Industry	Finance	Marketing or Technology	Lawyer	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	V	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	V	R.O.C.	male	51-60			V	V				V	V	V	V	V	V	V	V	V	V
Chiu, Shi-Kai	V	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.	Xu,Ting-Jia	Male	2012.08.01	2,063	0.001%	0	0%	0	0%	National Taiwan University					
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					
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.

Note 4: Chao-Chieh Huang, Associate Manager, retired on March 16, 2025.
Lung-Cheng Lee, Associate Manager, retired on June 18, 2025.
Yao-Sung Chen, Associate Manager, retired on November 26, 2025.

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（Individual disclosure of directors’ names and remuneration methods.）

Unit：NTD Thousand

Title	Name	Remuneration of Directors								Ratio of total remuneration (A+B+C+D) to Net profit after tax (%) (Note 10)		Relevant remuneration received by Directors who are also Employee								The total amount of A, B, C, D, E, F and G and ratio of total compensation (A+B+C+D+E+F+G) to Net profit after tax (Note 10)		Compensation paid to Directors from an invested company other than the Company’s subsidiary or the Parent (Note 11)
		Base compensation (A) (Note 2)		Retirement pension (B)		Directors compensation (C)(Note 3)		Professional practice fee (D)(Note 4)				Salary, bonus and allowance (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)						
		The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements	The Company	All companies in Financial Statements (Note 7)	The Company	All companies in Financial Statements (Note 7)	The Company		All companies in Financial Statements (Note 7)		The Company	All companies in Financial Statements	
																Cash	Stock	Cash	Stock			
Directors	The legal representative of Fu Lu Cun Investment Co., Ltd.: Chiu Li-jian	0	0	0	0	301.652	301.652	0	0	301.652 2.11%	301.652 1.73%	2284.8	2284.8	0	0	0	0	0	0	2586.452 18.082%	2586.452 14.817%	None
	Wu, Yue-Long	0	0	0	0	301.652	301.652			301.652 2.11%	301.652 1.73%	0	394.151	0	0	0	0	0	0	695.803 4.864%	695.803 3.986%	None
	Fuho Investment: Chiu, Chi-Hsin	0	0	0	0	301.652	301.652	0	0	301.652 2.11%	301.652 1.73%	2771.4	2771.4	0	0	0	0	0	0	3073.052 21.484%	3073.052 17.605%	None
	Yuhuang: Chiu, Shi-Kai	0	0	0	0	301.652	301.652	0	0	301.652 2.11%	301.652 1.73%	1418.4	1418.4	0	0	0	0	0	0	1720.052 12.025%	1720.052 9.854%	None
Independent Director	Fan, Wei-Guang	0	0	0	0	0	0	303	303	303 2.118%	303 1.736%	0	0	0	0	0	0	0	0	303 2.118%	303 1.736%	None
	Wang, Min-Chi	0	0	0	0	0	0	293	293	293 2.048%	293 1.679%	0	0	0	0	0	0	0	0	293 2.048%	293 1.679%	None
	Chiu Jing-ya	0	0	0	0	0	0	293	293	293 2.048%	293 1.679%	0	0	0	0	0	0	0	0	293 2.048%	293 1.679%	None

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

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

(4-1)Managerial officers with the top five highest remuneration amounts in a TWSE/TPEx-listed company (disclose their names and remuneration method) (Note 1)

Unit: NT$ thousands

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 6)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements (Note 5)		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Shih-Chieh Chen	2263	2263	108	108	1528	1528	36	0	36	0	3935 27.51	3935 22.54	
Chief Financial Officer	Chi-Hsin Chiu	2771	2771	0	0	513	513	0	0	0	0	3284 22.96	2817 18.81	
Deputy General Manager	Chien-Cheng Huang	1448	1448	0	0	1031	1031	25	0	25	0	2504 17.51	2504 14.34	
Chairman	Li-Chien Chiu	2285	2285	0	0	0	0	0	0	0	0	2285 15.97	2285 13.09	
Associate Vice President	Yue-Ying Luo	1349	1349	0	0	584	584	22	0	22	0	1955 13.67	1955 11.20	

Note 1: Managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in Order Tai-Cai-Zheng-San-Zi No. 0920001301 from the former Securities and Futures Commission, Ministry of Finance dated March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D).

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not calculating as remuneration. The salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock at cash capital increase, shall also be calculated as remuneration.

Note 4: Refers to the amount of employee compensation (including stock and cash) approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year. If the amount of employee compensation cannot be estimated this year, the proposed amount should be calculated based on the actual amount and ratio distributed last year.

Note 5: The total remuneration paid by all companies in the consolidated statements (including the Company) to managerial officers with the top five highest remuneration amounts must be disclosed.

Note 6: The net income after-tax refers to the net income after-tax in the standalone financial statements for the most recent year.

Note 7: a. Specify the amount of remuneration received by managerial officers with the top five remuneration amounts from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by managerial officers with the top five remuneration amounts who are serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

∗ The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

(1-2-2) Remuneration numerical range

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the Financial Statements (Note 9) H	The Company (Note 8)	All companies in the Financial Statements (Note 9) I
Under NT$1,000,000	Directors: Wu, Yue-Long, Independent Director： Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Directors: Wu, Yue-Long, Independent Director： Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Directors: Wu, Yue-Long, Independent Director： Fan, Wei-Guang Wang, Min-Chi Ciu Jing-ya	Directors: Wu, Yue-Long, Independent Director： 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, each kind of allowance, and material object provided such as dormitory, car, and etc.) If a house, car and other transportation provided or belonged to personal expenditure, the nature and cost of the assets provided and the rental calculated based on the actual or market price, fuel, and other payments shall be disclosed. If there is with a driver, the related payment for the driver paid by the Company shall be stated, but excluded from the remuneration.

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

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

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

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

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

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

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

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

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

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

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

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

Expressed in Thousand New Taiwan Dollars

Title	Name	Remuneration (A)(Note 2)		Retirement pension (B)		Bonus and special allowance, etc. (C)(Note 3)		Employee's compensation (D) (Note 4)				The total amount of A, B, C, and D and ratio of total compensation (A+B+C+D) to Net profit after tax (Note 8)		Compensation received from a reinvestment company other than the Company's subsidiary or the Parent (Note 9)
		The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)	The Company	All companies in the Financial Statements (Note 5)	The Company		All companies in the Financial Statements (Note 5)		The Company	All companies in the Financial Statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Chen, Shih-Chieh	3,711	3,711	108	108	2,559	2,559	61	0	61	0	6,439 & 45.02%	6,439 & 36.89%	None
Deputy General Manager	Huang, Jian-Cheng													

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

(3-2-2) Remuneration numerical range

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expressed in Thousand New Taiwan Dollars

Title	2024		2025	
	The Company	Net profit after tax ratio	The Company	Net profit after tax ratio
Directors, Supervisors	14.90%	14.23%	56.455%	46.262%
General Manager Deputy General	11.62%	10.62%	45.02%	36.89%
1. The remuneration of directors, supervisors and employee bonuses is conducted in accordance with the Articles and dividend policy of the Company. 2. The payment of remuneration, including salary, bonus and dividend, to general managers and deputy general managers is conducted in accordance with the assessment by job grade of Company.				

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

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

December 31, 2025 Unit: Thousand NT$

	Title（Note 1）	Name（Note 1）	Stock amount	Cash amount	Total	Ratio of total amount to net profit after tax（%）
Managerial officers	GeneralManager	Chen, Shih-Chieh	0	105.825	105.825	0.74%
	Deputy General	Huang, Jian-Cheng				
	Associate	Chen, Yao-Song				
	Associate	Huang, Zhao-Jie				
	Associate	Hsu Ting-Chia				
	Associate	Li, Long-Cheng				
	Associate	Luo, Yue-Ying				
	Associate	Li, Guo-Dong				
	Associate	You, Rong-Dan				
	Associate	Tong, Qing-Wei				
	Associate	Zhang, Yong-Chang				

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

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

Note 3: The scopes of the managerial officers in accordance with Tai-Cai-Jheng-Three-No.0920001301 issued by the Committee on March 27, 2003, the scopes are as follows:
(1) general managers or their equivalents (2) deputy general managers or their equivalents (3) associates or their equivalents (4) chief financial officers
(5) chief accounting officers (6) other persons authorized to manage affairs and sign documents on behalf of the Company

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

Note 5: The amount of employee compensation proposed for distribution in 2025 is calculated based on the actual ratio of employee compensation distributed in the 2024.

Note 6: Associate Huang Chao-chieh retired on March 16, 2025; Associate Li Lung-cheng retired on June 18, 2025; and Associate Chen Yao-sung retired on November 26, 2025

III. Corporate governance status

3.1. Operation status of the Board of Directors:

The Board of Directors has held 5 meetings in the recent year (Ａ); 2025/01/07−2025/11/11; the attendance of Directors is as follows:

Title	Name (Note 1)	Attendance in person Ｂ	By proxy	Attendance rate in person (%)【Ｂ/Ａ】(Note 2)	Remark	**Remarks**
Chairman	The legal representative of Fu Lu Cun Investment Co., Ltd.: Qiu Li-jian	5	5	0	100%	Newly elected on June 26, 2024
Director	Wu, Yue-Long	5	1	0	20%	Re-elected on June 26, 2024
Director	Fuho Investment Co., Ltd. Representative: Chiu, Chi-Hsin	5	4	1	80%	Re-elected on June 26, 2024
Director	Yuhuang Co., Ltd., Representative: Chiu, Shi-Kai	5	3	0	60%	Re-elected on June 26, 2024
Independent Director	Fan, Wei-Guang	5	5	0	100%	Re-elected on June 26, 2024
Independent Director	Wang, Min-Chi	5	4	1	80%	Re-elected on June 26, 2024
Independent Director	Qiu Jing-ya	5	4	1	80%	Newly elected on June 26, 2024

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

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

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

The Board of Directors has held 5 meetings in the recent year (A); 2025/01/07–2025/11/11; the attendance of Independent Directors is as follows:

Independent Director	2025/01/07	2025/03/11	2025/05/06	2025/08/12	2025/11/11
Qiu Jing-ya	Attended in person	Attended in person	Attended in person	Attended in person	Attended by proxy
Fan, Wei-Guang	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Wang, Min-Chi	Attended in person	Attended in person	Attended in person	Attended by proxy	Attended 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
2025/01/07	Board of Directors	1. Application for Extension of Bank Credit Lines for the First Half of 2025 (Year 114 ROC) 2. Proposal for 2024 (Year 113 ROC) Directors' Remuneration and Managers' Year-End Bonuses 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.	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
2025/03/11	Board of Directors	1. Evaluation 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. Agenda for the Company's 2025 (Year 114 ROC) Annual Shareholders' Meeting 5. Schedule for Accepting Shareholder Written Proposals 6. Amendment to the Internal Control Procedures 7. Proposal to Increase Credit Line Items with Shanghai Commercial & Savings Bank 8. Donation to Hocheng Cultural and Educational Foundation Resolution: All proposals were unanimously approved by all attending directors.	No opinion in the meeting	None	None
2024/05/06	Board of Directors	1. Approval of the financial statements for the first quarter of 2025 2. Approval of the 2024 Business Report 3. Approval of the 2024 earnings distribution proposal 4. Amendment to the Articles of Incorporation 5. Endorsement and guarantee for financing facilities applied by Baolong Interior Craft Co., Ltd. (Cathay United Bank and Bank SinoPac) 6. Endorsement and guarantee for financing facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 7. Amendment to the internal control system	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
		8. Appointment of members of the Sustainability Development Committee 9. Review of the 2024 distribution proposal for employees’ compensation and directors’ remuneration 10. Donation proposal to the Taiwan Bathroom Industry Association Resolution: Except for Agenda Items 9 and 10, where certain directors abstained due to conflicts of interest, all attending directors present approved the proposals. All other agenda items were approved unanimously by all attending directors.			
2025/08/12	Board of Directors	1. The Company’s financial statements for the second quarter of 2025 2. Application for renewal of bank credit facilities for the second half of 2025 3. Endorsement and guarantee application for HCG Philippines Resolution: All attending directors approved the above proposals unanimously.	No opinion in the meeting	None	None
2025/11/11	Board of Directors	1. The Company’s financial statements for the third quarter of 2025 2. Internal audit plan for 2026 3. Operating plan for 2026 4. Amendment to internal control procedures (Intellectual Property Rights Management Regulations) 5. Appointment of members of the Nomination 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
		6. Endorsement and guarantee for reduction of credit facilities applied by Baolong Interior Craft Co., Ltd. (Bank SinoPac) 7. Cancellation of endorsement and guarantee for credit facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 8. Confirmation that there was no disguised related-party financing in relation to overdue accounts receivable of the Company as of the end of September 2025 Resolution: All attending directors approved the above proposals unanimously.			

(2) Other than the aforementioned matters, the Board resolutions which Independent Directors object to or have reservations about, and there are records or written statements for them: None.

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

Director’s name	Motion content	Reasons for recusal	Voting participation	Remark
Chiu, Li-Chien Chiu, Shi-Kai Chiu, Chi-Hsin	Deliberation on the distribution of employee and director remuneration for the fiscal year 2024.	Involvement in a stake in the motion	Did not participate for the voting	2025/1/7
Chiu, Li-Chien Chiu, Chi-Hsin	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	2025/5/6

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, 2025 to December 31, 2025	Board of Directors, individual board members, compensation committee and audit committee performance evaluation	Internal self-evaluation of the board of directors, self-evaluation of individual board members, and self-evaluation of directors	The internal self-evaluation of the board of directors includes the degree of participation in the company's operations, the quality of the board's decision-making, the composition and structure of the board of directors, the selection and continuous education of directors, and internal control. The performance evaluation of individual directors includes the mastery of the company's objectives and tasks, the directors' awareness of responsibilities, the participation in the company's operations, the management and communication of internal relations, the directors' professional and continuous education, and internal control. The performance evaluation of the Salary and Remuneration Committee and the Audit Committee includes the participation in the company's operations, the recognition of the responsibilities of the functional committee, the decision-making quality of the functional committee, the composition and selection of members of the functional committee, and internal control.

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

Note 2: To fill in evaluation period for the Board of Directors: e.g., evaluate performance of the Board of Directors from January 1, 2025 to December 31, 2025.

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 10, 2026. The result of the 2025 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, 2026 and reported to the Board of Directors on March 10, 2026. According to the overall evaluation results of 2025, the efficiency and operation of the functional committees were good, and they were able to fully perform their functions.

3.2. State of the operation of the Audit Committee

1. 3 members of the Audit Committee of the Company.

2. The Audit Committee has held 5 meetings in the recent year (A); 2025.01.07-2025.11.11; 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

<table>
<tr><td>Convener of the Independent Directors</td><td>Qiu Jing-ya</td><td>5</td><td>4</td><td>1</td><td>80%</td><td>Newly elected on June 26, 2024</td></tr>
<tr><td>Independent Director</td><td>Fan, Wei-Guang</td><td>5</td><td>5</td><td>0</td><td>100%</td><td>Re-elected on June 26, 2024</td></tr>
<tr><td>Independent Director</td><td>Wang, Min-Chi</td><td>5</td><td>4</td><td>1</td><td>80%</td><td>Re-elected on June 26, 2024</td></tr>
<tr><td colspan="7">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).</td></tr>
</table>

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. 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 2025 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.

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 3 The first meeting in 2025.01.07	The first meeting in 2025 2025.01.07	1. Application for renewal of bank credit facilities for the first half of 2025 2. Internal audit report **Resolution:** All attending members approved the above proposals unanimously.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company’s handling of opinions of the Audit Committee
Session 3 The second meeting in 2025.03.11	The second meeting in 2025 2025.03.11	1. Evaluation of the independence of the certified public accountants (auditors) 2. Approval of the Company’s financial statements for 2024 3. Issuance of the “Internal Control System Statement” 4. Amendment to internal control policies 5. Proposal to increase credit facility limits with Shanghai Commercial & Savings Bank 6. Donation proposal to the HCG Cultural and Educational Foundation 7. Internal audit report **Resolution:** All attending members approved the above proposals unanimously.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company’s handling of opinions of the Audit Committee
Session 3 The third meeting in 2025 2025.05.06	The third meeting in 2025 2025.05.06	1. Approval of the financial statements for the first quarter of 2025 2. Approval of the 2024 Business Report 3. Approval of the 2024 earnings distribution proposal 4. Amendment to the Articles of Incorporation 5. Endorsement and guarantee for financing facilities applied by Baolong Interior Craft Co., Ltd. (Cathay United Bank and Bank SinoPac) 6. Endorsement and guarantee for financing facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 7. Amendment to the internal control system 8. Donation proposal to the Taiwan Bathroom Industry Association 9. Internal audit report **Resolution:** All attending members approved the above proposals unanimously.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company’s handling of opinions of the Audit Committee
Session 3 The fourth meeting in 2025 2025.08.12	The fourth meeting in 2025 2025.08.06	1. Approval of the financial statements for the second quarter of 2025 2. Application for renewal of bank credit facilities for the second half of 2025 3. Endorsement and guarantee for short-term secured financing facilities applied by the subsidiary HCG Philippines, Inc. (First Commercial Bank and Cathay United Bank) 4. Internal audit report **Resolution:** All attending members approved the above proposals unanimously.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

Audit Committee session meeting date	Board of Directors session meeting date	Proposals and resolution results	Opinions of the Audit Committee	Company’s handling of opinions of the Audit Committee
Session 3 The fifth meeting in 2025 2025.11.11	The fifth meeting in 2025 2025.11.11	1. The Company’s financial statements for the third quarter of 2025 2. Internal audit plan for 2026 3. Operating plan for 2026 4. Amendment to internal control procedures (Intellectual Property Rights Management Regulations) 5. Endorsement and guarantee for reduction of credit facility limits applied by Baolong Interior Craft Co., Ltd. (Bank SinoPac) 6. Cancellation of endorsement and guarantee for credit facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 7. Confirmation that there was no disguised related-party financing in relation to overdue accounts receivable of the Company as of the end of September 2025 8. Internal audit report **Resolution:** All attending members approved the above proposals unanimously.	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present

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

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

(3) Communications between the Independent Directors and the internal auditing officers, and the CPAs (communications including

significant matters, methods, results, and etc. regarding the Company financial and business status).

A. Between Independent Directors and internal auditing officers

(a) The company’s board of directors shall be held at least once every quarter, and the person in charge of internal audit shall attend the meeting as non-voting delegates.

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

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

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

Date	Summary	Resolution	The Company’s conduct on the independent directors’ opinion
2025/01/07 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
2025/03/11 Audit Committee	1. Implementation of the audit plan for 2025 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
2025/05/06 Audit Committee	1. Implementation of the audit plan for 2025	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2025/08/12 Audit Committee	1. Implementation of the audit plan for 2025	No opinion in the meeting	Submitted to the resolution of the board of directors, approved by all directors present
2025/11/11 Audit Committee	1. Implementation of the audit plan for 2025 2.Internal audit plan for 2026	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
2025/03/11 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports 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
2025/05/06 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 1st quarter of 2025 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
2025/08/12 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 2nd quarter of 2025 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
2025/11/11 Audit Committee	Communication on key matters (after review) Individual and Consolidated Financial Reports of the 3rd quarter of 2025 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 Evaluation of the CPAs’ Independence

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

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

In a capacity of a good administrator, this Committee shall faithfully perform the following duties in due care and submit the suggestions to the Board of Directors for discussion : (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

Type of Status (Note 1)	Criteria Name	Qualifications and Experiences (Note 2)	Independent Status (Note 3)	Number of Other Public Listed Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	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 otherwise necessary for the business of the company. PhD in Creative Arts, University of Technology Sydney, Australia; Art Director of Styleplus Design Co., Ltd.	Meet the independence criteria, including, but not limited to natural person, who is not serving as a director, supervisor, or employee of the company or its affiliates, together with the person's spouse, relative within second degree of kinship; not owning shares of the company; not serving as a director, supervisor, or employee of the company with a specific relationship with the company; or has not provided commercial, legal, financial, or accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration.	0
Independent Director Convener	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	

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

In the most recent year, the Remuneration Committee held 2 meetings (from January 7, 2025 to May 6, 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, Min-Chi	2	2	0	100%	Newly elected on August 6, 2024
Committee member	Fan, Wei-Guang	2	2	0	100%	Newly elected on August 6, 2024
Committee member	Wang, Sen	2	2	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 (2025/01/07-2025/05/06) and the independent directors attend status as follows:

Committeeman	2025/01/07	2025/05/06
Fan, Wei-Guang	Attendance in person	Attendance in person
Wang, Min-Chi	Attendance in person	Attendance in person

Resolution Items of the Remuneration Committee:

Session and Meeting Date of the Remuneration Committee	Session and Meeting Date of the Board of Directors	Contents of Proposals and Resolution Results	The Company's Response to the Remuneration Committee's Opinions	The committeemen object or reserve their opinions, accompanied with the records or written declaration.
Session VI The first meeting in 2025 2025.01.07	The first Meeting in 2025 2025.01.07	Deliberation on the distribution of director remuneration and manager year-end bonuses for the company's fiscal year 2024. Decision Resolution: Unanimous agreement by all attending members.	Submitted to the board of directors for resolution and Submitted to the board of directors for resolution and approved by all directors present	None
Session VI The second meeting in 2025 2025.05.06	The second meeting in 2025 2025.05.06	Review of the distribution proposal for directors' remuneration and employees' compensation for managerial personnel for the year 2024 Resolution: All attending members approved the proposal unanimously.	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.

Material Resolutions of the Shareholders’ Meetings and Board of Directors in the Most Recent Year and up to the Date of Publication of the Annual Report

A. Material Resolutions of the Board of Directors

Date	Material Resolutions
Jan 7th, 2025	1. Application for renewal of bank credit facilities for the first half of 2025 2. Proposal for directors’ remuneration and year-end bonuses for managerial personnel for 2024 **Resolution:** For Agenda Item 2, except for certain directors who abstained due to conflicts of interest, all other attending directors approved the proposal. All other agenda items were approved unanimously by all attending directors.
Mar 11th,2025	1. Evaluation of the independence of the certified public accountants (auditors) 2. Approval of the Company’s financial statements for 2024 3. Issuance of the “Internal Control System Statement” 4. Agenda for the Company’s 2025 Annual General Shareholders’ Meeting 5. Period for accepting shareholders’ written proposals 6. Amendment to internal control policies 7. Proposal to increase credit facility limits with Shanghai Commercial & Savings Bank 8. Donation proposal to the HCG Cultural and Educational Foundation **Resolution:** For Agenda Item 8, except for certain directors who abstained due to conflicts of interest, all other attending directors approved the proposal. All other agenda items were approved unanimously by all attending directors.
May 6th, 2025	1. Approval of the financial statements for the first quarter of 2025 2. Approval of the 2024 Business Report 3. Approval of the 2024 earnings distribution proposal 4. Amendment to the Articles of Incorporation 5. Endorsement and guarantee for financing facilities applied by Baolong Interior Craft Co., Ltd. (Cathay United Bank and Bank SinoPac) 6. Endorsement and guarantee for financing facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 7. Amendment to the internal control system 8. Appointment of members of the Sustainability Development Committee

Date	Material Resolutions
	9. Review of the 2024 distribution proposal for employees’ compensation and directors’ remuneration 10. Donation proposal to the Taiwan Bathroom Industry Association **Resolution:** For Agenda Items 9 and 10, except for certain directors who abstained due to conflicts of interest, all other attending directors approved the proposals. All other agenda items were approved unanimously by all attending directors.
Aug 12th, 2025	1. The Company’s financial statements for the second quarter of 2025 2. Application for renewal of bank credit facilities for the second half of 2025 3. Endorsement and guarantee application for HCG Philippines, Inc. **Resolution:** All attending directors approved the above proposals unanimously
Nov 11th, 2025	1. The Company’s financial statements for the third quarter of 2025 2. Internal audit plan for 2026 3. Operating plan for 2026 4. Amendment to internal control procedures (Intellectual Property Rights Management Regulations) 5. Appointment of members of the Nomination Committee 6. Endorsement and guarantee for reduction of credit facility limits applied by Baolong Interior Craft Co., Ltd. (Bank SinoPac) 7. Cancellation of endorsement and guarantee for credit facilities applied by HCG Philippines, Inc. (Mega International Commercial Bank) 8. Confirmation that there was no disguised related-party financing in relation to overdue accounts receivable of the Company as of the end of September 2025 **Resolution:** All attending directors approved the above proposals unanimously.
Jan 7th, 2026	1. Application for renewal of bank credit facilities for the first half of 2026 2. Amendment and evaluation of the definition of entry-level employees 3. Proposal for the reappointment of the President (General Manager) 4. Proposal for year-end bonuses for managerial personnel for 2025 5. Proposal for changes to fixed assets registered under nominee arrangements of the Company

Date	Material Resolutions
	Resolution: For Agenda Item 4, except for certain directors who abstained due to conflicts of interest, all other attending directors approved the proposal. All other agenda items were approved unanimously by all attending directors.
Mar 10th, 2026	1. Approval of the Company's financial statements for 2025 2. Issuance of the "Internal Control System Statement" 3. Agenda for the Company's 2026 Annual General Shareholders' Meeting 4. Period for accepting shareholders' written proposals 5. Approval of the 2025 Business Report 6. Approval of the 2025 earnings distribution proposal 7. Partial amendments to the Articles of Incorporation 8. Evaluation of the scope of entry-level employees 9. Endorsement and guarantee for short-term secured financing facilities applied by HUB Corp. (Taishin International Bank) 10. Review of the 2025 distribution proposal for employees' compensation (including entry-level employees) and directors' remuneration **Resolution:** For Agenda Items 9 and 10, except for certain directors who abstained due to conflicts of interest, all other attending directors approved the proposals. All other agenda items were approved unanimously by all attending directors.

Nomination Committee

1. Establishment and Composition

The Company established the Nomination Committee in November 2025. The Committee consists of three independent directors. The Chairperson and Convener, Independent Director Ms. Chiu Ching-Ya, possesses expertise in business management, auditing, and corporate governance. Independent Director Mr. Fan Wei-Kuang has expertise in business management, auditing, finance, and business analysis. Independent Director Mr. Wang Min-Chi has expertise in business management, financial management, and business analysis. All members meet the professional qualifications required for the Committee.

2. Duties and Responsibilities

Pursuant to the authorization of the Board of Directors, the Committee shall exercise the due care of a good administrator and faithfully perform the following duties, and submit its recommendations to the Board of Directors for deliberation:

(1) Establish criteria for the professional knowledge, skills, experience, gender diversity, and independence required of Board members and senior executives, and accordingly identify, review, and nominate candidates for directors and senior executives.

(2) Develop and enhance the organizational structure of the Board of Directors and its committees; conduct performance evaluations of the Board, its committees, individual directors, and senior executives; and assess the independence of independent directors.

(3) Formulate and periodically review director continuing education plans, as well as succession plans for directors and senior executives.

(4) Handle other matters as resolved by the Board of Directors.

3. Professional Qualifications, Experience, and Operation

(1) The Nomination Committee of the Company consists of three members. The professional qualifications and experience of the members are referenced in the information on directors’ and supervisors’ professional qualifications and the independence of independent directors.

(2) Term of the current Committee: From November 11, 2025 to June 25, 2027.

(3) The Nomination Committee held 0 meetings in the most recent year (2025).

B. Review of Resolutions and Implementation Status of the 2025 Annual General Shareholders’ Meeting：

Meeting	Date	Material Resolutions	Resolution Results and Implementation Status
Annual General Shareholders’ Meeting	2025/06/16	1.Approval of the 2024 Business Report and financial statements	The proposal was approved. The relevant reports and statements have been filed with the competent authorities for recordation, public disclosure, and reporting in accordance with the Company Act and other applicable regulations.
		2.Approval of the 2024 earnings distribution proposal	The proposal was approved. From the distributable earnings for fiscal year 2024, a statutory surplus reserve of NT$58,417,645 was appropriated in accordance with regulations. A cash dividend of NT$0.19 per share was distributed and has been fully paid.

		3.Proposal for partial amendments to the Company’s Articles of Incorporation for discussion	The proposal was approved and has been implemented in accordance with the revised procedures.

(13) For the most recent fiscal year and up to the date of publication of the annual report, the major contents of any dissenting opinions expressed by directors or supervisors regarding material resolutions approved by the Board of Directors, and recorded or submitted in writing：None

(14) Summary of Resignations or Dismissals of Company-Related Personnel (Including the Chairperson, General Manager, Chief Accountant, Chief Financial Officer, Head of Internal Audit, Corporate Governance Officer, and Head of Research and Development) for the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report：None

3.5 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
		Yes	No	Summary Description	
I.	Does the company establish and disclose the corporate governance best-practice principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		Approved the Corporate Governance Best Practice Principles by the board of directors on March 22, 2022.	There is no significant variance.
II.	The Company’s Shareholding Structure and Shareholder Equity	✓			
	(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement it, based on the procedure?			(1) This Company appoints a spokesperson to serve as the service window to deal with such issues as the shareholders’ suggestions or disputes and we disclose on our website the contact person and his/her	(1) We adhere to the essence of the principles to protect the shareholders’ interests and fairly treat the shareholders without

		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		
						telephone no. in order to ensure the shareholders’ interests.		discrimination.
	(2)	Does the company have control of the list of its major shareholders as well as the ultimate owners of those shares?			(2)	This Company consigns the stock affairs agency to deal with the shareholders’ related affairs; we have control of the major shareholder and the ultimate owners of those shares in accordance with the shareholders roster in the stock affairs agency; we also declare on a regular basis the shareholding variation of the directors, managers and those major shareholders with more than 10% shareholding.	(2)	The shareholders roster suggests the major shareholders’ equity.
	(3)	Does the company establish and execute the risk management and firewall system among the affiliates?			(3)	Each of our affiliates operates independently; besides we also establish the trading management rules of the interested parties and the designated enterprises in the Company’s conglomerate; our business transactions with the affiliates all comply with these rules.	(3)	There is no variance from the essence of the principles.
	(4)	Does the company establish internal rules against insiders trading with undisclosed information?			(4)	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			(1)	Depending on the current operation scale and development needs, this Company	(1)	The establishment is duly completed in accordance

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	
objectives and implement them?			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.	with the law.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			(2) Except for the Remuneration Committee and the Audit Committee, this Company has no need for the establishment of other functional committees so far.	(2) There is no variance from the essence of the principles.
(3) Does the company establish the evaluation rules and method for the performance of the Board of Directors in order to conduct the performance evaluation on a regular basis each year and submit its results with the Board of Directors for reference to determine the individual director’s salary & remuneration and nomination for reelection?			(3) The Company has established a Board Performance Evaluation Procedure and conducts regular evaluations of the Board, which are submitted to the Board for review. The evaluation process is conducted via questionnaires, including self-assessments of the Board’s operational performance for the current year, individual directors’ self-evaluations, and self-assessments of the operations of the Compensation Committee and the Audit Committee.The results of the Board performance evaluation serve as a reference for individual directors’ performance, compensation, and re-nomination considerations. The administrative office consolidates the	(3) There is no variance from the essence of the principles.
(4) Does the company regularly evaluate CPAs’ independence?				(4) There is no variance from the essence of the principles.

Evaluation Item	Implementation Status (Note)			Variance from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reason for Variance
	Yes	No	Summary Description	
			evaluation results and reports them to the Board.The performance evaluation results of the Board and functional committees for the year 2025 were rated as "Excellent," and the results were submitted to the Board on March 10, 2026. (4) This Company conducts the self-evaluation of the CPAs' independence, eligibility, professionalism and their performance on a regular basis in accordance with the "Corporate Governance Best-Practice Principles" and the Rules Governing Independence of CPAs of the Financial Reports"; we also issue the "Evaluation List of the CPAs of the Financial Reports" in order to ensure that the CPAs have no direct or indirect material financial stake with this Company or its affiliates, or involve other events which might affect their independence, so that they are capable of serving as our CPAs. The independence declaration, issued by the CPAs, has been passed by the deliberation of the Board of Directors on March 11, 2025.	
IV. Do TWSE/TPEX listed companies establish the eligible corporate governance personnel in proper number of persons and appoint the chief	✓		In order to implement corporate governance operations, the Company has established a corporate governance supervisor. Moreover, a designated personnel are appointed to handle matters	There is no significant variance.

Evaluation Item		Implementation Status (Note)			Variance from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason for Variance
		Yes	No	Summary Description	
	corporate governance officer, to take the responsibility for the related corporate governance affairs (including but not limited to providing the directors and supervisors with information required for the business execution, helping the directors and supervisors comply with the acts, handling the related matters of the meetings of the Board of Directors and the Board of Shareholders, preparing their proceedings, etc.)?			related to the meetings of the board of directors and shareholders' meetings, the company's registration and registration of alteration, the preparation of records of the board of directors' and shareholders' meetings, etc., in accordance with the law, and to provide information required for the directors to perform their business.	
V.	Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.) and properly respond to the important issues they are concerned with in terms of corporate social responsibilities?	✓		(1) We open the direct line of the spokesperson and deputy spokesperson; this Company thinks highly of the stakeholders’ rights and keeps a smooth channel of communication. (2) This Company has completed the buildup of a dedicated area for the stakeholders in our website.	The channel of communication is smooth and no variance exists.
VI.	Does the company appoint a professional shareholder service agency to deal with the shareholder affairs?	✓		Stock Affairs Agency Department of Capital Securities Corp.	There is no variance from the essence of the principles.
VII.	Information Disclosure	✓			
	(1) Does the company set up the website to disclose the information regarding finance, sales and corporate governance? (2) Does the company adopt other information			(1) This Company has set up the website where we introduce our relation business information and disclose our financial information; in addition, the corporate governance would be handled in accordance with the related regulations. (2) This Company has set up the Chinese	(1) The Company has disclosed the related information on the Market Observation Post System according to the law. (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	
	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.)? (3) Does the company publish and file the annual financial reports within two months at the end of the fiscal year and pre-publish and report Q1, Q2 & Q3 financial reports and each month's operational status within the specified deadline?			website and assigned the person exclusively in charge of the collection and disclosure of the company information; we also carry out the spokesperson system (3) The Company publishes and files the annual financial report within three months at the end of the fiscal year and completes the announcement prior to the specified deadline.	course the feasibility of the disclosure of other information.
VIII.	Is there any other important information to facilitate a better understanding of the corporate governance practices (including but not limited to employee rights, care for employees, investor relations, supplier relations, rights of stakeholders, conditions of the directors' & supervisors' further study, execution conditions of risk management policy as well as risk measurement standards, execution conditions of customer policy, conditions where the company purchases the liability insurance for the directors and supervisors, etc.)?	✓		(1) Employees' Rights: This Company protects the employees' rights pursuant to the Labor Standards Act. (2) Care for Employees: This Company establishes a variety of welfare policies in terms of protection, living & benefits, like medical care, learning visit and friendship promoting activities, etc. (3) Investor Relations: The Company regularly announce each financial basis and our spokesperson would build up a smooth channel of communication with the investors. (4) Supplier Relations: We conduct on a regular basis the satisfaction survey for the suppliers in order to fully understand our cooperation with them and maintain a	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	
			good relationship of supply and demand. (5) Rights of Stakeholders: The stakeholders shall provide the Company with opinions for communication and the Company values each opinion and takes it as a basis to which we can refer for our future work. (6) Directors’ Further Study: Our directors complete the hours of further study. (7) Execution of Customer’s Policy: This Company maintains a good relationship with the customers. (8) Purchase of Liability Insurance for Directors and Supervisors: The Company has purchased the liability insurance in the amount of USD10 million for the directors and supervisors for Year 2025. (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. (10) Intellectual Property Management Plan and Implementation Status: The Company has formulated an intellectual property (IP) strategy that aligns operational goals with R&D resources, aiming to establish a model in which intellectual property rights create value for the Company. This	

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	
				strategy includes: 1. Patent protection measures; 2. Trademark protection measures; 3. Trade secret protection; 4. Intellectual property risk management. The Company reported IP-related matters to the Board on November 11, 2025 and implemented improvement measures based on the directors’ recommendations. Currently, the Company has achieved the following IP results: **Patents**: As of the end of 2025, the total number of patents granted worldwide has accumulated to 660. In 2025 alone, the Company obtained 2 foreign patents and 12 patents in Taiwan. **Trademarks**: As of the end of 2025, the total number of trademarks granted worldwide has accumulated to 357.	
IX.	Please describe the improvement status, based on the corporate governance assessment results, published by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose the matters to be strengthened on a priority basis and measures. The company is actively consistent with the company’s current actual situations to further improve the evaluation results, for example, the evaluation of the CPA’s independence; besides the items to be enhanced on a priority basis is	✓		This Company has completed the corporate governance self-evaluation for 2025 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	
	the matters related to the disclosure of the annual report, etc.				

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

3.6. 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	Summary Description	
I. Establish Ethical Corporate Management Policy and Program (1) Does the company establish the ethical corporate management policy, passed by the Board of Directors and expressly indicate the policy and practice in the regulations and external documents and are the Board of Directors & the high-ranking management personnel committed to carrying out the operational policy? (2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention of immoral conduct programs accordingly, covering at least the prevention measures of the conduct, as prescribed in each subparagraph of Paragraph 2, Article 7 of the “Ethical Corporate Management Principles for the TWSE/TPEX Listed Companies”?	✓		(1) The Company has established a code of conduct for business ethics, which has been approved by the Board of Directors and is clearly stated in the Company's operating procedures. The policy for ethical business conduct is to be actively implemented by the Board of Directors and management, and is implemented effectively in internal management and external business activities. The Company’s procedures for ethical management and guidelines for conduct are disclosed on the website. (2) The Company designates the General Manager's Office as the dedicated unit and allocates sufficient resources and competent personnel to handle the revision, implementation, interpretation, consultation, and notification of the Ethical Corporate Management Best Practice Principles, as well as related operations such as filing and monitoring the implementation.	There is no variance.

Evaluation Item	Implementation Status (Note)			Variance from “the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies” and Reason for Variance
	Yes	No	Summary Description	
(3) Does the company clearly stipulate the processing procedures, conduct guideline, and violation discipline & complaint system, carry out the execution and review & revise the above-described program on a regular basis?			(3) In addition to establishing the Ethical Corporate Management Best Practice Principles, the Company has also established an effective internal control system through the audit mechanism of the internal audit unit. Our dedicated department will prepare an annual report on the implementation of business integrity and submit it to the Board of Directors for review and revision to prevent risks of dishonest behavior in business activities.	
II. Implementation of Ethical Corporate Management (1) Does the company evaluate the business partners’ ethical records and expressly stipulate the clause of ethical conduct in contracts, signed with them?	✓		(1) Before conducting any business activities with customers or suppliers, the Company evaluates them to ensure that all commercial activities are conducted in a fair and transparent manner, and that contracts clearly state the rights and obligations of both parties to prevent any possible unethical behavior.	There is no variance.

Evaluation Item	Implementation Status (Note)			Variance from “the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies” and Reason for Variance
	Yes	No	Summary Description	
(2) Does the company set up the exclusively (concurrently dedicated unit, subordinated with the Board of Directors, to implement ethical corporate management and regularly report its ethical corporate management policy, the prevention of immoral conduct programs as well as the supervision & execution status with the Board of Directors?			(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 has clearly stipulated, in its Code of Ethical Conduct**,** Rules of Procedure for Board of Directors Meetings**,** and Corporate Governance Best Practice Principles**,** the requirements for directors, managerial officers, and other stakeholders to disclose and recuse themselves in the event of conflicts of interest.For Board meetings held in 2025, all attending directors properly complied with conflict-of-interest recusal requirements where relevant matters involved their interests.	

Evaluation Item	Implementation Status (Note)			Variance from “the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies” and Reason for Variance
	Yes	No	Summary Description	
(4) Does the company build up an effective accounting system and an internal control system for the implementation of the ethical corporate management and does its internal audit unit draw up the related audit plan, based on the evaluation results of the immoral conduct risk and further audit the compliance conditions of the immoral conduct prevention program or assign the CPA to execute audit?			(4) The 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. The Company’s Internal Control System Statement for 2025 was approved by the Board of Directors on March 10, 2026.	
(5) Does the company regularly conduct the internal and external educational training in respect of ethical corporate management?			(5) The Company has disclosed its Code of Ethical Conduct on its corporate website and promotes awareness to enhance the effectiveness of ethical corporate management. In 2025, the Legal Department conducted training focused on the Personal Data Protection Act, using videos and case studies to raise employees’ awareness of key considerations in the course of performing their duties. During the year, directors completed a total of 42 hours of continuing education, while the corporate governance officer and internal audit personnel completed 36 hours of continuing education.	
III. Implementation Status of the Company’s Reporting System	✓			There is no variance.

Evaluation Item	Implementation Status (Note)			Variance from “the Ethical Corporate Management Principles for TWSE/TPEx Listed Companies” and Reason for Variance
	Yes	No	Summary Description	
(1)Does the company establish the concrete reporting & rewarding system, build up a convenient reporting channel, and appoint one eligible dealing person-in-charge for the reported subject? (2)Does the company establish the standard processing procedures for investigation of accepted reporting matters, the follow-up measures to be adopted after completion of investigation and related confidentiality mechanism? (3)Does the company adopt the measure wherein the reporter can be protected so that he/she would not be treated improperly due to the reporting?			(1) To implement the policy of integrity management and prevent non-compliant behavior, the Company has established a whistle-blower system and designated appropriate personnel to handle reported cases. We have also set up a section on the Company’s website for stakeholders to report and file complaints. (2) The Company has established a standard operating procedure for the investigation of reported matters in the whistleblowing system, the follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms. The Company also provides a proper whistleblowing channel and ensures the confidentiality of the identity of the whistleblower and the content of the report. (3) This Company absolutely keeps the secrets of the appellant and the appealing contents, accompanied with the proper treatment. (4) In 2025, the Company received zero external whistleblowing cases and zero direct employee reports, and no incidents involving unethical conduct were identified.	
IV. Strengthening Information Disclosure Does the company disclose the contents of ethical corporate management it establishes as well as the implementation effectiveness in its website and the Market Observation Post System?	✓		The Company has disclosed its profiles, basic information, and financial information on the corporate website, and the Company-related information will be updated on the MOPS.	There is no variance.

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	
V. If the company has established its own ethical corporate management principles pursuant to the “Ethical Corporate Management Principles for TWSE/TPEx Listed Companies”, please describe the implementation and its variance from the said principles: We are drawing up and establishing our ethical corporate management and related regulations.				
VI. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy): A. The Company's board of directors' meeting procedures include a conflict of interest avoidance system. If a director or their represented legal entity has an interest in any matter to be discussed at a board meeting that may harm the Company's interests, the director may express their opinions and answer inquiries but cannot join the discussion or vote. They should recuse themselves during the discussion and voting and may not exercise the voting rights of other directors on their behalf. B. The Company's insider trading prevention measures stipulate that directors, managers, and employees must not disclose significant internal information that they are aware of to others. They must not inquire or collect unpublicized significant internal information of the Company from those who are aware of it, which is unrelated to their duties. Also, they must not leak any unpublicized significant internal information of the Company that they know about, not related to their business execution, to third-party.				

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

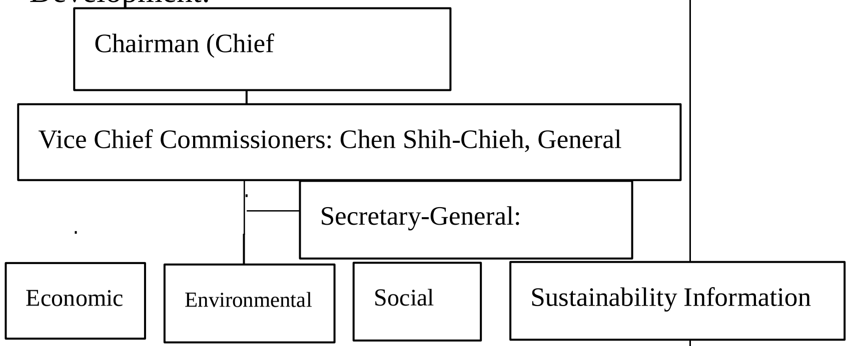
3.8. If the company establishes the corporate governance principles and related regulations, the checking method shall be disclosed: Please refer to the Market Observation Post System (http://mops.twse.com.tw) or this Company’s website (http://www.hcg.com.tw) for checking.

3.9. 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.

To ensure sound integrity management, the Company designates the corporate governance officer to be responsible for formulating integrity management policies and prevention programs, as well as supervising their implementation. The main responsibilities are as follows, with regular reporting (at least once a year) to the Board of Directors:

1. Assist in incorporating integrity and ethical values into the Company’s business strategies, and, in compliance with laws and regulations, establish relevant anti-fraud measures to ensure integrity in operations.
2. Regularly analyze and assess the risks of dishonest conduct within the scope of business operations, formulate prevention programs accordingly, and establish standard operating procedures and codes of conduct related to each program.
3. Plan internal organizational structure, staffing, and responsibilities, and implement checks and balances mechanisms for business activities with higher risks of dishonest conduct.
4. Promote and coordinate training and awareness programs on integrity policies.
5. Establish whistleblowing systems and ensure their effectiveness.
6. Assist the Board of Directors and management in auditing and evaluating whether the preventive measures established for integrity management are effectively implemented, and regularly assess compliance with relevant business processes and prepare reports.

3.7. 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	Summary Description (Note 2)	
I. Does the company have a governance structure for sustainable development and a governance structure for sustainability development and a dedicated (or ad-hoc)sustainable development organization with board of directors authorization for senior management, which is reviewed by the board of directors?	✓		1.Governance Framework for Promoting Sustainable Development:  2.Implementation of each organization of the Company: The Company authorized the General Manager to establish the Sustainable Development Committee and appointed the General Manager as the Chairman. The Sustainable Development Committee formulated the sustainable development policy, which is responsible for implementing and implementing it within the Company, and gradually integrating the concept of sustainable management into the culture of the Company. In response to the various aspects of sustainable development, including Environment, Social and Governance (ESG), the Sustainable Development	There is no variance yet.

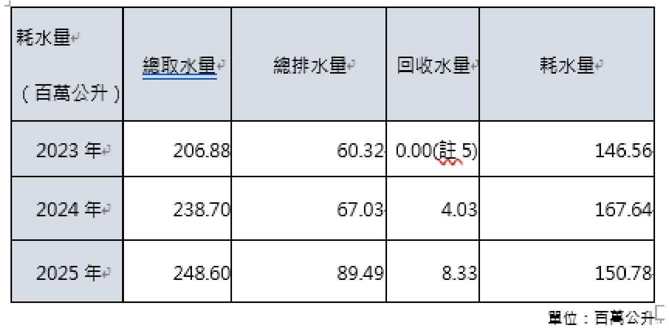
Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			Committee has established a specialized team. The team is responsible for collecting concerns on issues such as environmental protection, occupational safety, supply chain management, 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.	
II. Does the company conduct the risk evaluation on such issues of environment, society and corporate governance, related to the company’s operation, pursuant to the materiality principle and establish the relevant risk management policy or strategy? (Note 2)	✓		1.The disclosed information of the Company covers the business information as of January 1, 2025 to December 31, 2025. The risk assessment boundary is mainly based on the Company, including factories and operating locations. 2.The Company communicates with internal and external stakeholders, and evaluates significant ESG issues by reviewing research reports and literature to develop effective risk management policies and take concrete action plans for identification, measurement, assessment, supervision, and control to mitigate the impact of related risks.	There is no variance yet.
III. Environment Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Is the company committed to improving	✓		(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	There is no variance yet.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
resource efficiency and to the use of renewable materials with low environmental impact? (3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company make the statistics on the volume of room temperature gas 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?			enhances management performance. (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 555.85 kilowatt-hours of electricity has been saved in the past three years. (3) The Company refers to the TCFD (Task Force on Climate-related Financial Disclosures) for climate-related financial information disclosure. According to the four core principles of "Governance", "Strategy", "Risk Management", and "Metrics and Targets", we have established a risk framework. This allows us to understand the impact of climate change risks on the Company and formulate corresponding measures. Please refer to Section 4.8 of the 2021 Sustainability Report for climate change risk management and response. (4) GHG inventory is completed for 2024-2025. 1.GHG Emission Intensity for 2024 and 2025:	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Non-Implementation and its Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description
(Note 2)</th></tr>
</table>

		113年度		114年度	
		排放量 28, 121. 905 （噸CO2e）	密集度 8. 97879 （噸CO2e/營業額新臺幣3132. 034百萬元）	排放量19, 403. 741 （噸CO2e）	密集度 6. 53216 （噸CO2e/營業額新臺幣2970. 491百萬元）
本公司	範疇一 直接溫室氣體排放	8,860.9851	2.829	7,768.1333	2.6151
	範疇二 間接溫室氣體排放	7,036.8600	2.2467	6,719.2215	2.2619
	範疇三 其他間接排放	12,224.0598	3.9029	4,916.386	1.6550
	小計	28,121.905	8.9787	19,403.741	6.5321

2.Water Usage:



耗水量 （百萬公升）	總取水量	總排水量	回收水量	耗水量
2023 年	206.88	60.32	0.00(註 5)	146.56
2024 年	238.70	67.03	4.03	167.64
2025 年	248.60	89.49	8.33	150.78

單位：百萬公升

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

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

3.Policy on waste management:

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.

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			● The general industrial waste in the Yingge Plant includes waste fibers, waste foundry sand, waste cotton cloth, and non-hazardous dust collection ash. Hazardous industrial waste is electroplating sludge. ● The general industrial waste in the Taoyuan Plant includes waste plastic mixtures, waste ceramics, waste gypsum molds, and inorganic sludge. There are no hazardous industrial wastes in the Taoyuan factory. In the use of copper raw materials, the dust of wheel chips and copper powder after grinding are separately collected, reducing waste generation. In addition, we advocate reducing waste paper from documentation, with general documents being printed double-sided or using the blank side of discarded documents as much as possible. Waste that cannot be reused in the process, such as waste porcelain, waste molds, body bubble bags, water tank accessory cartons, and pallets, are recycled and reused by relevant manufacturers. The remaining waste is disposed of off-site and handled by licensed contractors.	
IV. Social Issues (1) Does the company build up the appropriate environment management system on the basis of its industry features? (2) Does the company formulate and implement the reasonable employee welfare measures (including remuneration, vacation and other welfares, etc.) and properly reflect its	✓		(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	None

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
operation performance or results on the employee’ remuneration? (3) Does the company evaluate the present and future potential risks and opportunities, which the climate change brings to the business, and adopt the countermeasures on the climate-related issues? (4) Does the company build up an effective career ability development plan for the employees? (5) Does the company comply with the related regulations and international standards pertinent to the customers’ health and safety, customers’ privacy, marketing and labeling, of the product & service, and establish the policy and appealing procedures related to the protection of the consumer or client’s rights? (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?			employees. The Company's salary policy guarantees that employees' salaries are not differentiated due to an individual's gender, age, race, religion, or political stance. At the same time, we adhere to labor and human rights laws at each operating location, and we promote important information about human rights protection and labor rights to both new hires and current employees. In addition, we provide a whistleblowing channel for employees to use. After receiving reports, dedicated personnel will conduct thorough investigations, and we ensure the confidentiality of the whistleblower's personal information. If the investigation verifies the claims, we promise not to treat the whistleblower unfavorably. (2) 1. The Company determines employee compensation based on the achievement rate of annual operational goals and the company's profitability, providing colleagues with 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	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			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. (3) 1.Employees are entitled to a company-funded health check-up every five years of employment. Those aged over 40 but under 65 are entitled to a company-funded health check-up every three years. Special operation personnel are entitled to a company-funded health check-up every year. Our company values the results of employee health check-ups and, with employee consent, actively	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			assists those with abnormal or special conditions in follow-up treatment or observation to ensure employee health. 2. We have medical personnel in place to enhance employees' knowledge of health management. They provide related improvement consultation and follow-up reexamination arrangements and reminders for those with abnormal health check results. They also assess the level of cardiovascular disease risk using the WHO cardiovascular disease risk prediction chart through abnormal labor health check reports, for further management. 3. We have qualified first aid personnel in place to handle emergency situations. The Company has installed AEDs in the office building and provided comprehensive guidance for emergency rescue, thereby reducing the pre-hospital mortality rate of such patients. 4. To strengthen employees' awareness of fire prevention and disaster prevention, and prevent disasters from happening, we have established a self-defense fire brigade and conduct regular drills. (4)The Company's training unit formulates an annual training plan based on the Company's business policy, business goals, training needs raised by each department, and actual budget situation. Each unit sets out professional skill development plans for their employees every year and executes	

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
			them according to the content of the plans. 1.This ensures that employees clearly understand the skills they should possess in their own roles and related knowledge in quality/environmental safety. 2.It diversifies the skills of employees and sets promotion goals as guidelines for development. 3.It allows managers at all levels to study scientific and rational management methods and cultivate management abilities. 4.It enables managers at all levels to actively carry out personnel training, pass on work experience, and meet future talent needs. 5.It enhances the overall standards of employees, thoroughly achieving quality assurance and environmental performance, enabling employees to achieve full coordination, and increasing work efficiency. (5)The Company adheres to relevant laws and international standards in marketing products and services. The Company does not sell directly to general consumers. For corporate customers, The Company has a dedicated after-sales service unit to provide after-sales services and consultations on product use, and to handle customer complaints. (6)The Company adheres to the principle of strictly complying with national laws and social norms, we require the signing of a supplier commitment letter. The Company is actively developing	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Non-Implementation and its Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>excellent suppliers, subcontractors, and secondary sources, conducting visits and evaluations in accordance with related assessment methods, and establishing a supplier grading management system.
Supplier selection criteria:
1.Must have a business registration certificate and a legal factory registration.
2.Must have a sound system and good reputation, and no major violations of laws.
3.The main raw materials must comply with HCG's restricted substances.
4.Priority is given to those who obtained ISO management systems such as ISO 14001 and ISO 45001.</td><td></td></tr>
<tr><td>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?</td><td>✓</td><td>✓</td><td>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.</td><td>None.</td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">VII. Other important information to help understand the implementation of sustainable development:
1. The 2024 Sustainability Report was duly filed before August 30, 2025, in accordance with applicable regulations. The 2025 Sustainability Report will be submitted by August 30, 2026, as required by law
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</td></tr>
</table>

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reasons
	Yes	No	Summary Description (Note 2)	
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. Certification passed: 1. Quality Management System: ISO9001 (from October 15, 1997 to January 10, 2025). 2. Environmental Management System: ISO14001 (from September 28, 1999 to December 26, 2023). 3. Occupational Safety and Health Management System: 45001 (from December 9, 2008 to February 2, 2023). 4. Energy Management Certification: ISO50001 (from December 26, 2013 to December 30, 2023). 5. Our ceramic plate exclusively used for the bullet proof cloth passes the certification of H.P. WHITE Laboratory in USA to be in compliance with the American Law Institute. 6. Re-edition of new SGS "ISO13485 Medical Facilities Quality Management System Verification" (2016 Edition) is completed and a certificate thereof is obtained (from September 19, 2017 to September 19, 2023). 7. Counseling of ISO17025 laboratory construction (from September 20, 2006 to September 19, 2024). 8. Information Security Management System: ISO27001 (from June 14, 2021 to June 14, 2024).				

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

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

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

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

1. Execution Status of Climate-related Information

Item	Implementation status
1. Explanation of the board of directors and management's oversight and governance of climate-related risks and opportunities.	The consolidated company (Note: please adjust the applicable entity in accordance with the current regulatory requirements for greenhouse gas inventory under the Sustainability Roadmap for listed companies; where regulations apply only to the parent company, this may be revised accordingly. The same applies hereinafter) addresses the high uncertainty of climate change and the rapid evolution of policies and markets by regularly convening senior executives from various departments to identify material climate-related risks and opportunities. At the same time, the Company further assesses the potential impacts of flooding, droughts, typhoons, and extreme heat on its operating sites, with the aim of better understanding external climate conditions and market dynamics, and incorporating these considerations more comprehensively into overall operational strategy planning. The Board of Directors has established a **Sustainability Committee**, authorized by the Board and composed of two Board members with expertise and capabilities in corporate sustainability, as well as the Chief Sustainability Officer. The committee convenes annually and is responsible for formulating, promoting, and strengthening action plans and capital expenditures for key sustainability policies (including climate-related issues) across the Group's companies. It also reviews, monitors, and revises the implementation and effectiveness of sustainability initiatives, and reports to the Board of Directors. Under the committee, there is a **working group composed of senior management**, including an **Environmental Sustainability Subgroup**, which is responsible for environmental management systems, compliance with environmental regulations and international standards, assessment of sustainability transformation, improvement of resource utilization, climate change response mechanisms, and the establishment of dedicated environmental management units or personnel. This subgroup convenes cross-departmental meetings periodically to discuss and coordinate in order to achieve environmental sustainability objectives.There is also a **Risk Management Subgroup**, responsible for the risk management policies and procedures across the Group, including climate-related risks, regulatory requirements for industry climate risks, and updates on the identification of climate risks and opportunities. In 2024, the Risk Management Subgroup established the **"Core Risk Governance Policy"**, incorporating climate change risk management into the overall risk management process of the consolidated companies. In addition, other functional committees also oversee certain climate-related governance matters: • The **Audit Committee** meets quarterly to discuss relevant issues and regularly receives reports from the Head of Internal Audit on the design and operational effectiveness of internal control systems regarding

	climate-related risks, as well as audit findings. • The **Compensation Committee** meets semi-annually to discuss, evaluate, and review managerial remuneration linked to ESG-related performance (including climate change-related management). Climate-related targets and their achievement are incorporated into the performance evaluation and compensation system of senior executives to monitor the attainment of climate-related objectives. By linking the reward system to climate change management outcomes, the management is encouraged to operate the company profitably while achieving sustainable business practices. In this way, the company’s sustainability objectives can be realized, generating value for both investors and stakeholders.

2. Explanation of how identified climate risks and opportunities affect the business, strategy, and financial planning (short-term, medium-term, long-term).

The consolidated company actively develops response strategies to mitigate the operational and financial impacts of climate change and to enhance organizational climate resilience. The Company defines the short term as within three years, the medium term as three to five years, and the long term as beyond five years (Note: the Company should define these time horizons based on its own operational conditions). Based on these timeframes, the Company assesses the potential operational and financial impacts of climate-related risks and opportunities and formulates corresponding action plans to address such risks and opportunities.

	Risk Categories and Opportunities	Short-term (1–3 years)	Medium-term (3–5 years)	Long-term (over 5 years)
Risk	**Transition Risk** Risks arising from the transition to a low-carbon economy. Transition risks include policy and legal risks, technological risks, market risks, and reputational risks.	Greenhouse Gas Emissions Cap-and-Trade Controls, Carbon Taxes, and Carbon Fees	1. Changes in consumer demand and preferences 2. Transition to low-carbon and/or plastic-reduction technologies 3. New regulations related to renewable energy 4. Inadequate climate action leading to reputational damage to the brand	Net Zero Emissions Trend

		Physical Risk Risks arising from climate change, either driven by climate-related events (acute physical risks) or from long-term shifts in climate patterns (chronic physical risks). Acute physical risks result from weather-related events such as storms, floods, droughts, or heatwaves, the severity and frequency of which are increasing. Chronic physical risks stem from long-term shifts in climate patterns, including changes in precipitation and temperature. Such changes may lead to sea level rise, reduced water availability, biodiversity loss, and changes in soil productivity.	Extreme changes in climate patterns leading to an increase in flooding, which may damage the Company's operational assets.	An increase in drought events, resulting in disruptions to the supply chain.	Increase in average temperature
	Opportunity	Positive impacts arising from climate change for the entity. Efforts in climate change mitigation and adaptation may generate climate-related opportunities for the entity.	Research, Development, and Innovation of New Low-Carbon Products and Services	Improving resource use efficiency	Enhancing corporate reputation

The consolidated company has assessed the aforementioned risks and identified climate-related risks and opportunities that may have material financial impacts, along with the corresponding response strategies, as follows:

Transition Risk / Climate Opportunity		
Risk(R)/Opportunity(O)	Financial Impact -/+	Response Strategy
R: Total Greenhouse Gas Emissions Cap R: New Renewable Energy Regulations	-: Paying Carbon Fees Increases Operating Costs -: Purchasing Renewable Energy Certificates Increases Operating Costs -: Fines for Non-Compliance with Regulatory Requirements Increase Operating Expenses	· Strengthen Green R&D and Innovation · Improve Energy Efficiency and Invest in Green Energy Equipment
R: Net Zero Emissions Trend	-: Increased Capital and Operating Costs for Carbon Reduction Equipment	· Continue to Implement Greenhouse Gas Reduction Actions · Construct Green Buildings and Obtain Green Building Certification · Encourage Suppliers to Adopt Climate Mitigation and Adaptation Actions
R: Changes in Consumer Demand and Preferences O: Research, Development, and Innovation of New Low-Carbon Products and Services	-: Decline in Market Sales Leading to Reduced Revenue +: Increase the Sales Proportion of Low-Carbon Products, thereby Enhancing Revenue	· Continuously Invest in the R&D of Low-Carbon Products · Use Low-Carbon Footprint Raw Materials and Reconfigure Product Composition · Green Product Research and Innovation

	R: Transition to Low-Carbon/ Plastic-Reduction Technologies	-: Developing New Low-Carbon Processes and Plastic-Reduction Technologies Increases R&D Costs, and Development Failure May Result in Financial Losses	· Establish a Dedicated R&D Project Team and Collaborate with External Research Teams to Co-Develop Optimized, Low-Carbon, and Easily Manageable Low-Carbon and Plastic-Reduction Technologies
	R: Insufficient Climate Action Leads to Reputational Damage	-: Failure to Meet Stakeholder Expectations Results in Reputational Damage and Reduced Market Sales	· Proactively Address Climate-Related Issues, Strengthen Corporate Social Responsibility Image, and Enhance Customer Recognition
	O: Enhance Corporate Reputation	+: Improve Access to Financing and Reduce Cost of Capital	· Enhance Corporate Green Image through Transparent Disclosure · Strengthen Corporate Governance and Foster a Culture that Values Climate-Related Issues and Actions · Improve Sustainability Ratings and Build a Strong Corporate Image

	Physical Risks / Climate Opportunities		
	Risk(R)/Opportunity(O)	Financial Impact -/+	Response Strategy
	R: Extreme Changes in Climate Patterns Increase Flood Risk R: Supply Chain Disruptions (Drought)	-: Shutdown of Operating Sites Leading to Revenue Decline -: Damage to Machinery and Equipment Causing Asset Losses -: Increase in Raw Material Prices Leading to Higher Operating Costs -: Reduced Production Output Resulting in Revenue Decline	· Consider Flood Risk When Selecting Locations for New Operating Sites · Assess Flood Risks at Production Sites and Implement Risk Mitigation Measures · Develop Alternative Raw Materials · Source Suppliers from Alternative Regions
	R: Rising Average Temperatures O: Improve Resource Use Efficiency	-: Increased Electricity Consumption Leading to Higher Operating Expenses (R) -: Raw Material Shortages Leading to Price Increases (R) -: Increased Costs or Reduced Production Leading to Revenue Decline (R) +: Reduced Electricity Costs (O)	· Construct Green Buildings · Use Renewable Energy · Develop Alternative Raw Materials · Procure Energy-Efficient Equipment · Adopt an Environmental Management System to Track Energy Usage

3. Explanation of the impact of extreme weather events and transition actions on financials	**Financial Impact of Extreme Weather Events** The consolidated company has identified potential risks to production and transportation stages through internal discussions, inventory, and assessments, including floods, droughts, and extreme changes in precipitation patterns and climate systems. Heavy rainfall-induced flooding may lead to temporary shutdowns of operating sites and equipment damage, resulting in short-term inability to ship products. Conversely, drought and water shortages may disrupt normal production operations. In such cases, the company must reduce water usage, transport water across regions by tanker trucks, or coordinate material transfers with other plants to maintain supply, all of which increase operating costs. Regarding extreme changes in precipitation and climate patterns, the primary impact is on production bases in South China, which rely on river transport. Increased rainfall intensity and concentrated rainy seasons may lead to greater fluctuations in river water levels. Excessively high water levels may flood port facilities, while excessively low water levels reduce transportation capacity. Both conditions are unfavorable for transporting raw materials and finished goods, requiring a shift to road transport, which reduces efficiency and increases transportation costs. For typhoons causing flooding and extreme changes in precipitation and climate patterns, the company has conducted analyses based on the Taiwan Climate Change Projection and Information Platform (TCCIP) and research data from the Chinese Academy of Sciences, referencing the IPCC Fifth Assessment Report (AR5) Representative Concentration Pathway (RCP) 8.5 high-emission scenario to assess operational and financial impacts across sites. Under this scenario, by mid-century, the number of typhoons affecting Taiwan is projected to decrease by 15%, while the proportion of intense typhoons is expected to increase by 100%. In South China, the dry season at operating locations is projected to increase by 54% by mid-century, extending from an average of 2.67 months to 4.11 months. The results indicate that associated risks will increase. The consolidated company will continue to enhance its physical risk scenario analysis. In the future, it plans to adopt the latest IPCC Sixth Assessment Report (AR6) Shared Socioeconomic Pathways (SSP1-2.6 low-emission mitigation scenario and SSP5-8.5 very high-emission scenario) to evaluate changes in operational site risks. In addition to existing risk factors, the company also plans to incorporate heat risk assessments to strengthen its climate adaptation management and strategy.

	Financial Impact of Transition Actions Under transition risks, the shift toward a low-carbon economy may involve broad changes in policies and regulations, technology, and markets. Based on the nature, speed, and focus of these changes, factors such as carbon pricing, greenhouse gas cap-and-trade systems, renewable energy regulations, and changes in consumer preferences may increase operating costs or reduce sales volume within the analysis timeframe. Given that the consolidated company already has sales of certain low-carbon products and continues to invest in R&D innovation and product diversification, there has been no material impact on market sales under various scenarios. Therefore, the company focuses its analysis on operating cost impacts. Under low-carbon transition scenarios, carbon pricing is expected to increase both the company’s own operational costs and supply chain costs. The consolidated company responds by implementing energy-saving and carbon-reduction initiatives across operations and the supply chain to minimize impacts on climate through reduced energy consumption, water usage, and waste generation; improving energy efficiency and investing in green energy equipment; and investing in green product R&D and innovation to meet consumer demand. These initiatives are expected to increase capital expenditures and operating costs.

4. Explanation of how the identification, assessment, and management of climate risks are integrated into the overall risk management system.	The Board of Directors serves as the highest decision-making body for risk management across all group companies and directly oversees the group-wide risk governance framework. To strengthen risk assessment and management functions, the Board resolved in 2024 to establish a Risk Management Team under the Sustainability Development Committee. This team is responsible for identifying and managing operational risks, including physical and transition risks arising from climate change, and leading the planning of related response measures. In the same year, the Group also established the “Core Risk Governance Policy” to ensure that all business-related risks are controlled within an acceptable range and to build a robust risk management framework. The Risk Management Team conducts risk identification and analysis across seven dimensions—operations, finance, country risk, regulatory compliance, ESG, human resources, and information security—based on each department’s scope of business. It also updates the annual key risk assessment matrix. Based on the identified risks, each department develops corresponding mitigation strategies to integrate and manage risks that may affect operations and profitability. The team reports at least annually to the Board of Directors on implementation status and risk control outcomes, and the Board supervises and reviews management’s execution of risk management practices to continuously strengthen the Group’s resilience.

5. When using scenario analysis to assess resilience to climate change risks, the scenarios, parameters, assumptions, analytical factors, and key financial impacts applied in the assessment shall be disclosed.	Although scenario analysis cannot predict the future, it enables the company to better understand how climate change may affect its operations. Scenario analysis is therefore an important tool for strategic planning, risk management, and assessing the flexibility of corporate strategies. Since 2022, the consolidated company has conducted both qualitative and quantitative climate modeling across its entire value chain to assess resilience to climate-related risks under different external conditions. **Parameters, Assumptions, and Analytical Factors** 1. The consolidated company’s current operations and value chain conditions are based on historical data modeling. Therefore, the model does not incorporate the potential impacts of future actions described in the recently issued “Net Zero Roadmap.” 2. The model integrates the Group’s physical and commercial data: · Physical data, including quantities and sourcing locations of raw materials, locations of operating sites, production volumes of finished goods, and transportation methods. · Commercial data, including sales revenue and profit by market segment. 3. The scenario analysis is built using publicly available data sources, including assessments and reports on net-zero energy pathways published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). 4. Given the complexity and uncertainty of how one risk may influence others, each risk factor is modeled independently, without considering interdependencies or offsets between risks. 5. The time horizon used for the analysis spans from 2024 to 2050. The consolidated company adopts a risk classification consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and simulates the potential impacts of both transition and physical climate risks on the company.

Transition Risks

Under transition risks, the shift toward a low-carbon economy may involve broad changes in policies, regulations, technology, and markets. Based on the nature, speed, and focus of these changes, factors such as greenhouse gas cap-and-trade systems, carbon pricing, renewable energy regulations, and changes in consumer demand and preferences may increase operating costs or reduce market sales within the analysis period. Given that the Group already generates revenue from certain low-carbon products and continues to invest in R&D innovation and product diversification, there has been no material impact on sales under various scenarios. Therefore, the analysis primarily focuses on operating cost impacts.

According to the IPCC assessment reports, Representative Concentration Pathways (RCPs) are used to describe four climate change scenarios:

1. **RCP2.6** is a low-emission scenario that limits global warming to below 2°C (compared with pre-industrial levels) and is also referred to as a 2°C pathway.
2. **RCP4.5** is a medium-emission scenario that does not achieve the 2°C limit or the 1.5°C target, and is associated with approximately 2.4°C of warming.
3. **RCP6.0** is a medium-high emission scenario in which greenhouse gas emissions peak around 2060 and begin to decline toward the end of the century, with an estimated warming of about 2.8°C.
4. **RCP8.5**, broadly aligned with current policies, is a high-emission “business-as-usual” scenario, with warming potentially reaching 4.3°C.

The IPCC released its Sixth Assessment Report (AR6) in 2021, which incorporates combinations of Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs), as well as additional scenarios. However, this analysis is based on the emission scenarios from the Fifth Assessment Report for discussion purposes.

Assessment of Key Financial Impacts of Transition Risks Under Different Scenarios

The consolidated company has selected two different climate change scenarios for evaluation, as follows:

Scenario	Estimated Potential Financial Impact
RCP8.5 High-Emission Scenario In addition to current policies in place across countries, no additional carbon reduction actions are implemented. Global carbon price: USD 2.63 per ton of CO_2.	The increase in operating costs is estimated to account for approximately 0.3% to 0.5% of annual revenue.
RCP2.6 Low-Emission Scenario By 2050, global net-zero emissions are achieved. Global carbon price: USD 268.13 per ton of CO_2.	The increase in operating costs is estimated to account for approximately 3.5% to 5% of annual revenue.

Carbon pricing parameters are referenced from scenarios published by the Network for Greening the Financial System (NGFS), using carbon price assumptions for the year 2035 derived from the REMIND–MAgPIE 2.1–4.2 model. Source: NGFS Phase 4 Scenario Explorer (iiasa.ac.at).

The consolidated company responds to such transition risks by implementing energy-saving and carbon-reduction initiatives across its operations and supply chain to minimize the impact of climate change through reduced energy consumption, water usage, and waste generation; improving energy efficiency and investing in green energy equipment; and investing in research and development and innovation of green products that meet consumer demand.

Physical Risks

Physical risks may be either acute or chronic. Acute physical risks are already occurring today, such as increased flooding caused by extreme changes in climate patterns, which can lead to operational disruptions at operating sites, resulting in revenue loss or financial damage. Similarly, an increase in drought events may disrupt supply chains and is expected to become more extreme and frequent in the future. Chronic physical risks are more likely to emerge in the mid-century and beyond. Forecasting climate conditions beyond 2050 presents significant challenges; a reasonable assumption is that long-term (and potentially irreversible) changes in climate patterns will intensify over time (e.g., rising average temperatures).

The consolidated company conducts scenario analysis of physical climate risks to understand the potential impacts on business operations, strategy, and financial planning under both RCP8.5 and RCP2.6 scenarios. Within the Group’s value chain, the raw material and manufacturing stages are highly dependent on water resources. Not only are certain raw materials derived from agricultural products, but water is also a critical component of the Company’s products. Although Taiwan has abundant rainfall, its uneven spatial and temporal distribution, along with reliance on reservoir-based water supply, leads to long-term water supply instability in certain regions. The consolidated company refers to research published by the National Science and Technology Center for Disaster Reduction to assess the probability of drought risks across different water sources, supplemented by 2021 water usage impact data, to identify overall water risk at each operating site. Although the Yangmei and Zhongli areas present relatively higher water risk conditions, after considering the proportion of water usage impact and historical operational experience at each facility, the overall water risk of all operating sites is assessed as low. Therefore, there is no significant difference in estimated losses under the two scenarios. However, drought frequency is expected to increase over time. Based on its ongoing agricultural entrepreneurship initiatives, the Company supports farmers in adopting regenerative agriculture practices and provides training on climate change mitigation approaches, including addressing soil degradation and water scarcity. Water-saving projects are also being implemented to improve water recycling rates. In addition, the Company has taken actions to develop alternative raw materials and source suppliers from different regions to diversify risks. As a result, the estimated increase in costs does not differ significantly between the two scenarios.

Assessment of Key Financial Impacts of Physical Risks Under Different Scenarios:

Scenario	Estimated Potential Financial Impact
RCP8.5 High-Emission Scenario – Drought	Increase in raw material prices, resulting in an annual increase in operating costs of approximately NT$35 million.
RCP2.6 Low-Emission Scenario – Drought	Increase in raw material prices, resulting in an annual increase in operating costs of approximately NT$30 million.

Item	Implementation status
6. If a transition plan has been established to manage climate-related risks, please describe its content, as well as the indicators and targets used to identify and manage physical and transition risks.	To achieve net-zero emissions, the consolidated company has formulated a low-carbon transition plan targeting reductions across direct emissions from operations (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3). The implementation includes: 1. **Continuous proactive decarbonization:** Developing advanced technologies and improving energy productivity and efficiency to minimize carbon emissions during manufacturing and product use stages. 2. **Adoption of renewable energy:** Significantly increasing the share of renewable energy usage and extending its adoption across the value chain to actively support the low-carbon energy transition. 3. **Investment in net-zero technologies:** Investing in net-zero emission technologies and participating in carbon offset projects to mitigate unavoidable emissions or those with limited reduction technologies. The consolidated company uses 2020 as the base year. The indicators and targets for greenhouse gas emissions are described in Section 9. The indicators and targets used to identify and manage physical and transition risks are as follows: 1. **Transition risks:** The amount and percentage of business activities vulnerable to the transition toward a low-carbon economy. The indicator is defined as the proportion of operating costs attributable to products exposed to transition risks relative to total operating costs. This proportion was 32% in 2020, and is targeted to gradually decrease to 22% by 2025 and further to 15% by 2030. 2. **Physical risks:** The amount and percentage of assets exposed to climate change impacts (including floods and droughts). The indicator is defined as the proportion of property, plant, and equipment (PPE) exposed to such risks relative to total assets. This proportion was 17% in 2020, and is targeted to decrease to 12% by 2025 and further to 5% by 2030.

7. If internal carbon pricing is used as a planning tool, the basis for determining the price should be disclosed.	To drive low-carbon investment, enhance energy efficiency, and strengthen internal carbon reduction actions, the consolidated company has established an internal carbon pricing mechanism. The carbon price is set at NT$XXX per ton of CO_2, based on recommendations from a study on Taiwan’s carbon pricing system commissioned by the Environmental Protection Administration in 2020 and conducted by the London School of Economics. This price serves as a reference for capital investment strategies and major decision-making processes. Through a daily AI-based carbon reduction management platform that provides real-time data and alerts on target achievement, monthly reporting to senior management meetings, and linkage with annual performance bonuses, the company ensures the effective implementation of carbon reduction actions. The AI-based carbon reduction management platform calculates product carbon footprints using Life Cycle Assessment (LCA). Daily production data from manufacturing sites is uploaded and combined with automated systems that calculate carbon emissions from raw materials and energy consumption. The platform identifies emissions hotspots and provides optimized decarbonization recommendations and decision-making support for each facility. It is further integrated with KPIs and linked to bonuses for senior management and employees to ensure greenhouse gas reduction targets are achieved. In the future, the system will be extended to manage the Group’s overall carbon emissions across core business operations. In addition, the next phase of the Company’s decarbonization initiatives focuses on establishing an internal carbon trading system platform. Pilot implementation in Taiwan is planned to begin in 2024. Under this system, the headquarters will allocate carbon allowances to each operating site based on production capacity. Carbon intensity targets and emissions caps will be set with reference to carbon trading mechanisms. Each operating site may submit requests for carbon allowance trading through the platform, with transaction prices determined by matched market prices. Year-end settlement will be based on the prevailing market price of the EU ETS carbon market (subject to the Company’s actual implementation). This mechanism will also be linked to variable compensation, thereby continuously driving internal carbon reduction performance.

Item	Implementation status
8. If climate-related targets have been set, the Company shall disclose the activities covered, greenhouse gas emission scopes, planning timeline, and annual progress toward achieving such targets. Where carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, the source and quantity of the offset credits or the number of RECs shall also be disclosed.	The consolidated company has long been committed to environmental protection and aims to create a green operating model of “maximizing production efficiency and minimizing environmental impact” to achieve a win–win balance between economic and environmental performance. Since 2019, the Company has implemented a three-stage green action plan, enhancing ecological performance in four areas—energy saving, water conservation, waste reduction, and greenhouse gas reduction—through source reduction and improved resource efficiency, thereby contributing to sustainable development. At the end of 2022, the President of the parent company announced the second-phase plan, setting targets for 2030: 30% reduction in electricity consumption, 30% reduction in water consumption, 50% reduction in waste, and a 60% reduction in Scope 1 and Scope 2 greenhouse gas emissions (calculated based on operational control approach, including consolidated entities). Progress is monitored quarterly by the Sustainability Development Committee. The implementation timeline and annual progress of greenhouse gas reduction targets are detailed in Section 9.1–9.2 below. In 2022, the consolidated company purchased 1,617 t CO_2e of carbon credits from international carbon trading platforms, generated from forestry conservation projects, to offset Scope 2 greenhouse gas emissions of overseas subsidiaries. At the current stage, the Company does not use Renewable Energy Certificates (RECs) as a primary decarbonization measure. Instead, it prioritizes self-generated and self-consumed renewable energy by assessing available space across operating sites and gradually installing renewable energy generation facilities. In 2022, self-generated renewable energy consumption amounted to 20,923 kWh.

9. Greenhouse gas inventory and verification status, as well as emission reduction targets, strategies, and specific action plans (to be reported separately in Sections 1–1 and 1–2).	Please provide a detailed explanation below.

1−1 Greenhouse Gas Inventory and Assurance Status for the Most Recent Two Years

1−1−1 Greenhouse Gas Inventory Information

Describe the greenhouse gas emissions for the most recent two years (tCO_2e), emission intensity (tCO_2e/NT$ million), and the scope of data coverage.

Please describe the minimum required disclosure scope for greenhouse gas inventory in accordance with the “Sustainability Development Roadmap for Listed Companies” regulations (please refer to the implementation timeline at: https://isds.tpex.org.tw):

1. Parent company standalone inventory shall begin from 2026.
2. Subsidiaries included in the consolidated financial statements shall begin inventory from 2027.

The consolidated company has established its greenhouse gas inventory mechanism in accordance with the Greenhouse Gas Protocol jointly issued by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), as well as the ISO 14064-1 standard published by the International Organization for Standardization (ISO) (please specify the applicable inventory standards).

Since 2020, the Company has conducted annual greenhouse gas inventories covering both the parent company and subsidiaries included in the consolidated financial statements (adjustments may be made based on actual company conditions, with explanations for any excluded entities), in order to fully understand greenhouse gas emissions and usage and to verify the effectiveness of emission reduction actions.

In addition, the greenhouse gas inventory data for the most recent two years is consolidated based on the operational control approach (or other methods actually adopted by the Company, such as equity share or financial control approach), covering the parent company and all subsidiaries included in the consolidated financial statements. The details are as follows:

		2024		2025	
		Emissions: 28,121.905 (metric tons CO_2e)	**Intensity:** 8.97879 (metric tons CO_2e / revenue of NT$3,132.034 million)	**Emissions:** 19,403.741 (metric tons CO_2e)	**Intensity:** 6.53216 (metric tons CO_2e / revenue of NT$2,970.491 million)
The Company	Scope 1: Direct GHG Emissions	8,860.9851	2.8291	7,768.1333	2.6151
	Scope 2: Indirect GHG Emissions	7,036.8600	2.2467	6,719.2215	2.2619
	Scope 3: Other Indirect GHG Emissions	12,224.0598	3.9029	4,916.386	1.6550
	Subtotal	28,121.905	8.9787	19,403.741	6.5321
All subsidiaries included in the consolidated financial statements	Scope 1: Direct GHG Emissions				
	Scope 2: Indirect GHG Emissions				
	Scope 3: Other Indirect GHG Emissions				
	Subtotal				
	Total				

Note 1: Direct emissions (Scope 1, i.e., greenhouse gas emissions from sources owned or controlled by the Company); energy indirect emissions (Scope 2, i.e., indirect greenhouse gas emissions from imported electricity, heat, or steam); and other indirect emissions (Scope 3, i.e., emissions resulting from company activities but not classified as energy indirect emissions, originating from sources owned or controlled by other entities).

Note 2: The disclosure scope for direct emissions (Scope 1) and energy indirect emissions (Scope 2) shall comply with the implementation schedule specified in Article 10, Paragraph 2 of these regulations. Disclosure of other indirect emissions (Scope 3) is voluntary.

Note 3: Greenhouse gas inventory standards refer to the Greenhouse Gas Protocol (GHG Protocol) issued by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), or ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: Emission intensity may be calculated based on per unit of product/service or revenue; however, it shall at least be disclosed on a revenue basis (NT$ million).

１－１－２ Greenhouse Gas Assurance Information

Describe the assurance status for the most recent two years up to the date of publication of the annual report, including the assurance scope, assurance provider, assurance standards, and assurance opinion.

Please describe the minimum required assurance scope in accordance with the “Sustainability Development Roadmap for Listed Companies” regulations (please refer to the implementation timeline at: https://isds.tpex.org.tw):

1. Parent company standalone assurance shall begin from 2028.
2. Subsidiaries included in the consolidated financial statements shall begin assurance from 2029.

Example 1

In the total greenhouse gas emissions disclosed in Section 1-1-1, the assurance scope for the years XX and XX for the parent company accounted for OO% and OO% of the total emissions of the parent company for the respective years. For the subsidiaries included in the consolidated financial statements in year XX (with explanations for any excluded subsidiaries), the assurance scope accounted for OO% of total emissions of the consolidated subsidiaries for that year. The assurance was conducted by ○○ assurance provider in accordance with ISAE 3410 “Assurance Engagements on Greenhouse Gas Statements” / ISO 14064-3:2019 (specify version). The assurance opinion was a reasonable assurance / limited assurance engagement, resulting in an unqualified conclusion/opinion.

The greenhouse gas inventory assurance status for the parent company and selected subsidiaries included in the consolidated financial statements (including Subsidiary A and Subsidiary B) for the most recent two years is described as follows:

Scope of Assurance		2028 (tCO$_2$e）	2029 (tCO$_2$e）
The Company	Scope 1: Direct GHG Emissions		
	Scope 2: Indirect GHG Emissions		
	Scope 3: Other Indirect GHG Emissions		
	Total		

	Percentage of Data		
All subsidiaries included in the consolidated financial statements	Scope 1: Direct GHG Emissions		
	Scope 2: Indirect GHG Emissions		
	Scope 3: Other Indirect GHG Emissions		
	Total		
	Percentage of inventory data disclosed in Section 1-1-1 above		
Assurance Provider		○○Assurance Provider	○○Assurance Provider
Assurance Description		確信準則3410號/ ISO14064—3:2019 有限確信/合理保證	確信準則3410號/ ISO14064—3:2019 有限確信/合理保證
Assurance Conclusion		unqualified conclusion/opinion	unqualified conclusion/opinion

Note 1: This shall be implemented in accordance with the timetable specified in Article 10, Paragraph 2 of these regulations. If the Company has not obtained complete greenhouse gas assurance opinions by the publication date of the annual report, it shall state that “complete assurance information will be disclosed in the Sustainability Report.” If no Sustainability Report is prepared, it shall state that “complete assurance information will be disclosed on the Market Observation Post System (MOPS),” and full assurance information shall be disclosed in the annual report of the following year.

Note 2: The assurance provider shall comply with the relevant requirements for sustainability report assurance providers as stipulated by the Taiwan Stock Exchange Corporation and the Taipei Exchange.

Note 3: The disclosure content may refer to the best practice examples provided on the Corporate Governance Center website of the Taiwan Stock Exchange Corporation.

3.10. Implementation status of internal control system

3.10.1. Statement of Internal Control System

HOCHENG Corporation

Statement of Internal Control System

Date: March 10, 2026

Based on the results of the self-assessment, the Company's internal control system for the year 2025 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, 2025, 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 10, 2026. 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

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

3.4 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	Wu Zhao-ren	The year 2025	4000	646.128	4,646.128	
	Xu Shu-min	The year 2025				

KPMG Taiwan: For Fiscal Year 2025, an audit was conducted on UDA's trademark licensing agreement regarding royalty income, public expenses, transportation costs, audit-related travel expenses, report binding, photocopying, postage, and other related expenditures.

Total: NT$ 613.128 thousand

Integrity & Co., CPAs: For Fiscal Year 114 (2025), services fees related to business tax audit certification, attestation fees, company change registration fees, and industrial and commercial registration fees.

Total: NT$ 33 thousand

If the audit fees decrease by 10% or more compared to the previous year, the amount, percentage, and reason for the decrease shall be disclosed:
Not applicable / None.

3.5
Information on the Change of Accountant: None

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., LtdChiu, 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	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 holing 10% or more of shareholding ratio.

Note 2: Fill in pledge or redemption.

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

2026.04.01

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.	14,992,045	4.96%					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	
Chiu Weijie	8,090,845	2.68%					Chiu Chen, Hui-Mei	**g**randparent and grandchild	
Li, Kai-Ping	7,708,781	2.55%					Bo Kai Xin Ye Bosch Investment	Chairman Chairman	

								(Legal Representative)	
Chiu, Chun-Chieh	6,779,922	2.25%					None	None	
Bosch Investment Co., Ltd.	6,163,228	2.04%					Bokai Investment Kai Ping Lee	arent and subsidiary companies Chairman (Legal Representative)	
Yishui Tang Investment Co., Ltd.	5,477,000	1.81%					None	None	
Chiu Chen, Hui-Mei	4,921,287	1.63%					Chiu, Hung-Yu	Couple	
Chiu Shih-Kai	4,919,461	1.63%					Li, Kai-Ping	mother-child	

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	78,646,373	100	--	--	78,646,373	100
Business Limited, British			--	--	--	--
Virgin Islands			--	--	--	--
Hohong Co., Ltd.	34,713,522	99.6		--	34,713,522	99.6
Hoceng Service Co., Ltd.	2,100,000	70			2,100,000	70
Bao Long Interior Crafts	21,001,000	100		--	21,001,000	100
HUB Co., Ltd	2,100,000	70			2,100,000	70

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.

III Capital Overview.

3.1.1 Source of Equity

Unit: Share, NT$

Year Month	Issue Price	Authorized share capital		Paid-in share capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Equity	The use of property other than cash to offset the payment of shares	Other
1989.12	10	19,900,000	199,000,000	19,900,000	199,000,000	—	—	—
1990.01	10	40,000,000	400,000,000	38,000,000	380,000,000	Cash capital increase NT$181,000 thousand	—	—
1990.07	10	105,003,300	1,050,033,000	105,003,300	1,050,033,000	Transfer of surplus to capital NT$670,033 thousand	—	—
1992.06	75 10	200,000,000	2,000,000,000	149,630,290	1,496,302,900	Capital increase in cash NT$131,260 thousand Transfer of surplus to capital NT$315,009,900	—	Note1
1993.06	10	200,000,000	2,000,000,000	198,260,135	1,982,601,350	Capital surplus increased by NT$254,371,500 Transfer of capital from surplus NT$231,926,950	—	Note2
1994.06	10	400,400,000	4,000,000,000	277,564,189	2,775,641,890	Transfer of surplus to capital NT$793,040,540	—	Note3
1995.06	10	400,000,000	4,000,000,000	346,955,238	3,469,552,380	Capital surplus increased by NT$249,807,780 Transfer of capital from surplus NT$444,102,710	—	Note4
1996.07	10	570,000,000	5,700,000,000	398,998,525	3,989,985,250	Capital surplus increased by NT$242,868,670 Transfer of capital from surplus NT$277,564,200	—	Note5
1997.07	10	570,000,000	5,700,000,000	418,948,455	4,189,484,550	Transfer of surplus to capital NT$199,499,300	—	Note6
1997.11	10	570,000,000	5,700,000,000	377,053,610	3,770,536,100	Cash reduction NT$ 418,948,450	—	Note7
2011.11	10	570,000,000	5,700,000,000	369,853,610	3,698,536,100	Cancellation of treasury stock NT$ 72,000,000	—	Note8
2022.08	10	570,000,000	5,700,000,000	303,279,960	3,032,799,600	cash capital reduction 665,736,500	--	Note9
2023.9.15	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.

3.1.2 Shareholder Structure

May.27, 2026

Shareholder Structure Quantity	Governmental Organization	Financial structure	Other Legal Entities	Individual	Foreign Organizations and Foreigners	Total
Number of persons	1	1	51	22,483	61	22,597
Number of shares held	234,126	2,153,421	64,577,944	224,739,862	10,598,366	302,303,719
Shareholding Ratio	0.08%	0.71%	21.36%	74.34%	3.51%	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.

3.1.3 Diversification of shareholding

3.1.3.1. Diversification of Ordinary Shareholdings：

Face value of NT$10 per share

May 27, 2026

Shareholding Classification	Number of shareholders	Number of shares held	Shareholding Ratio
1 to 999	6,396	1,829,475	0.61%
1,000 to 5,000	12,601	26,999,516	8.93%
5,001 to 10,000	1,969	16,210,618	5.36%
10,001 to 15,000	442	5,708,199	1.89%
15,001 to 20,000	410	7,711,586	2.55%
20,001 to 30,000	256	6,726,850	2.23%
30,001 to 40,000	119	4,305,300	1.42%
40,001 to 50,000	87	4,114,687	1.36%
50,001 to 100,000	136	9,785,299	3.24%
100,001 to 200,000	71	9,886,566	3.27%
200,001 to 400,000	32	8,459,403	2.80%
400,001 to 600,000	12	5,936,664	1.96%
600,001 to 800,000	7	5,090,726	1.68%
800,001 to 1,000,000	5	4,296,477	1.42%
1,000,001 or more depending on Actual situation	54	185,242,353	61.28%
Total	22,597	302,303,719	100.00%

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

3.1.4 List of major shareholders

May 27, 2026

Shares Name Of major shareholders	Number of shares held	Shareholding ratio (%)
Dorkay Investment Company Ltd.	14,992,045	4.96
Yuhuang Co., Ltd.	11,507,634	3.81
Chiu, Li-Chien	10,522,267	3.48
Chiu Weijie	8,090,845	2.68
Li,Kai-Ping	7,708,781	2.55
Chiu,Jun-Jie	6,779,922	2.25
Bosch Investment Co., Ltd.	6,163,228	2.04
Yishui Tang Investment Co., Ltd.	5,477,000	1.81
Chiu,Chen-Hui-Mei	4,921,287	1.63
Chiu Shih-Kai	4,919,461	1.63

3.1.6. Company's Dividend Policy and Implementation Status

Company's Dividend Policy:

1. If there is a surplus in the company’s annual financial statement, the first priority should be to pay taxes and cover any accumulated losses. Then, 10% of the remaining surplus should be set aside as legal reserve. If there is still a surplus, the shareholders' meeting will distribute dividends to shareholders, which will include the surplus from the current year and any undistributed earnings from previous years. The distribution of dividends may be based on the company's operational status and capital needs, and the proposal must be drafted by the board of directors and approved by the shareholders' meeting. Cash dividends are given priority for distribution. If both cash and stock dividends are issued simultaneously, the cash dividend portion must not be less than 10% of the total dividend amount. When the legal reserve reaches the total capital, the shareholders' meeting may decide to stop further allocations. The distribution of legal reserve and capital surplus as dividends or bonuses must comply with relevant laws and regulations and must also be proposed by the board of directors and approved by the shareholders' meeting.
2. Distribution of Dividend Proposed by Shareholders Meeting:
   (1) The Company’s financial statements for fiscal year 2025 have been audited and finalized by CPAs Hsu Shu-Min and Wu Chao-Jen of KPMG (Taiwan). The net income after tax for fiscal year 2025 amounted to NT$14,304,066. In accordance with the Company’s Articles of Incorporation, 10% has been appropriated as legal reserve, totaling NT$11,332,578. The ending balance of distributable earnings amounted to NT$1,711,477,304. It is proposed to distribute a cash dividend of NTD 60,460,744 from the distributable profit of the fiscal year 2024 (NTD 0.2 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.

3.1.7. 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.

3.1.8. 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 recorded a profit of NT$40,220,269 for fiscal year 2025. As recommended by the 2nd Remuneration Committee meeting of the 6th term in fiscal year 2026, allocations have been made for employee compensation (including managers) in the amount of NT$2,413,216, for mid- and junior-level employee distribution in the amount of NT$1,995,181, and for directors’ remuneration in the amount of NT$1,206,608. All of the aforementioned amounts will be distributed in cash.

C.

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.

2025	
Employee Compensation	NTD$2,413,216
mid- and junior-level employee	NTD$1,995,181
Directors Remuneration	NTD$1,206,608

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:

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

The actual amount of payment is congruent with the recognized amount for FY 2024

3.1.9. Status of the company repurchasing its own shares: In 2025 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:

1. Financing Plans and Implementation of Corporate Bonds: None
2. Financing Plans and Implementation of Preferred Shares: None
3. Financing Plans and Implementation of Overseas Depositary Receipts: None
4. Financing Plans and Implementation of Employee Stock Option with Warrants: None
5. Restrictions on the handling of new shares of employees' rights: None
6. Implementation of Mergers and Acquisitions or Issuance of New Shares in connection with any acquisition of shares of another company: None
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.

IV. Business Operations Disclosure Matters

4.1. 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 78%, while that for export is 22% (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 36% of total revenue.

supply copperware: Comprises standard faucets, single-handle faucets, high-end artistic faucets, thermostatic faucets, cistern accessories, makeup mirrors, automated equipment, etc., representing 23.7% of total revenue.

toilet seat lid: Represents 12.54% of total revenue

Precision Ceramics: Contributes 2.09% to total revenue

Others: T Accounts for 25.67% 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	2023	2024	2025	The Current Year up to March 31, 2026
Amount	109,406	100,377	89,762	27,616

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

Research and Development Results in 2024

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 2025

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 2026

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.

4.2. Market and Production & Marketing Overview

(1) Economic Growth Rate:
According to S&P Global, the global inflation rate (CPI annual growth rate) for 2025 is projected to be approximately 2.97%, representing a decrease of 0.49 percentage points from 3.46% in 2025. Among different levels of development, developed countries are expected to record the lowest rate at 2.31%, continuing to move toward the inflation target of 2.0%. Major institutions forecast that inflation in 2026 will further moderate compared to fiscal year 114.

(2) Consumer Confidence Index:
The Consumer Confidence Index (CCI) is a composite indicator reflecting consumers' satisfaction with current economic conditions and their expectations for future economic trends. It indicates consumers' willingness and level of spending. According to statistical data, the overall CCI for December of fiscal year 114 was 64.3 points, representing a decrease of 0.35 points compared to the previous month.

(3) Business Climate Monitoring Indicators:
In December of fiscal year 114, the composite score of the Business Climate Monitoring Indicators was 38, representing an increase of 1 point from the previous month, with the signal shifting to "red." Benefiting from continued strong demand for AI, overtime hours in the industrial and service sectors improved to a "yellow-red" signal, while the manufacturing business climate survey points shifted to "green." Meanwhile, due to deferred Lunar New Year procurement demand, sales in the wholesale, retail, and food service sectors moved to a "yellow-red" signal. In addition, both leading and coincident indicators continued to rise, indicating that domestic economic momentum remained stable.

(4) Consumer Price Index:
In fiscal year 114 (2025), Taiwan's Consumer Price Index (CPI) recorded an average annual increase of 1.66%, indicating easing inflationary pressure compared to the previous year. The trend showed a higher level in the early part of the year followed by a gradual decline. The CPI peaked at 2.66% in January, then fluctuated around the 2% alert level, and declined to 1.31% in December. The core CPI was 1.66%.

Industry Analysis:

(1)
In fiscal year 2025, Taiwan's real estate market was affected by government credit controls, tighter bank lending practices, and a growing wait-and-see sentiment in the market, leading to a gradual slowdown in overall transaction momentum. According to data from the National Land Administration of the Ministry of the Interior, the number of building permits issued nationwide from January to November of fiscal year 2025 totaled 125,302 units, representing a year-on-year decrease of 11.3%. The number of occupancy permits reached 128,069 units, an increase of 1.4% year-on-year, while housing starts totaled 113,250 units, a year-on-year decrease of 1.0%. This indicates that developers have become more cautious in launching new projects; however, the volume of completed and ongoing construction projects continues to provide a certain level of support. Overall, the market has shifted from a period of rapid growth to a more conservative stance. Going forward, the housing market is expected to be driven primarily by owner-occupier demand, with the industry moving toward more prudent project launches and moderated supply.

(2)
According to Cathay Financial Holdings' monthly National Economic Confidence Survey—commonly referred to as the "Public Sentiment Indicator"—the latest survey was conducted from December 1 to 7. During this period, differing views emerged regarding optimistic expectations for artificial intelligence, leading investors to adopt a more cautious trading approach and causing both global and Taiwan stock markets to fluctuate within a range. The survey results showed that the public's optimism index for Taiwan equities declined to 25.1, ending a three-month upward trend and reaching a two-month low. The risk appetite index also weakened to 18.1, ending a six-month rise. Meanwhile, amid stock market volatility, public willingness to purchase property increased, rising slightly to -41.6, marking four consecutive months of gains and reaching a new high in nearly one and a half years. In contrast, the home-selling willingness index declined to -34, falling for two consecutive months and reaching a three-month low, indicating a growing reluctance to sell.

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
2025	18.3	13.0	4.9	3.1	10.7	2.1	5.0	2.9	0.8
	39.3				20.7				0.8

Unit: %

Area	Southern Area					Eastern Area		
Rate of Operational Revenue	Kaohsiung	Tainan	Chiayi	Yunlin	Pingtung	Hualien	Ilan	Taitung
2025	15.1	4.4	3.6	5.5	4.3	1.4	4.3	0.6
	32.9					6.3		

(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.

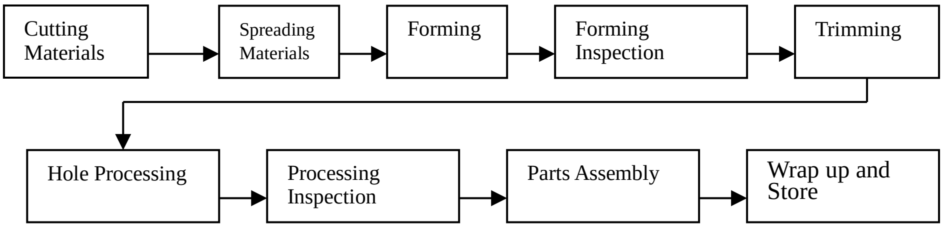
(II) Important Usage and Production Process of Main Products

1. Usage of Main Products

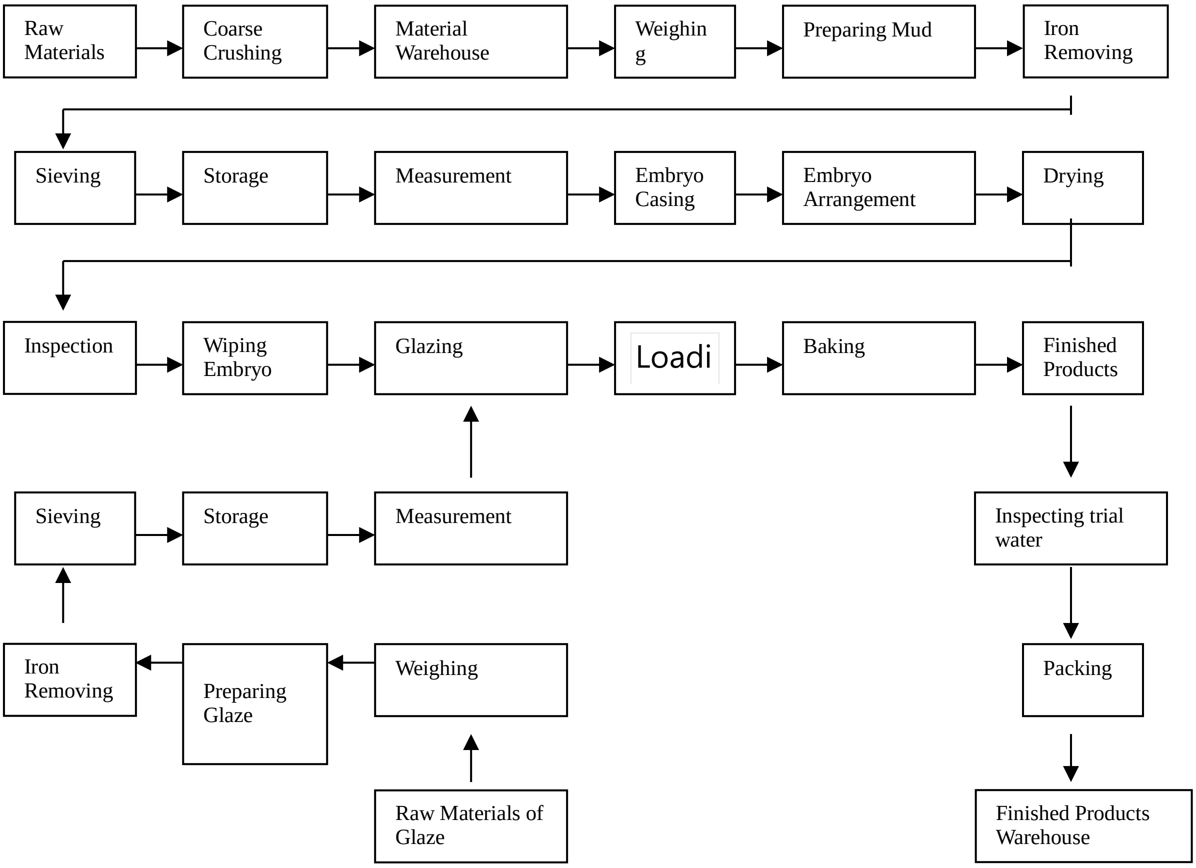
Main Merchandise	Usage
Sanitary Porcelain	For sanitary use
Water Feeding Copper and Ceramic Faucet	For sanitary use
Bathtub and Marble Countertop, Kitchenware	For sanitary use
Shower Sliding Door	For use of construction materials
Bulletproof Ceramics and Composite Materials	For use of high-tech materials

2. The production process of products is as follows:

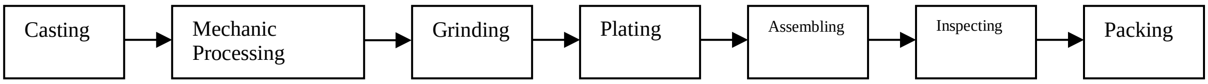
(1) SMC Bathtub



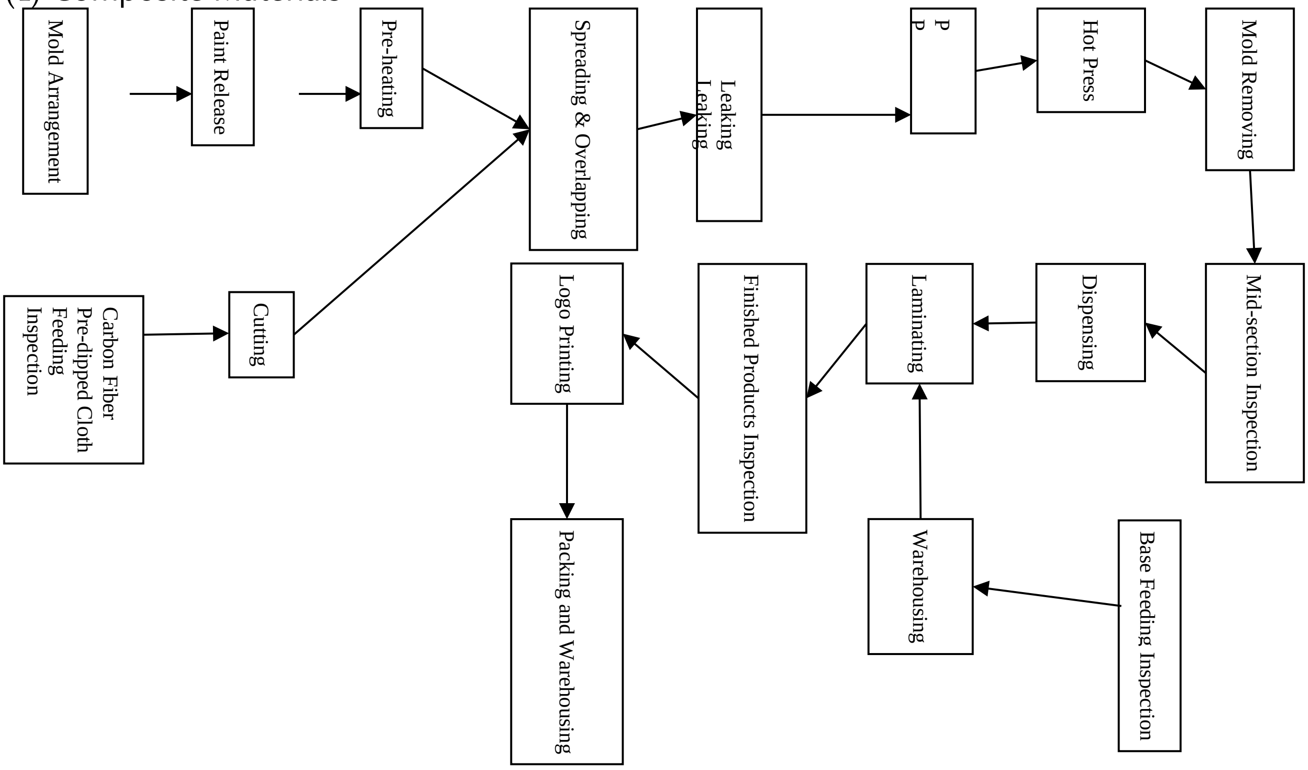
(2) Porcelain



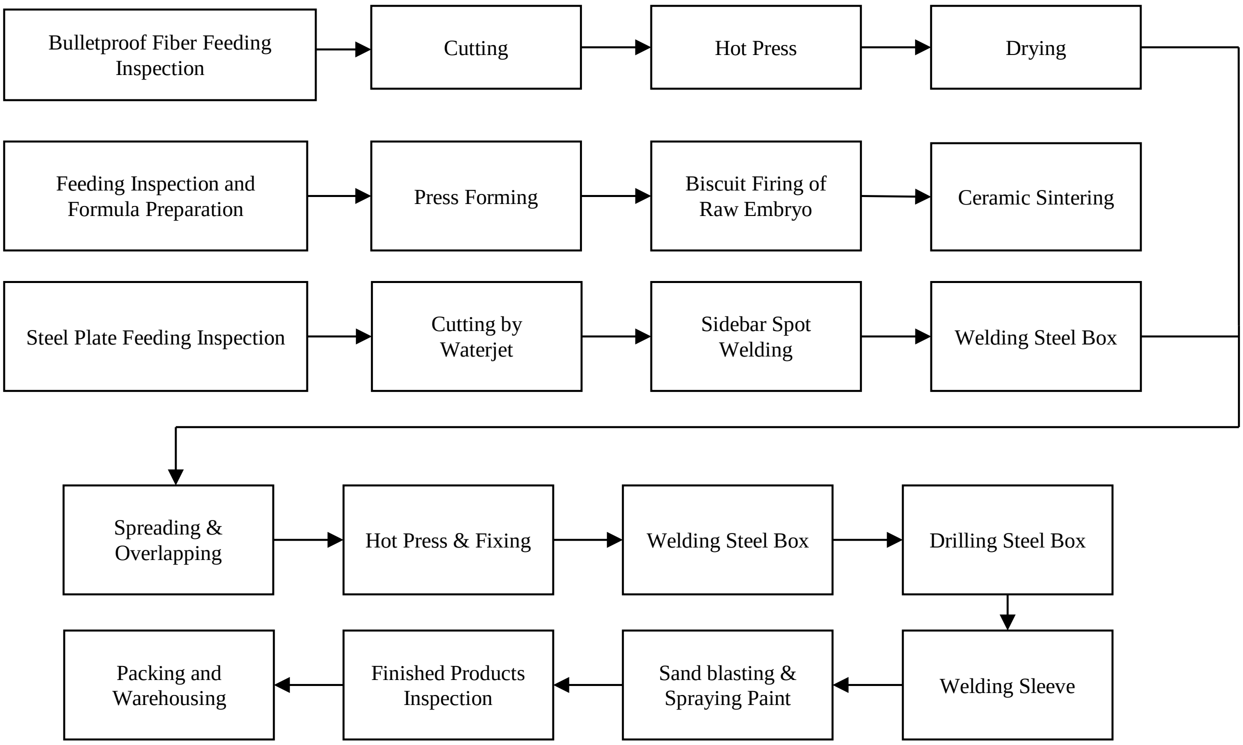
(3) Copper



(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

	2024				2025				2026 up to the Previous Quarter (Note 2)			
Item	Name (Note 1)	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Sales Amount of the Whole Year	Relationship to Issuer
1	A	375,132	11.99%	Distributor	A	417,627	14.08%	Distributor	A	71,979	11.15%	Distributor
2	B	150,950	4.82%	Distributor	B	138,869	4.68%	Distributor	B	32,300	5.00%	Distributor
3	C	139,576	4.46%	Distributor	C	121,144	4.09%	Distributor	C	28,524	4.42%	Distributor
4	Others	2,462,909	78.73%		Others	2,287,950	77.15%		Others	512,397	79.43%	
	Net Sales Amount	3,128,567	100%		Net Sales Amount	2,965,590	100%		Net Sales Amount	645,200	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

	2024				2025				2026 up to the Previous Quarter (Note 2)			
Item	Name (Note 1)	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to the Issuer	Name	Amount	Rate (%) to Net Purchase Amount of the Whole Year	Relationship to Issuer
1	Bao Long	265,451	14.52%	Related entities	Bao Long	217,072	12.61%	Related entities	Bao Long	39,673	10.22%	Related entities
2	Wen Hung	262,939	14.38%	None	Wen Hung	242,483	14.09%	None	Wen Hung	52,396	13.50%	None
3	Yuhuang	139,582	7.64%	None	Yuhuang	133,586	7.76%	None	Yuhuang	30,630	7.89%	Related entities
4	Others	1,160,255	63.46%	Related entities	Others	1,128,084	65.54%	Related entities	Others	265,483	68.39%	None
	Net Purchase Amount	1,828,227	100%		Net Purchase Amount	1,721,225	100%		Net Purchase Amount	388,182	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

Apr 2, 2026

Year		2024	2025	Apr 2, 2026
Employee No.	Key Management Staff	259	239	235
	Staff	318	297	294
	Operator	387	392	389
	Total	964	928	918
Average Age		42.94	42.68	42.57
Average Years of Service		13.74	13.78	13.78
Distribution Rate of Education	Ph. D.	0.21	0.32	0.33
	Master	2.90	2.69	2.61
	University & College	37.66	39.01	38.24
	Senior High School	23.13	23.17	22.66
	Below Senior High School	36.1	34.81	36.17

5.4. Information of Expenses for Environmental Protection

1.

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

2.

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

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

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

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

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

(3) Material Capital Expenditure in Environmental Protection for the Future Three Years:
Unit: NT$ Thousands

	2026	2027	2028
Pollution Prevention Equipment Intended for Purchase or Contents of Expenditure	Upgrade and improve related pollution control facilities	Increase the recycling and reuse rate of waste	Enhance the recycling and reuse rate of wastewater
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	9,900	10,000	11,000
Effect on Net Profit after Improvement	The preceding expenditure makes no remarkable effect on the company’s net profit.	The preceding expenditure makes no remarkable effect on the company’s net profit.	The preceding expenditure makes no remarkable effect on the company’s net profit.
Effect on Competition Status	1. Comply with environmental protection regulations equipment. 2. Improve the working environment 3. Safeguard employee health 4. Increase work efficiency 5. Enhance corporate image 6. Strengthen corporate competitiveness	1. Comply with environmental protection regulations 2. Reduce waste generation 3. Enhance corporate image 4. Lower production costs and increase corporate competitiveness 5. Increase the recycling and reuse rate	1. Comply with environmental protection regulations 2. Reduce waste at the source 3. Enhance corporate image 4. Lower production costs and increase corporate competitiveness 5 Increase water resource reuse

Management Rules Concerning the Environmental Policy, Goal and Object Management Projects
Objective: Establish and maintain the documented environment safety goal and the object collective management projects for the purpose of actualizing the environment safety policy in the organization.
Scope: It applies to establishment, amendment, retention, examination and related matters.

Energy Saving Measures:

1. Energy Saving & Carbon Reduction and Reduction of Greenhouse Gas

- Conduct on an irregular basis the policy proclamation for the internal employees and strengthen their energy saving awareness.
- In order to avoid the excessive waste of energy, install the real time power monitoring system and equipment point check list in respect of the energy use.
- Replace originally-used T8 lamp tube by LED lamp, reduce the quantity of light tube and

advocate the “switching off when leaving” in the area of site production plants.

- Set the air conditioning temperature at 26°~28° and label the energy slogan in order to achieve the energy saving and carbon reduction purpose.
- In order to upgrade the power factor, fully re-install the low-voltage capacitor to substantially reduce the power factor.
- Replace the previously-used reciprocating air compressor by the spiral air compressor in order to reduce the energy consumption and carbon emission.
- Induct the residual heat created during production into the embryo baking place in order to reduce the energy use and carbon emission.
- Carry out the regular inspection of the air pollution equipment to avoid excessive energy consumption.

2. Water Saving Policy

- Replace on an overall basis the water saving facilities in the plant, for example, the water saving toilet, the automatic sensing flusher, the water saving bubble head.
- Recycle the waste water, make use of the dosing disposal through the filtering system and then recycle it for the site use so as to attain to the water saving purpose.
- Replace the water pipe in the plant and conduct the regular inspection, reduce the loss of water during the conveying process and avoid the waste of water resources.
- Utilize the recycled water in the plant in the living water, such as washing the toilet, etc.

3. Waste Substance Reduction

- Recycle the organic dirt, get rid of the dosing treatment, but make use of the natural precipitation to achieve the dirt recycling purpose in order not only to reduce the volume of waste substance but decrease the dosing volume.
- Exactly classify the garbage in the plant, reduce the volume of trash to be cleaned and delivered to the incinerator in order to attain to the waste reduction effect.
- Promote the employees’ knowledge of environmental protection and effective performance of waste reduction.
- Wastewater is recycled and reused. After chemical dosing treatment, it is processed through a filtration system and then reused on site, achieving water conservation purposes.

5.5. Labor Relations

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

1. Employee Welfare Measures:

A. 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.

B. Health and Safety:

1. 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.
2. 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.

3. The factory is equipped with an automatic blood pressure monitoring device, allowing employees to check their blood pressure anytime according to their personal needs. In addition, regular chronic disease seminars are held to help employees understand and pay attention to their personal health.
4. To strengthen employees' fire and disaster prevention awareness and prevent disasters, a self-defense fire brigade has been established, and regular drills are conducted.

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

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

E. 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.

F. 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.

G. Year-end bonuses.

H. Employee remuneration.

I. Setting up lactation rooms and friendly parking spaces.

2. Education, Training, and Further Education

A. In the fiscal year 2025, the company conducted a total of 24 internal training sessions, with a total class time of 122 hours and a total of 5965 participants; a total of 1046 hours of external training was conducted, with a total of 91 participants, and the total training cost was NT$879,743.

B. 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

A. 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, 2005, the Labor Retirement Pension Act (new system) has been implemented, with the following provisions:

1. Employees who started work on or after July 1, 2005, are fully subject to the Labor Retirement Pension Act.
2. Employees who started work before July 1, 2005, can choose between the "Labor Retirement Pension Act" or the "Labor Standards Act" retirement system within five years from July 1, 2005, 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.
3. 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.
4. 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.

B. 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

A. 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.

B. 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:

A. 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.

B. In case of labor disputes, they are resolved through labor-management coordination and mediation.

7. 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 13 individuals with disabilities, accounting for 1.4% of the workforce, and 9 indigenous people, accounting for 0.97% 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.

5.6.Information Security Management:

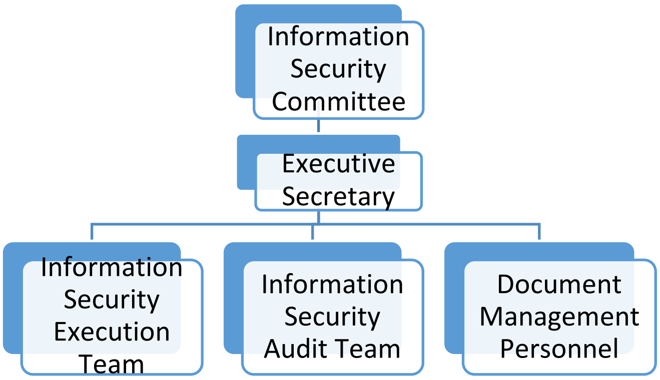
(1)Information security risk management framework, policy, specific management plans, and resources invested in information security management:

1.Information security risk management framework:

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

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

The information security committee structure is as shown below:



Our company applied for ISO/IEC 27001:2022 certification renewal in May 2024 and passed the SGS external audit re-verification in June. We will continue to maintain the validity of the ISO 27001 Information Security Management System (ISMS) certification. The certificate is valid from June 14, 2024, to June 14, 2027.

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.

4. Allocation of Resources for Information Security Management:

In order to meet the requirements of stakeholders, the company has obtained professional certifications listed in the Information Security certification catalog, sent employees for external training, and obtained ISO/IEC 27001:2022 Information Security Management System (ISMS) Auditor/Lead Auditor certification, as well as the Ministry of Economic Affairs iPAS Information Security Engineer Intermediate Level Certification.

(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. Significant 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 Da (China) Co., Ltd.	Yu Da (China) Co., Ltd.	From April 7, 2017 to April 6, 2027	The authorized place is Mainland China (except Taiwan, Hong Kong and Macau) (hereinafter referred to as Authorized Place). Unless otherwise agreed in writing by the authorizer, the authorized person or the third party who is permitted to use the authorized trademark by the authorizer shall not directly or indirectly export, sell and distribute or transport the authorized merchandise to the territory or country other than the Authorized Place. Except the above-mentioned areas, the authorized person cannot still be restricted by the territory to sell the product to other companies subordinated with Hocheng Holding Corp.	(a) The term of operation for the authorized person's company expires and the shareholders of the authorized person do not agree to apply for extending the operation term or the assessing authority does not approve the application for extending the operation term. (b) The authorized person incurs material loss and is incapable of repaying his/her mature debt. (c) Either party of this contract is announced bankrupt, or enters into the proceeding of bankruptcy, dissolution or liquidation or is incapable of repaying the mature debt. (d) Either party involves a material breaching behavior and fails to make correction with the written notice. (e) Either party is entitled to propose the termination of the contract; if with the written agreement of the other contracting party, he/she can terminate the contract. (f) When the authorizer violates the agreement in this Contract, both parties agree to

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
				manage it pursuant to the essence as set forth in Article 12.2 of this Contract. When the conditions of termination as specified in (b), (c) & (d), the exercise of the compensation claim for breach of contract by the other party shall not be interrupted.
				12.2 Continuance of Contract If the authorized person does not involve any material contract-breaching behavior, the authorizer and the authorized person should automatically renewed the contract for ten years after the term of authorization in this Contract expires, so is the later date. If the authorizer does not renew the contract, he/she has to purchase the business and channels that the authorized person has established. Both parties agree that a mutually-accepted evaluation institution of the subcontractor can conduct the value appraisal. If both parties' disagreement with the appraised value is so huge that no agreement can be reached, it should be referred to arbitration. During this period, both parties shall continue to fulfill the contract till it is executed subject to arbitration results.

Nature of Contract	Parties Concerned	Date of Contract Started and Ended	Main Contents	Restriction Article
Trademark License Letter of Authorization for Use	Bao Long Interior Art Co., Ltd.	The contract term for the year 2025 is as follows: From January 1, 2025 to December 31, 2026**.**	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). However, Party B shall not use the trademark on products of any third party or other companies except its own. Any violation shall be subject to liability under the Trademark Law.	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. Any packaging or advertising must be produced with the consent of HCG, and must be improved according to HCG's requirements until approved by HCG.

V. Review and Analysis of Financial Position, Financial Performance, and Risk Assessment

5.1 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

Year / Item	2024	2025	Differences	
			Amount	%
Current Assets	4,494,463	4,216,289	(278,174)	(6.19)
Fixed Assets	3,443,810	3,194,739	(249,071)	(7.23)
Intangible Assets	25,126	20,501	(4,625)	(18.41)
Other Assets	2,479,674	2,939,388	459,714	18.54
Total Assets	10,443,073	10,370,917	(72,156)	(0.69)
Current Liabilities	2,694,155	2,667,217	(26,938)	(1.00)
Non-Current Liabilities	846,760	760,591	(86,169)	(10.18)
Total Liabilities	3,540,915	3,427,808	(113,107)	(3.19)
Attributes to Shareholders of the parent	6,839,502	6,868,770	29,268	0.43
Capital stock	3,023,037	3,023,037	0	0.00
Capital surplus	16,847	17,046	199	1.18
Retained Earnings	3,139,684	3,195,572	55,888	1.78
Other Adjustments	664,715	637,896	(26,819)	(4.03)
Treasury Stock	(4,781)	(4,781)	0	0.00
Non-controlling interest	62,656	74,339	11,683	18.65
Total Stockholders' Equity	6,902,158	6,943,109	40,951	0.59

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

None.

5.2 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

Year / Item	2024	2025	Variant Amount	Variance (%)
Net Sales	4,856,946	4,556,763	(300,183)	(6.18)
Cost of Sales	3,645,999	3,380,555	(265,444)	(7.28)
Gross Profit	1,210,947	1,176,208	(34,739)	(2.87)
Operating Expenses	1,208,866	1,225,460	16,594	1.37
Operating Income	2,081	(49,252)	(51,333)	2466.75
Non-operating Income and Expenses	93,660	103,812	10,152	10.84
Income Before Tax from Continuing Operation	95,741	54,560	(41,181)	(43.01)
Income tax expense	34,536	37,104	2,568	7.44
Profit for the year	61,205	17,456	(43,749)	(71.48)

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

1. **Net Operating Profit:** Due to a decrease in the gross margin of products sold compared to the same period last year, along with a slight increase in operating expenses, the net operating profit for the current period has turned into an operating loss.
2. **Net Profit Before Tax from Continuing Operations:** Due to the decrease in gross margin of products sold compared to the same period last year, although non-operating income increased slightly, with other factors remaining largely unchanged, the net profit before tax from continuing operations for the current period has decreased.
3. **Net Profit for the Period:** Due to the decrease in gross margin of products sold compared to the same period last year, along with slight increases in operating expenses and income tax, the net profit for the current period has decreased.

(II) **Expected Sales Volume and Basis:**

The Company has not publicly disclosed its financial forecasts for the year 2025.

(III) **Potential Impact on the Company’s Future Financial and Business Operations and Response Measures:**

Not applicable.

5.3 Review and Analysis of Cash Flow:

5.3.1 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)	Effect of exchange rate changes on cash and cash equivalents(5)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)+(5)	Leverage of Cash Deficit	
						Investment Plans	Financing Plans
771,531	445,111	(349,281)	(231,211)	(36,965)	599,185	None	None

Analysis

(1) Analysis of change in cash flow in the current year:

Operating Activities: The net cash inflow from operating activities was mainly due to the collection of accounts receivable and a decrease in expense adjustment items.

Investing Activities:. The net cash outflow from investing activities was primarily due to the acquisition of financial assets and the purchase of property, plant and equipment.

Financing Activities: The net cash outflow from financing activities was mainly attributable to the repayment of borrowings and cash dividend payments.

(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(2026):

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)	Estimated Effect of exchange rate changes on cash and cash equivalents(5)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)+(5)	Leverage of Cash Deficit	
						Investment Plans	Financing Plans
296,758	(38,249)	(284,782)	262,968	0	236,395	None	None

Analysis

(1) Analysis of change in cash flow in the following year:

Operating Activities: Primarily due to an increase in revenue, higher inventory provisions, and increased expenses, resulting in increased cash outflows. Net cash outflow is expected to be NT$38,249 thousand.

Investing Activities: Mainly attributable to capital expenditures, with an expected net cash outflow of NT$284,782 thousand.

Financing Activities: Due to increased capital expenditures, bank financing has increased accordingly. Net cash inflow is expected to be NT$262,968 thousand.

(2) Remedy plan for Estimated Cash Deficit and Liquidity Analysis: None.

5.4 Major Capital Expenditure Items and its Influence:

5.4.1 Review and Analysis of Major Capital Expenditure Items and Source of Capital: Major capital expenditure of the Company in 2025 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.

5.5 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, 2025; Unit: thousands

Remarks / Item	2025 Income (Loss) Amount	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Hohong Co., Ltd.	NTD 7,508	Investment interest and dividend income	Strengthening understanding of the revenue status of each investment company, eliminating the poor and sustaining the strong, and setting a profit point.	Looking for investment targets with good profitability and low price-to-earnings ratio
Ritiboon International Limited	USD -3,108	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Hoceng Service Co., Ltd.	NTD 6,497	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 -28,868	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 -5,263	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 -972	The market remains weak, with no significant new orders.	Strengthening the development of overseas market	None
Hocheng Philippines	PHP 28,227	Low Sales, high cost and expenses.	None	None

Corporation		Competition in the market		
Hocheng Philippines Property Holding, Inc.	PHP 11,045	Fixed Revenue and normal cost.	None	None
Bao Long Interior Crafts Co., Ltd.（former Holong Ceramic Co., Ltd.)	NTD 11,566	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.	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. We will enhance the development of energy-efficient Class 1 gas water heaters and gas stoves, and introduce smart products to expand the market. We will continue social housing visits and strengthen site visits to private construction sites to negotiate contracts. We will integrate and share resources with the kitchenware division to jointly expand the market.	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%. 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. Implementation of the annual KPI plan includes enhancing performance expansion, strict adherence to budgetary constraints, and reducing inventory costs. Integration of AI computer software collaboration is being explored for marketing and routine tasks to improve work 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 -3,576	Gains and losses of reinvestment	Strengthening understanding of the revenue status of each subsidiary	None
Swatton International Corp.	USD 156	Investment interest and dividend income	Strengthening the development of overseas market	Looking for investment targets with good profitability and low price-to-earnings ratio
HUB Corp	NTD -1,301	This reflects a structural characteristic of long project cycles and high upfront investment, rather than insufficient market demand or weak product competitiveness.	1. Optimize collection terms and cash flow management 2. Standardize products and construction processes 3. Adjust project selection and pricing strategies 4. Strengthen supply chain and cost control	1. Product and Technology Investment 2. Market and Business Development Investment 3. Operations and Management Investment 4. Financial and Risk Management

5.6 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:

5.6.1. 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 Changes

1. Impact on the Company’s Profit or Loss:
The surge in inflation in 2025 has shown signs of easing. In December 2025, the U.S. Consumer Price Index (CPI) recorded a year-on-year increase of 2.7%, while core CPI rose by 2.6%, indicating that price increases have moderated compared to 2024, though still above the Federal Reserve’s 2% target. Although inflation showed signs of slowing toward the end of 2025, overall inflationary pressure remained.

During this period, the Federal Reserve cut the benchmark interest rate three times starting in September, bringing it to a range of 3.50%–3.75%. Meanwhile, Taiwan’s central bank maintained the short-term accommodation rate at 4.25% (set in March 2024) to curb real estate speculation, resulting in relatively stable banking interest rates in 2025.

The Company has actively reduced its debt, thereby lowering its operating funding costs year by year and maintaining profitability.

2. The Company's Future Response Measures:
As the central bank continues its policy to curb real estate speculation, no interest rate reductions have been observed. The Company also remains committed to reducing its bank borrowings.

However, ongoing geopolitical tensions in the Middle East, including conflicts involving the U.S., Israel, and Iran, are expected to drive oil prices higher, leading to potential fluctuations in commodity prices and increasing future uncertainty. Accordingly, the Company will continue to focus on reducing funding costs and interest expenses to mitigate the impact of these factors on profitability.

b. Exchange Rate Fluctuations

1. Impact on the Company's Profit or Loss:
In 2025, the New Taiwan Dollar (NTD) appreciated by approximately 2.94% against the U.S. dollar compared to the previous year. The Company's operations are primarily focused on the domestic market, with export sales accounting for less than 0.5% of total revenue. In addition, import transactions under letters of credit represent less than 1.5% of total procurement. Therefore, exchange rate fluctuations have a limited direct impact on the Company's profit or loss.

However, exchange rate volatility may still affect domestic suppliers. Significant appreciation or depreciation may reduce or increase suppliers' import costs, which may in turn be reflected in their quotations. Accordingly, the Company negotiates procurement prices with suppliers and appropriately adjusts payment terms to ensure mutual benefit.

2. The Company's Future Response Measures:
Ongoing geopolitical conflicts in the Middle East, including the continued tensions involving the U.S., Israel, and Iran, as well as attacks on commercial vessels, have tightened global oil supply conditions. Rising oil prices affect the cost of various raw materials, leading to increased price volatility.

To mitigate such impacts, the Company has established coordination mechanisms with suppliers. When exchange rate fluctuations exceed a predetermined threshold, procurement prices will be renegotiated accordingly to stabilize purchase costs and minimize the impact of exchange rate movements on profitability.

c. Inflation

1. Impact on the Company's Profit or Loss:
In 2025, the Consumer Price Index (CPI) recorded an average annual increase of 1.66%, slightly lower than the 2.18% increase in the previous year. According to internal estimates by the Directorate-General of Budget, Accounting and Statistics (DGBAS), the CPI growth rate for 2026 is projected to range between 1.61% and 1.75%, indicating a moderation in inflationary pressure compared to 2025.

However, ongoing geopolitical conflicts involving the U.S., Israel, and Iran are expected to drive up oil prices, which may affect the stability of natural gas supply. This could lead to increases in domestic natural gas prices and subsequently electricity tariffs, potentially impacting overall economic growth. Under such expectations, various industries may adjust selling prices upward, resulting in higher operating costs and consequently affecting the Company’s profitability.

To mitigate the impact of inflation on the Company’s earnings, annual cost control and expense management plans have been strengthened and key execution measures implemented to maximize profitability and deliver returns to shareholders.

2. The Company’s Future Response Measures:

In response to potential future price increases and the global promotion of ESG initiatives aimed at carbon reduction, the Company will continue to prioritize ESG and carbon reduction as key strategic initiatives. It will actively invest in the development of energy-saving, carbon-reducing, and cost-efficient products to minimize the impact of inflation.

Meanwhile, the Company will maintain a stable supply chain and collaborate with upstream and downstream partners to jointly develop energy-efficient and low-carbon products. Through these efforts, the Company aims to optimize both profitability and carbon reduction performance, thereby supporting sustainable development and maximizing shareholder value.

5.6.2. 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 2025, the total amount of endorsements and guarantees provided by our company to subsidiaries both domestically and internationally amounted to NT$282,048 thousands. The breakdown is as follows:

a. Hochen Philippines Corporation: NT$152,048 thousands (US$0 thousands) and PHP 285,000 thousands.

b. Paolung Interior Design Co., Ltd.: NT$130,000 thousands

5.6.3. 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 2025, projects have been completed accordingly, mass production launch and selling and marketing in the market. For 2026, NT$116,498 thousands has been allocated as research expenses to strengthen the research and development capabilities and enhance the company's competitiveness.

5.6.4. 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.

5.6.5. 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 is primarily engaged in the manufacturing of sanitary ceramics and copper faucets, with products mainly sold in the domestic market. As a traditional industry, the Company is currently less affected by technological changes. However, it is more susceptible to fluctuations in the real estate market. In addition to strengthening the functionality, quality, and development of new sanitary ware products, the Company is also investing in research and development of composite materials and advanced ceramic products for diversification into different industries and new product applications.

The Company has implemented the ISO 27001:2022 Information Security Management System (ISMS). To enhance the effectiveness of its information security management system, the Company has established the HCS-IS-BI-04 Information Monitoring and Measurement Standard to evaluate information security performance and the effectiveness of the ISMS, ensuring the adequacy and appropriateness of information security objectives.

An information security policy has been established, and annual information security training is conducted to promote employees' awareness of information security and strengthen their understanding of related responsibilities. Regular internal and external audits are performed to ensure full compliance with relevant procedures.

The Company protects business-related information from unauthorized access and modification to ensure its accuracy and integrity. It also ensures a stable level of system availability for core business operations. The Company continues to maintain the validity of its ISO 27001 Information Security Management System (ISMS) certification, thereby minimizing information security risks.

5.6.6. 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.

5.6.7. 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.

5.6.8. 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.

5.6.9. 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.

5.6.10. 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.

5.6.11. 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.

5.6.12. 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.

5.6.13. 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.

5.7. Other important matters: None

The Audit Committee's Review of the annual accounting final report for the year ended Dec. 31, 2025

Hocheng Corporation
Audit Committee Review Report

Hereby

The Board of Directors has prepared the Company’s 2025 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,
2026 Annual General Meeting of Hocheng Corporation.

Chairman of the Audit Committee: Ciu Jingya

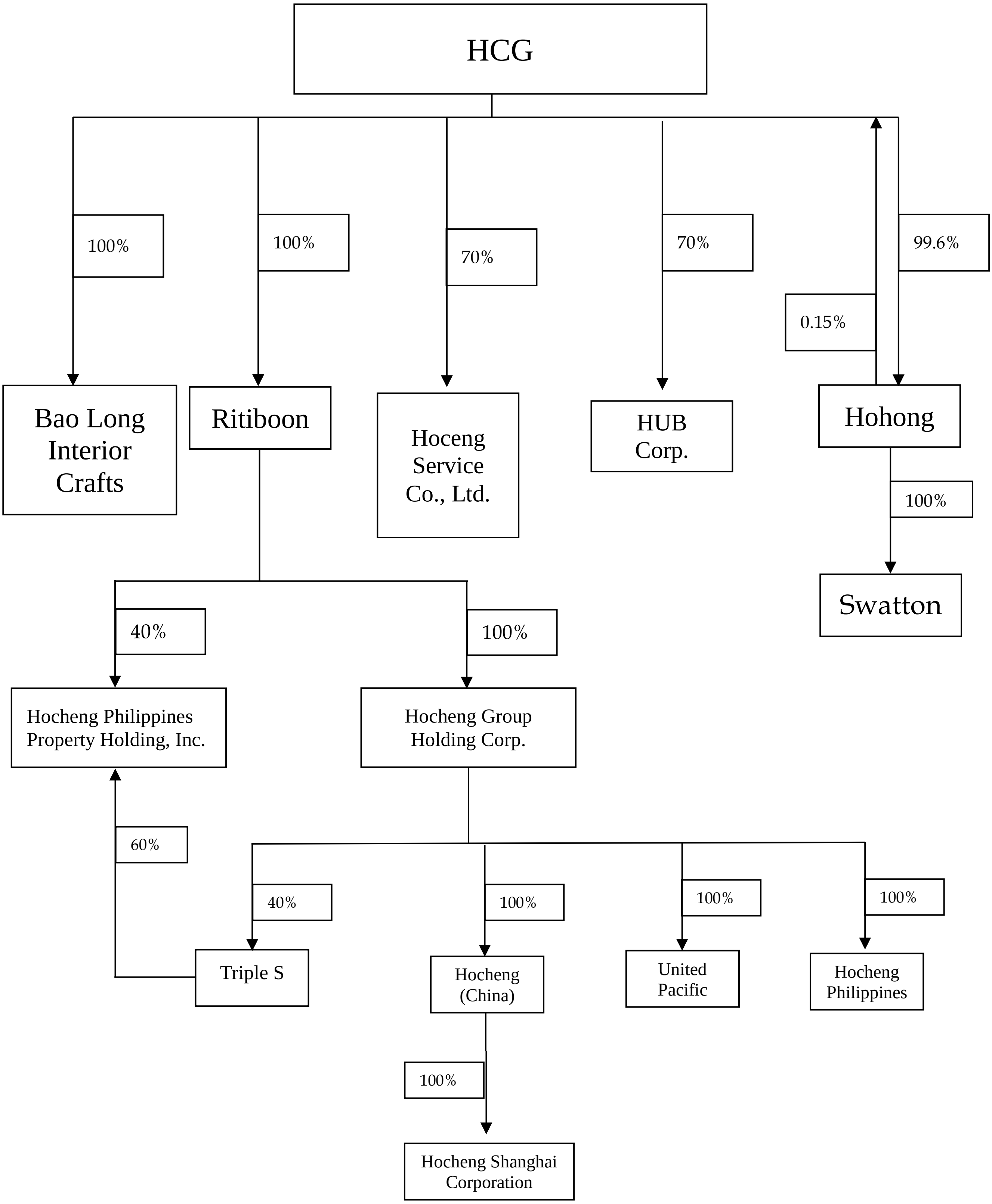
March 10, 2025

VI. Special Disclosure

6.1 Summary of Affiliated Companies

6.1.1 Organizational Structure of Affiliates

2025/12/31



6.1.2 Basic information of affiliates:

December 31, 2025; Unit: thousand

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Hohong Co., Ltd.	March 31, 1993	No. 398, Xingshan Road, Neihu District, Taipei City	NT$ 348,536	Investment activities
Ritiboon International Limited	May 19, 1989	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	US$ 78,646	Investment activities
Hoceng Service Co., Ltd.	May 20, 1997	B1, No. 26, Section 3, Nanjing East Road, Zhongshan District, Taipei City	NT$ 30,000	Trading, installation, maintenance and import and export business of various sanitary ware, kitchen stove equipment and other parts; Trading and import and export business of tiles, floor tiles and veneer stones; interior decoration design and construction business; agency for selling marketing and quoting business of aforementioned various domestic and foreign manufacturers' products.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Hocheng (China) Co., Ltd.	August 13, 1993	Room 901, Building 6, No. 1, Zhangqing Street, Luchizhen, Wuzhong District, Suzhou City, Jiangsu Province	CNY 264,891	Producing of medium and high-end sanitary ware, metal, plastic accessories and other architectural decoration ceramic appliances and kitchen utensils; Surface processing of electronic products (NB laptops, mouse, PDA phones, PC computers); Sales of company's self-manufactured products; leasing business of self-owned properties. Ceramic panels, high-pressure molding machines, ceramic manufacturing machinery, import and export, wholesale business (not involving goods subject to the administration of state-run trade. If it involves goods subject to quota control or licensing administration, it shall apply for the required quota or license pursuant to the relevant state provisions). (Business items subject to approval pursuant to law are engaged in only upon approval by the relevant authorities).

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Hocheng Shanghai Corporation	September 19, 2018	Room 1490, Building 6, No. 1700 GangYang Gong Lu, Gang Yang Town, Chongming Dist. Shanghai City, China (Shanghai Gang Yang Economic Development Zone)	CNY 1,000	Sales of sanitary ware, packaging materials, plastic products, paper products, machinery and equipment, daily necessities, building materials, environmental protection equipment, mechanical and metal equipment, kitchen equipment, hotel equipment, craft gifts (except ivory and its products), building materials, metal materials, and apparels; E-commerce (no value-added telecommunications nor financial services is allowed), import and export of goods and technologies.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
United Pacific Express Trading Co., Ltd.	April 18, 2008	Room 905-907, No. 107 An-Tai Building, ZunYi Road, Chang Ning Dist. Shanghai City, China	CNY 6,737	Wholesale, import and export, commission agency of construction and decoration materials (except cement and steel), bathroom equipment, sanitary ware and accessories, kitchen and catering utensils, knitting textiles, apparels, craft gifts (except cultural relics), cultural and sporting goods, hotel supplies, daily necessities, furniture, locks and security products, hardware tools and accessories, communication products, electronic appliances (except auctions); Providing relevant technical services and after-sales service (not involving state-owned trade management commodities, involving quotas and authorized management commodities, application in accordance with relevant national regulations; administrative licenses, operation with licenses).
Hocheng Philippines Corporation	December 28, 1995	Lot 2 Block 4 Phase III, FCIE, Bo. Langkaan, Dasmariñas, Cavite, Philippines	PHP 507,844	Engage in, operate and maintain the business of manufacturing, importing exporting, buying, selling marketing sanitary ware products.
Hocheng Philippines Property Holding, Inc.	December 12, 1995	Lot 2 Block 4 Phase III, FCIE, Bo. Langkaan, Dasmariñas , Cavite, Philippines	PHP 83,848	Leasing of property.

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Bao Long Interior Crafts	September 31, 1962	No. 1, Bade Road, Yingge District, New Taipei City	NTD210,010	Manufacturing and sales of water heaters, range hoods, gas stoves, electric toilet seats, electrical and audiovisual electronic products, lighting equipment, furniture and furnishings, tableware, etc. Sales of kitchenware, kitchen utensils, building materials, tobacco, alcohol, groceries, etc. Also engaged in sales and commissioning of residential and commercial buildings constructed by contracting firms.
Hocheng Group Holding Corp.	January 4, 2008	Suite 102, Cannon Place, P.O.Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006, Cayman Islands	US$ 49,389	Investment activities.
Swatton International Corp.	August 7, 2010	Palm Grove PO Box438 Road Town, Tortola, British Virgin Islands	US$ 1,300	Investment activities.
HUB Corp	February 17, 2025`	1F., No. 398, Xingshan Rd., Neihu Dist., Taipei City, Taiwan	NTD 30,000	Integrated Bathroom Engineering Construction and Installation Management

Concluded as a controlling company and its affiliates containing same shareholders’ information: None

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

December 31, 2025; 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	60,000	2
	Director	Chiu, Chi-Chuan **(The legal representative of Yuhong Company.)**	360,000	12
	Vice Chairman	Chiu, Po-Chun.**(The legal representative of Hecheng Xinye.)**	2,100,000	70
	Director	Chiu, Yuan-Yi **(The legal representative of Hecheng Xinye.)**	2,100,000	70
	Director	Chiu, Chun-Chieh **(The legal representative of Hecheng Xinye.)**	2,100,000	70
	Director	Chiu,Li-Yi . **(The legal representative of Hecheng Xinye.)**	2,100,000	70
	Supervisor	Chiu, Chi-Hsin	60,000	2
Hocheng (China) Co., Ltd.	Chairman	Chiu, Shi-Kai (HOCHENG GROUP HOLDING CORP. Legal Representative)		100
Hocheng Shanghai Corporation	Chairman	Chiu, Shi-Kai		100

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding（%）
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
Hocheng Philippines Corporation	Stockholder	Hocheng Group Holding Corp.	507,843,872	100
	Chairman	Patrick Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Stepahinie Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Scott Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Michael Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Casey Chiu (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Wu, Yue-Long (Hocheng Group Holding Corp. Representative)	1	0
	Director/ Stockholder	Lin,Jen-Pao (Hocheng Group Holding Corp. Representative)	1	0

Company	Title	Name/Representative	Shareholding	
			Shares	shareholding （%）
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	1	0
	Stockholder	Triple S Holding Corporation	20,962,496	60
Bao Long Interior Crafts Co., Ltd. (Former Holong Ceramic Co., Ltd.)	Chairman	Chiu, Yuan-Yi (Representative of HoCheng Corporation)	21,001,000	100
	Vice Chairman	Chiu, Bo-Chun (Representative of HoCheng Corporation)	21,001,000	100
	Director	Chiu,Li-Chien (Representative of HoCheng Corporation)	21,001,000	100
	Director	Chiu, Chih-Chung (Representative of HoCheng	21,001,000	100
	Director	Corporation)	21,001,000	100
	Supervisor	Wu, Yue-Zheng (Representative of HoCheng	21,001,000	100
Hocheng Group Holding Corp.	Director/ Chairman	Chiu, Li-Chien (Ritiboon Legal Representative)	49,389,182	100
Swatton International Corp.	Director	Chiu, Li-Chien (Hohong Legal Representative)	13,004	99.97
Hocheng Jianlong (Shanghai) Kitchen and Bathroom Co., Ltd.	Chairman	Chiu,Li-Chien (Representative of HoCheng Corporation)	21,100,000	70%
	Supervisor	Huang Jun-Sheng(Corporate Representative of Laisui)	900,000	30%

6.1.4. Business Overview of Affiliated Companies.

Unit：$1,000/ 2025.12.31

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	822,697	2,202	820,495	20,816	12,118	7,508	0.22
Ritiboon International Limited	USD	78,646	15,447	3	15,444	0	-39	-3,108	-0.04
Hoceng Service Co., Ltd.	NTD	30,000	244,338	104,985	139,353	283,754	8,830	6,497	2.17
Hocheng (China) Co., Ltd.	CNY	264,891	214,616	333,899	-119,283	52,351	-26,910	-28,868	
Hocheng Shanghai Corporation	CNY	1,000	2,192	32,876	-30,684	28,208	-5,360	-5,263	
United Pacific Express Trading Co., Ltd.	CNY	6,737	3,300	1,587	1,713	4,312	-980	-972	
Hocheng Philippines Corporation	PHP	507,844	1,543,301	444,704	1,098,597	1,429,426	45,231	28,227	0.06
Hocheng Philippines Property Holding, Inc.	PHP	83,848	174,883	23,913	150,970	24,038	14,802	11,045	0.13
Bao Long Interior Crafts(Holong Ceramic Co., Ltd.)	NTD	210,010	411,140	167,465	243,675	673,163	15,740	11,566	0.55
Hocheng Group Holding Corp.	USD	49,389	22,230	17,065	5,165	0	-11	-3,576	-0.07
Swatton International Corp.	USD	1,300	7,211	90	7,121	174	90	156	11.98
HUB Corp	NTD	30,000	29,268	568	28,700	0	-1,487	-1,301	

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

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

6.3. Other necessary supplementary explanations: None.

6.4. Related Party Report: Available at: Public Information Observatory → Individual Company → Electronic Document Download → Affiliate Disclosure Section Website: https://mopsov.twse.com.tw/mops/web/t57sb01_q10

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.

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, 2025 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 10, 2026

Independent Auditors' Report Translated from Chinese

To the Board of Directors of Hocheng Corporation:

Audit opinion

We have audited the consolidated financial statements of Hocheng Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 2025 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. Inventory valuation

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 17% and 16% of the consolidated total assets as of December 31, 2025 and 2024, respectively; their net operating revenue accounted for 5% and 5% of the consolidated net operating revenue for the years ended December 31, 2025 and 2024, respectively.

Hocheng Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2025 and 2024, 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 2025 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

Hsu Shu-Min

CPA:

Wu Tsao-Jen

No. of approval and certification from the competent authority of securities	:	Jin-Guan-Zheng-Liu-Zi No.0940100754 Jin-Guan-Zheng-Shen-Zi No. 1070304941

March 10, 2026

HOCHENG CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2025 and 2024

Unit: NT$ thousand

		2025.12.31		2024.12.31	
	Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 599,185	6	771,531	7
1110	Current financial assets at fair value through profit or loss (Note 6(2))	194,879	2	222,505	2
1120	Current financial assets at fair value through other comprehensive income (Note 6(3))	9,350	-	-	-
1151	Notes receivable (Notes 6(4) and 7)	365,685	4	352,509	3
1170	Accounts receivable, net (Notes 6(4) and 7)	586,192	6	741,112	7
1200	Other receivables, net (Notes 6(5) and 7)	49,927	-	91,652	1
130X	Inventories, net (Note 6(6))	1,699,944	16	1,749,493	17
1476	Other non-current assets - Others (Note 6(7))	575,530	6	406,439	4
1479	Other Current assets - Others	135,597	1	159,222	2
		4,216,289	41	4,494,463	43
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(3))	1,370,068	13	1,186,410	11
1550	Investments accounted for using the equity method, net (Note 6(8))	51,108	-	53,073	1
1600	Property, plant and equipment (Notes 6(9), 7 and 8)	3,194,739	32	3,443,810	33
1755	Right-of-use assets (Note 6(10) and 7)	91,273	1	92,611	1
1760	Investment property, net (Note 6(11) and 8)	839,500	8	632,132	6
1840	Deferred income tax assets	201,037	2	212,620	2
1920	Guarantee deposits paid (Note (8))	40,349	-	44,559	-
1975	Net defined benefit assets - non-current	249,622	2	194,603	2
1984	Other financial assets - None-current (Note 6(7))	-	-	20,151	-
1995	Other non-current assets - Others (Note 8)	116,932	1	68,641	1
		6,154,628	59	5,948,610	57
	Total Assets	$ 10,370,917	100	10,443,073	100

		2025.12.31		2024.12.31	
	Financial liabilities and equity	Amount	%	Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(12) and 8)	$ 186,156	2	205,517	2
2110	Short-term notes and bills payable (Notes 6(13))	50,000	-	100,000	1
2150	Notes payable	14,038	-	15,076	-
2160	Notes payable - Related parties (note 7)	34,619	-	36,544	-
2170	Accounts payable (Note 7)	454,737	5	568,868	6
2200	Other payables (Notes 7)	354,198	4	378,926	4
2230	Tax liability	16,386	-	24,625	-
2250	Debt allowance - Current (Note 6(17))	9,423	-	12,793	-
2280	Lease liabilities - Current (Notes 6(16) and 7)	37,344	-	35,618	-
2320	Long-term liabilities due within one year (Notes 6(15) and 8)	80,345	1	76,687	1
2399	Other current liabilities－Others (Note 6(14))	1,429,971	14	1,239,501	12
		2,667,217	26	2,694,155	26
	Non-current liabilities:				
2540	Long-term borrowings (Notes 6(15) and 8)	342,737	3	425,528	4
2570	Deferred income tax liabilities	363,659	4	365,121	4
2580	Lease liabilities - Non-current (Notes 6(16) and 7)	30,331	-	32,239	-
2670	Other non-current liabilities	23,864	-	23,872	-
		760,591	7	846,760	8
	Total liabilities	3,427,808	33	3,540,915	34
	Equity attributable to owners of the parent company (Note 6(21)):				
3100	Capital stock	3,023,037	29	3,023,037	29
3200	Capital surplus	17,046	-	16,847	-
3300	Retained earnings	3,195,572	31	3,139,684	30
3400	Other equity	637,896	6	664,715	6
3500	Treasury shares	(4,781)	-	(4,781)	-
	Equity attributable to shareholders of the parent company	6,868,770	66	6,839,502	65
36XX	Non-controlling interests	74,339	1	62,656	1
	Total equity	6,943,109	67	6,902,158	66
	Total Liabilities and Equity	$ 10,370,917	100	10,443,073	100

(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 Comprehensive Income

January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

		2025		2024	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Notes 6(23) and 7)**	$ 4,556,763	100	4,856,946	100
5000	**Operating costs (Note 6(6) and 7)**	3,380,555	74	3,645,999	75
5950	**Operating gross profit**	1,176,208	26	1,210,947	25
	Operating expenses (Notes 6(19), (24) and 7)				
6100	Sales and marketing expenses	756,003	17	750,399	16
6200	General and administrative expenses	370,085	8	357,078	7
6300	Research and development expenses	88,794	2	99,734	2
6450	Expected credit loss (Note 6(4))	10,578	-	1,655	-
6300	**Subtotal**	1,225,460	27	1,208,866	25
6900	**Net operating loss (profit)**	(49,252)	(1)	2,081	-
	Non-operating income and expenses: (Note 6(8), (25) and 7)				
7100	Interest income	21,431	-	27,995	1
7010	Others	97,971	2	110,305	2
7020	Other gains and losses	10,499	-	(15,120)	-
7050	Finance costs	(25,132)	-	(29,264)	(1)
7060	Share of gains or losses of associates and joint ventures recognized by using the equity method	(957)	-	(256)	-
	Subtotal	103,812	2	93,660	2
	Net profits before tax	54,560	1	95,741	2
7950	**Less: Income tax expenses (Note 6(20))**	37,104	1	34,536	1
	Net profits for the period	17,456	-	61,205	1
8300	**Other comprehensive income：**				
8310	**Not to be reclassified to profit or loss in subsequent periods:**				
8311	Remeasurements of defined benefit plans	46,904	1	62,882	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	107,204	2	85,839	2
8349	Income tax related to items that will not be reclassified	(9,751)	-	(14,794)	-
	Total amount of items that will not be reclassified to profit or loss	144,357	3	133,927	3
8360	**Items that may be reclassified to profit or loss subsequently**				
8361	Exchange differences on translation of foreign operations	(71,516)	(1)	40,821	1
8367	Unrealized gains (losses) from investments in liability instruments measured at fair value through other comprehensive income	(9)	-	-	-
8370	Share of other comprehensive income of associates and joint ventures under the equity method	(972)	-	(2,254)	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total amount of items that may be reclassified to profit or loss subsequently	(72,497)	(1)	38,567	1
8300	**Other comprehensive income for the year**	71,860	2	172,494	4
8500	**Total comprehensive income for the period**	**$ 89,316**	**2**	**233,699**	**5**
	Net profits attributable to:				
8610	Owner of the parent company	$ 14,304	-	58,418	1
8620	Non-controlling interests	3,152	-	2,787	-
		$ 17,456	**-**	**61,205**	**1**
	Comprehensive income attributable to:				
8710	Owner of the parent company	86,507	2	230,231	5
8720	Non-controlling interests	2,809	-	3,468	-
		$ 89,316	**2**	**233,699**	**5**
	Earnings per share (NT$) (Note 6(22))				
9750	**Basic earnings per share (NT$)**	**$**	**0.05**		**0.19**
9850	**Diluted earnings per share (NT$)**	**$**	**0.05**		**0.19**

(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 Changes in Equity
January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

	Equity attributable to owners of the parent company										
	Capital stock		Retained earnings			Other Components of Equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized (losses) gains of financial assets at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance as of January 1, 2024	$ 3,023,037	16,587	1,003,581	458,116	1,555,508	16,738	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	38,037	85,688	-	171,813	681	172,494
Total comprehensive income for the period	-	-	-	-	106,506	38,037	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 as of December 31, 2024	3,023,037	16,847	1,007,684	458,116	1,673,884	54,775	609,940	(4,781)	6,839,502	62,656	6,902,158
Net profits for the period	-	-	-	-	14,304	-	-	-	14,304	3,152	17,456
Other comprehensive income for the year	-	-	-	-	36,713	(71,228)	106,718	-	72,203	(343)	71,860
Total comprehensive income for the period	-	-	-	-	51,017	(71,228)	106,718	-	86,507	2,809	89,316
Earnings distribution and appropriation:											
Legal reserve	-	-	18,294	-	(18,294)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(57,438)	-	-	-	(57,438)	-	(57,438)
Share of gains of associates and joint ventures recognized by using the equity method	-	-	-	-	45,910	-	(45,910)	-	-	-	-
Other changes in capital reserve	-	115	-	-	-	-	-	-	115	-	115
Dividends distributed to subsidiaries to adjust additional paid-in capital	-	84	-	-	-	-	-	-	84	-	84
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	16,399	-	(16,399)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	8,874	8,874
Balance as of December 31, 2025	$ 3,023,037	17,046	1,025,978	458,116	1,711,478	(16,453)	654,349	(4,781)	6,868,770	74,339	6,943,109

(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

January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

	2025	2024
Cash flows from operating activities:		
Profit before tax from continuing operations	$ 54,560	95,741
Net income before tax		
Adjustments to reconcile profit (loss)		
Depreciation	202,250	210,195
Amortization expense	7,393	9,366
Expected credit impairment losses	10,578	1,655
Net gains on financial assets at fair value through profit or loss	(8,022)	(3,540)
Interest expenses	25,132	29,264
Interest income	(21,431)	(27,995)
Dividend income	(58,395)	(45,594)
Share of gains of associates and joint ventures recognized by using the equity method	957	256
Gains on disposal and scrapping of property, plant and equipment	(32,995)	(866)
Lease modification gain	(1,002)	(149)
Other losses	4,594	-
Total items of income and expenses	129,059	172,592
Changes in assets/ liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes receivable	(13,176)	74,662
Accounts receivable	163,332	16,856
Other receivables	22,735	(17,335)
Inventory	27,311	19,602
Other current assets	31,114	(28,043)
Net defined benefit assets	(17,345)	(16,144)
Total net changes in assets related to operating activities	213,971	49,598
Net changes in liabilities related to operating activities		
Notes payable	(2,963)	260
Accounts payable	(114,131)	50,784
Other payables	(26,838)	(42,209)
Debt allowance	(3,370)	(3,253)
Other current liabilities	190,470	38,443
Total net changes in liabilities related to operating activities	43,168	44,025
Total net changes in assets and liabilities related to operating activities	257,139	93,623
Total item of adjustments	386,198	266,215
Cash inflows generated from operations	440,758	361,956
Interest received	21,431	27,995
Dividends received	58,395	45,594
Interest paid	(25,225)	(29,229)
Income tax paid	(50,248)	(180,686)
Net cash inflows from operating activities	445,111	225,630

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

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

HOCHENG CORPORATION AND SUBSIDIARIES
Consolidated Statement of Cash Flows (cont'd)
January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

		2025	2024
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through other comprehensive income	$	(240,193)	(46,563)
Disposal of financial assets measured at fair value through other comprehensive income		149,803	110,909
Acquisition of financial assets at fair value through profit or loss		(206,889)	(116,050)
Disposal of financial assets at fair value through profit or loss		241,698	46,758
Acquisition of investments accounted for under the equity method		(2,156)	-
Acquisition of property, plant and equipment		(93,123)	(115,431)
Proceeds from disposal of property, plant and equipment		6,561	1,582
Decrease (increase) in refundable deposits		4,210	(1,353)
Acquisition of intangible assets		(2,860)	(3,213)
Acquisition of investment properties		(70)	-
Increase in other Financial assets		(148,940)	(426,590)
Decrease (increase) in other non-current assets		(57,322)	11,297
Net cash outflow in **investing activities**		(349,281)	(538,654)
Cash flows from financing activities:			
Decrease in short-term borrowings		(17,294)	(262,000)
Increase (decrease) in short-term notes payable		(50,000)	100,000
Increase in long-term loans		-	419,419
Decrease in long-term loans		(74,970)	(450,660)
(Decrease) increase in refundable deposits		(8)	347
Repayment of principal of lease liabilities		(40,574)	(43,126)
Cash dividends paid		(57,354)	(60,461)
Changes in non-controlling interests		8,874	(91)
Other financing activities		115	171
Net cash outflows from financing activities		(231,211)	(296,401)
Effect of exchange rate changes on cash and cash equivalents		(36,965)	8,017
Decrease in cash and cash equivalents in the current period		(172,346)	(601,408)
Cash and cash equivalents at beginning of year		771,531	1,372,939
Cash and cash equivalents at end of year	$	599,185	771,531

(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
Notes to Consolidated Financial Statements
2025 and 2024
(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, 2025 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. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 10, 2026.

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 initially applied the following amended IFRS Accounting Standards endorsed by the Financial Supervisory Commission from January 1, 2025, which did not have a material impact on the consolidated financial statements.

- Amendment to IAS 21 -- "Lack of Exchangeability"
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments", including the application guidance related to Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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

The Group has assessed that the initial application of the following amended IFRS Accounting Standards, effective from January 1, 2026, will not have a material impact on the consolidated financial statements.

- Amendments to IFRS No. 17 "Insurance Contracts" and IFRS No. 17
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments", including the application guidance related to Section 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"

(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 issued by the IASB**
IFRS 18 “Presentation and Disclosure in Financial Statements”	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. • A more structured statement of profit or loss: Under current standards, companies use different formats to present their operating results, making it difficult for investors to compare financial performance across 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. • Management-defined performance measures (MPMs): The new standard introduces a definition of management-defined performance measures and requires a company to explain in a single note to the financial statements why each measure provides useful information, how it is calculated, and how it is reconciled to amounts recognized in accordance with IFRS Accounting Standards. • More detailed information: The new standards include how companies can strengthen the guidance on	January 1, 2027 Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will align with IFRS 18 in the 2028 fiscal year. If the Company needs to apply the requirements early, it may do so after approval from the FSC.

information classification in financial statements. This includes whether the information should be included in the main financial statements or further divided in the notes.

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"
- IFRS No. 19 "Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS No. 19
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

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 measured at fair value through profit or loss;

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

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

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

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Business nature	Shareholding		Summary description
			2025.12.31	2024.12.31	
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%	
〃	HUB Corp.	Sales of modular bathroom products and engineering design supervision and construction thereof	70.00%	- %	
Ritiboon International Limited	Hocheng Philippines Property Holding, Inc.	Land lease	40.00%	40.00%	Because the Company can control the financial and business operations of the company and the right to 75% of the company's profit distribution the company is deemed as a subsidiary.
〃	Hocheng Group Holding Corp.	Holding company	100.00%	100.00%	
Hocheng Group Holding Corp.	Hocheng (China) Co., Ltd.	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.	General investment	100.00%	100.00%	
Hocheng (China) Co., Ltd.	Hocheng Shanghai Corporation	Sale of bathroom equipment	100.00%	100.00%	
〃	Hocheng (Ningbo) Corporation	Sale of bathroom equipment	100.00%	100.00%	

3. Subsidiaries excluded from the consolidated financial statements:

Name of investor	Name of subsidiaries	Business nature	Shareholding 2025.12.31	Shareholding 2024.12.31	Summary description
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; so it was not consolidated into the consolidated financial statements.

(IV) Foreign currency

1. Foreign currency transaction

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

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

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

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

(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. The liability is due to be settled within twelve months after the reporting period; 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 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 measured 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 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).

(3) Financial asset measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income described above are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(4) Impairment of financial assets

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets. The 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 amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amount due.

(5) Derecognition of financial assets

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

2. Financial liabilities and equity instruments

(1) Classification of debt or equity instruments

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

(2) Equity instruments

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

(3) Treasury shares

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

(4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss.

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

(5) Derecognition of financial liabilities

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

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

(6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net worth 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 affiliates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital reserve.

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

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

(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.

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.

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 properties

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) Leases

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

1. As a lessee

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

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

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

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

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

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

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

When the lease liability is remeasured, when are changes in an index or rate to determine lease payments, changes in the amount of residual value guarantee, or changes in the assessment of purchase, extension, or termination options above, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as separate line items, respectively, in the balance sheets.

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

As a practical expedient, the Group elects not to assess whether all rent concessions that meet all the following conditions are lease modifications or not:

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

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

2. As a lessor

When the Group is the lessor in the transactions, it classifies lease contracts based on whether substantially all risks and compensations from the ownership of target assets are transferred; if yes, the contracts are classified as financing leases, and if no, operating leases. As part of this assessment, the Group considers certain indicators, such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(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 that they are available for use.

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

Computer software cost 2~15 years

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

(XV) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred 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 expenses.

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

(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.

(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 "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 plan

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

2. Defined benefit plans

The Group's net obligation in respect of the defined benefit plans is calculated separately for each of the plans by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the 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 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.

(XIX) Income tax

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

Current income tax includes estimated income tax payable or tax refund receivable calculated based on the taxable income (losses) of the year and any adjustment made to the income tax payable 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, and no equivalent taxable and deductible temporary differences is incurred at the time of the transaction.
2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. Taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred income taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:
   (1) The same taxable entity; or
   (2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

(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) Segment information

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 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

	2025.12.31	2024.12.31
Cash and petty cash	$ 4,596	4,392
Checking account deposits	2,837	2,120
Demand deposit	587,621	597,410
Time deposits	4,131	167,609
Cash and cash equivalents presented in the consolidated statement of cash flows	**$ 599,185**	**771,531**

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.

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, 2025 and 2024, none of the Group's inventories was pledged as collateral.

(II) Financial asset measured at fair value through profit or loss

		2025.12.31	2024.12.31
Financial assets mandatorily measured at fair value through profit or loss:			
Beneficiary certificates - open-end fund	$	194,559	221,524
Domestic non-listed stocks		320	981
Total	$	194,879	222,505

As of December 31, 2025 and 2024, 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

		2025.12.31	2024.12.31
Debt instruments at fair value through other comprehensive income – current:			
Corporate bonds redeemable	$	9,350	-
Debt instruments at fair value through other comprehensive income – non-current:			
Corporate bonds redeemable	$	19,500	9,399
Equity instruments at fair value through other comprehensive income – non-current:			
Domestic and foreign listed stocks		1,348,303	1,174,485
Domestic non-listed stocks		2,265	2,526
Total	$	1,370,068	1,186,410

1. Investments in debt instruments at fair value through other comprehensive income

The consolidated company assesses that the bond investments are held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, they are presented as financial assets measured at fair value through other comprehensive income.

2. Investments in equity instruments 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 2025 and 2024, the Group recognized a dividend income of NT$58,395 thousand and NT$45,594 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 2025 and 2024, the Group has disposed of its financial assets designated at fair value through other comprehensive income. The fair value upon the disposals was NT$149,803 thousand and NT$110,909 thousand, and the Group recorded cumulative disposal gains (losses) of NT$62,309 thousand and NT$76,434 thousand in 2025 and 2024, respectively. The cumulative disposal gains or losses have been transferred to retained earnings.

3. For credit risk (including the impairment of debt investments) and market risk, please refer to Note 6(26).
4. The financial assets above had not been pledged as collateral.

(IV) Notes and accounts receivable

		2025.12.31	2024.12.31
Notes receivable	$	365,685	352,509
Accounts receivable		637,579	807,758
Less: loss allowance		(51,387)	(66,646)
	$	951,877	1,093,621

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 worth 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:

	2025.12.31		
	Carrying amount of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
Current	$ 895,620	0%~0.2%	1,676
1 to 30 days past due	22,830	0%~12%	2,721
31 to 120 days past due	14,935	0%~13%	1,909
121 to 365 days past due	8,209	0%~56%	4,630
More than one year past due	5,074	98.07%	4,976
	$ 946,668		15,912

	2024.12.31		
	Carrying amount 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
	$ 1,076,469		22,361

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

	2025.12.31		
	Carrying amount of notes and accounts receivable	Weighted average ECL rate	Loss allowance for lifetime ECL
Current	$ 18,491	0%~0.04%	7
1 to 90 days past due	2,587	0%~1%	32
181 to 365 days past due	109	0%~25%	27
More than one year past due	35,409	100%	35,409
	$ 56,596		35,475

	2024.12.31		
	Carrying amount 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

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

	2025	2024
Beginning balance	$ 66,646	63,844
Impairment loss recognized (reversal)	(8,412)	1,655
Amounts written off due to the inability to recover during the year	(3,225)	(767)
Exchange gains or losses	(1,230)	1,914
Reclassification	(2,392)	-
Ending balance	$ 51,387	66,646

(V) Other receivables

	2025.12.31	2024.12.31
Others	$ 66,471	100,896
Less: loss allowance	(16,544)	(9,244)
	$ 49,927	91,652

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

	2025	2024
Beginning balance	$ 9,244	16,766
Impairment loss recognized (reversal)	18,990	(228)
Amounts written off due to the inability to recover during the year	(13,565)	(7,529)
Effects on changes in exchange rates	(517)	235
Reclassification	2,392	-
Ending balance	$ 16,544	9,244

(VI) Inventory

	2025.12.31	2024.12.31
Raw material	$ 322,633	299,895
Supplies	18,588	17,766
Work in progress	214,512	210,311
Finished goods	867,729	906,854
Merchandise	252,684	278,231
In transit inventory	23,798	36,436
	$ 1,699,944	1,749,493

For the years ended December 31, 2025 and 2024, the cost of goods sold and expenses amounted to NT$3,380,555 thousand and NT$3,645,999 thousand, respectively. This includes a gain of NT$470 thousand on inventory recovery in 2025 due to the disappearance of factors that previously caused the net realizable value of inventory to fall below cost, which was recognized as a deduction from operating costs. In 2024, an inventory write-down loss of NT$6,765 thousand was recognized due to writing down inventory to net realizable value, which was recognized as an operating cost.

The Company scrapped its inventories due to a typhoon disaster in July 2025, and the amount of NT$1,213 thousand was accounted for under non-operating income and expenses – other gains and losses; for details, please refer to Note 6(25).

As of December 31, 2025 and 2024, none of the Group's inventories was pledged as collateral.

(VII) Other Financial assets

The breakdown of financial assets is as follows:

	2025.12.31	2024.12.31
Other Financial assets-Current	$ 575,530	406,439
Other non-current liabilities-Non-current	$ -	20,151

Other financial assets are time deposits that do not meet the definition of cash equivalents. The annual interest rate on December 31, 2025 was 1.25% - 4.50%, and they matured from January 14, 2026 to December 31, 2026.

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

(VIII) Investments accounted for using equity method

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

	2025.12.31	2024.12.31
Associates	$ 51,108	53,073
Joint venture	-	-
	$ 51,108	53,073

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):

	2025.12.31	2024.12.31
Total carrying amount of individually insignificant associates' equity	$ 51,108	53,073

	2025	2024
Share attributable to the Group:		
Net profits for the period from continuing operations	$ 1,199	542
Other comprehensive income	(972)	(2,270)
Total comprehensive income	$ 227	(1,728)

2. Joint venture

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

	2025.12.31	2024.12.31
Total carrying amount of individually insignificant joint ventures' equity	$ -	-

	2025	2024
Share attributable to the Group:		
Net loss for the period from continuing operations	$ (2,156)	(798)
Other comprehensive income	-	16
Total comprehensive income	$ (2,156)	(782)

3. Collateral

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

(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	Transportation equipment	Office equipment	Other equipment	Equipment pending inspection and construction in progress	Total
Costs:								
Balance as of January 1, 2025	$ 2,465,160	1,503,451	2,394,598	112,700	346,082	849,402	18,319	7,689,712
Addition	75,939	5,838	24,900	4,690	9,148	15,404	-	135,919
Disposal	(16,257)	-	(15,129)	(5,849)	(640)	(1,434)	-	(39,309)
Transfer	-	-	396	-	263	-	-	659
Reclassification	-	-	223	-	261	497	-	981
Transferred to investment property	(179,125)	(52,464)	-	-	-	-	-	(231,589)
Effects on changes in exchange rates	(8,285)	(19,512)	(47,340)	(1,239)	(3,496)	(15,267)	(1,085)	(96,224)
Balance as of December 31, 2025	**$ 2,337,432**	**1,437,313**	**2,357,648**	**110,302**	**351,618**	**848,602**	**17,234**	**7,460,149**
Balance as of January 1, 2024	$ 2,426,459	1,477,578	2,380,400	102,710	330,817	819,349	17,912	7,555,225
Addition	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 as of December 31, 2024	**$ 2,465,160**	**1,503,451**	**2,394,598**	**112,700**	**346,082**	**849,402**	**18,319**	**7,689,712**
Depreciation:								
Balance as of January 1, 2025	$ -	885,936	2,239,968	84,190	295,725	740,083	-	4,245,902
Addition	-	45,140	46,108	8,000	16,228	29,231	-	144,707
Disposal	-	-	(15,083)	(5,500)	(556)	(1,324)	-	(22,463)
Reclassification	-	-	194	-	224	425	-	843
Transferred to investment property	-	(31,733)	-	-	-	-	-	(31,733)
Effects on changes in exchange rates	-	(9,088)	(45,656)	(886)	(2,804)	(13,412)	-	(71,846)
Balance as of December 31, 2025	**$ -**	**890,255**	**2,225,531**	**85,804**	**308,817**	**755,003**	**-**	**4,265,410**
Balance as of January 1, 2024	$ -	832,050	2,204,095	80,232	276,584	704,693	-	4,097,654
Addition	-	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 as of December 31, 2024	**$ -**	**885,936**	**2,239,968**	**84,190**	**295,725**	**740,083**	**-**	**4,245,902**
Carrying amount:								
December 31, 2025	**$ 2,337,432**	**547,058**	**132,117**	**24,498**	**42,801**	**93,599**	**17,234**	**3,194,739**
January 1, 2024	**$ 2,426,459**	**645,528**	**176,305**	**22,478**	**54,233**	**114,656**	**17,912**	**3,457,571**
December 31, 2024	**$ 2,465,160**	**617,515**	**154,630**	**28,510**	**50,357**	**109,319**	**18,319**	**3,443,810**

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, 2025 and 2024 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, 2025 and 2024, 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 as of January 1, 2025	$ 63,957	171,840	16,365	5,114	257,276
Addition	3,060	48,250	3,618	104	55,032
Decrease	(1,011)	(84,228)	(3,044)	(208)	(88,491)
Effects on changes in exchange rates	(2,249)	(604)	-	-	(2,853)
Balance as of December 31, 2025	$ 63,757	135,258	16,939	5,010	220,964
Balance as of January 1, 2024	$ 61,851	186,690	16,842	5,010	270,393
Addition	2,708	12,207	7,978	104	22,997
Decrease	-	(29,104)	(8,455)	-	(37,559)
Effects on changes in exchange rates	(602)	2,047	-	-	1,445
Balance as of December 31, 2024	$ 63,957	171,840	16,365	5,114	257,276
Depreciation of right-of-use assets:					
Balance as of January 1, 2025	$ 36,562	118,540	6,222	3,341	164,665
Depreciation this period	250	37,187	4,725	596	42,758
Other decreases	(1,011)	(73,345)	(3,044)	(208)	(77,608)
Effects on changes in exchange rates	131	(255)	-	-	(124)
Balance as of December 31, 2025	$ 35,932	82,127	7,903	3,729	129,691
Balance as of 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 as of December 31, 2024	$ 36,562	118,540	6,222	3,341	164,665

	Land	Houses and buildings	Transportation equipment	Others	Total
Carrying amount:					
December 31, 2025	$ 27,825	53,131	9,036	1,281	91,273
January 1, 2024	$ 26,723	78,087	7,514	2,265	114,589
December 31, 2024	$ 27,395	53,300	10,143	1,773	92,611

(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**
Costs:			
Balance as of January 1, 2025	$ 455,553	597,878	1,053,431
Addition	-	70	70
Transferred from property, plant and equipment	179,125	52,464	231,589
Reclassification	21,768	-	21,768
Effects on changes in exchange rates	-	1,299	1,299
Balance as of December 31, 2025	$ 656,446	651,711	1,308,157
Balance as of 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 as of December 31, 2024	$ 455,553	597,878	1,053,431
Depreciation:			
Balance as of January 1, 2025	$ 5,285	416,014	421,299
Depreciation during the year	-	14,785	14,785
Transferred from property, plant and equipment	-	31,733	31,733
Effects on changes in exchange rates	-	840	840
Balance as of December 31, 2025	$ 5,285	463,372	468,657

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	Land	Houses and buildings	Total
Balance as of 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 as of December 31, 2024	**$ 5,285**	**416,014**	**421,299**
Carrying amount:			
December 31, 2025	**$ 651,161**	**188,339**	**839,500**
January 1, 2024	**$ 460,853**	**188,075**	**648,928**
December 31, 2024	**$ 450,268**	**181,864**	**632,132**
Fair value:			
December 31, 2025			**$ 2,376,964**
December 31, 2024			**$ 2,110,401**
January 1, 2024			**$ 1,687,104**

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, 2025 and 2024, 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:

	2025.12.31	2024.12.31
Borrowings on unsecured letters of credit	$ 30,046	18,615
Unsecured bank borrowings	106,110	186,902
Secured bank borrowings	50,000	-
Total	**$ 186,156**	**205,517**
Outstanding limits	**$ 2,218,386**	**2,389,871**
Interest rates	**1.95%~6.35%**	**1.95%~7.77%**

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

(XIII) Short-term notes payable

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

	2025.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	2.018%	$ 50,000
Outstanding limits			$ 250,000

	2024.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	1.98%~2.18%	$ 100,000
Outstanding limits			$ 330,000

(XIV) Other current liabilities

Breakdown of other current liabilities

	2025.12.31	**2024.12.31**
Contract liabilities	$ 87,263	92,998
Compensation received in advance (Note)	1,301,569	1,103,220
Others	41,139	43,283
Total	$ 1,429,971	1,239,501

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:

	2025.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	2.205%~2.49%	2029.10.19~2039.04.15	$ 392,072
Secured bank borrowings	PESO	6.60%~6.85%	2026.07.17~2027.06.25	31,010
				423,082
Less: Portion due within one year				(80,345)
Total				**$ 342,737**
Outstanding limits				**$ 197,813**

	2024.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	2.205%~2.49%	2029.10.19~2039.04.15	$ 418,686
Secured bank borrowings	PESO	6.85%	2026.07.17~2027.06.25	83,529
				502,215
Less: Portion due within one year				(76,687)
Total				**$ 425,528**
Outstanding limits				**$ 154,414**

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:

	2025.12.31	2024.12.31
Current	$ 37,344	35,618
Non-current	$ 30,331	32,239

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

The amount recognized in profit or loss is as follows:

	2025	2024
Interest expenses on lease liabilities	$ 2,511	2,297
Expenses relating to short-term leases	$ 16,512	10,045
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	$ 1,211	982

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

	2025	2024
Total cash used in leases	$ 60,808	56,450

1. Land, house and building leases

As of December 31, 2025 and 2024, 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.

In addition, the lease terms for the warehouses and office equipment leased by the Group are one to three years. These leases are short-term and low-value leases, and the Group elected to apply the recognition exemption requirements instead of recognizing the related right-of-use assets and lease liabilities.

(XVII) Debt allowance

	Debt allowance for discount
Balance as of January 1, 2025	$ 12,793
Debt allowance increased during the period	9,297
Debt allowance used during the period	(12,120)
Debt allowance reversed during the period	(547)
Balance as of December 31, 2025	**$ 9,423**
Balance as of 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	(600)
Balance as of December 31, 2024	**$ 12,793**

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:

	2025.12.31	2024.12.31
Less than 1 year	$ 25,299	29,411
1 to 5 years	45,966	62,082
> 5 years	123	1,418
Total undiscounted lease payment	**$ 71,388**	**92,911**

For the years ended December 31, 2025 and 2024, the rental revenue from investment properties amounted to NT$23,669 thousand and NT$23,756 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:

	2025.12.31	2024.12.31
Defined benefit obligation	$ 610,026	666,436
Fair value of plan assets	(859,648)	(861,039)
Net defined benefit liabilities (assets)	**$ (249,622)**	**(194,603)**

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

(1)Composition of plan

The Group set aside pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard, and Utilization of the Labor Retirement Fund," and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall be no less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of the reporting date, the Group's labor pension reserve account balance amounted to NT$859,648 thousand. The information for the utilization of the labor pension fund assets included the asset allocation and yield of the fund.

The Company obtained approval letters from the Department of Labor, Taipei City Government with approval letter numbers Bei-Shi-Lao-Zi No. 1146044268 and No. 1136117261 on November 20, 2025 and December 26, 2024, respectively, approving the suspension of contributions to the labor pension reserve fund from November 2025 to October 2026 and from November 2024 to October 2025.

Consolidated company – Hoceng Service Co., Ltd. obtained approval letters from the Department of Labor, Taipei City Government with approval letter numbers Bei-Shi-Lao-Zi No. 1146022993 and No. 1136032131 on June 12, 2025 and July 8, 2024, respectively, approving the suspension of contributions to the labor pension reserve fund from July 2025 to June 2026 and from July 2024 to June 2025.

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

The changes in the present value of the consolidated company's defined benefit obligations for 2025 and 2024 are as follows:

		2025	2024
Defined benefit obligations as at January 1	$	666,436	704,311
Current service costs and interest		15,649	15,918
Remeasurements of net defined benefit liability			
- Actuarial gains or losses arising from financial assumptions		5,042	(5,714)
- Adjustments based on experiences		8,037	16,956
Prior service costs		-	2,352
Exchange differences from overseas plans		(3,604)	1,395
Benefits paid under the plan		(81,534)	(68,782)
Defined benefit obligations as at December 31	**$**	**610,026**	**666,436**

(3)Movements in the fair value of plan assets

The changes in the fair value of the consolidated company's defined benefit plan assets for 2025 and 2024 are as follows:

		2025	2024
Fair value of plan assets as at January 1	$	861,039	822,494
Interest income		13,298	11,814
Remeasurements of net defined benefit liability			
- Return on plan assets (excluding interest income of the current period)		59,983	74,124
Contributions appropriated to the plan		9,068	18,834
Allocation of the plan participants		-	1,778
Exchange differences from overseas plans		(2,206)	777
Benefits paid under the plan		(81,534)	(68,782)
Fair value of plan assets as at December 31	**$**	**859,648**	**861,039**

(4)Expenses recognized as profit or loss

The details of expenses recognized by the consolidated company for 2025 and 2024 are as follows:

	2025	2024
Current period service costs	$ 4,146	4,074
Prior service costs	-	2,352
Net interest of net defined benefit liabilities	11,503	8,548
Interest income from plan assets	(13,298)	(8,518)
	$ 2,351	6,456
Operating cost	$ 3,232	4,480
Sales and marketing expenses	(568)	26
General and administrative expenses	(93)	1,941
Research and development expenses	(220)	9
	$ 2,351	6,456

(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:

	2025.12.31	2024.12.31
Discount rate	1.25%~6.24%	1.38%~6.24%
Future salary increase	1.25%~3.00%	1.25%~5.00%

The consolidated company expects to contribute NT$4,541thousand to the defined benefit plan within one year of the reporting date in 2025.

The weighted average lifetime of the defined benefits plans is 5.3~8.8 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.

The effects of changes in the major actuarial assumptions used as of December 31, 2025 and 2024 on the present value of the defined benefit obligations are as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%~1.00%	Decreased by 0.25%~1.00%
December 31, 2025		
Discount rate	$ 40,536	63,060
Future salary increase	63,252	40,291

	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

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 plan

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, 2025 and 2024 amounted to NT$26,006 thousand and NT$26,184 thousand, respectively, have been appropriated to the Bureau of Labor Insurance. Except for the above, pension expenses of other foreign subsidiaries recognized by the Group according to relevant local laws and regulations were NT$8,774 thousand and NT$10,577 thousand for the years ended December 31, 2025 and 2024, respectively.

(XX) Income tax

1. Income tax expenses

	2025	2024
Current income tax expense		
Arising during the period	$ 30,850	27,890
Current income tax with adjustments to the prior period	2,044	334
	32,894	28,224
Deferred income tax expense		
Occurrence and reversal of temporary differences	4,210	6,312
Income tax expenses for continuing operations	**$ 37,104**	**34,536**

The breakdown of income tax expenses recognized in other comprehensive income by the Group for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit plans	**$ 9,751**	**14,794**

The relationship between the consolidated company's income tax expenses and net income before tax for 2025 and 2024 is reconciled as follows:

	2025	2024
Net profits before tax	**$ 54,560**	**95,741**
Income tax calculated at the domestic tax rate at the place where the Company locates	$ 4,631	14,420
Effect of tax rate differences in foreign jurisdictions	(25,582)	(18,746)
Non-temporary differences	(5,506)	10,047
Tax-exempted income	(2,761)	7,295
Tax incentives	(2,574)	(3,505)
Current tax losses of unrecognized deferred income tax asset	37,162	17,766
Changes in unrecognized temporary differences	22,278	7,643
Previous period's low estimate	2,044	334
Additional tax on undistributed earnings	7,371	229
Others	41	(947)
Total	**$ 37,104**	**34,536**

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax liabilities

As of December 31, 2025 and 2024, 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:

	2025.12.31	**2024.12.31**
Deductible temporary differences	$ 96,345	68,641
Aggregate amount of temporary differences related to investments in subsidiaries	387,707	363,128
	$ 484,052	**431,769**

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

As of December 31, 2025, for taxation losses of the Group (foreign subsidiaries) not recognized as deferred income tax assets, the deduction period is as follows:

Year of losses	**Unrecognized losses not deducted**	**Last year available for deduction**
2017	34,453	2027
2018	27,168	2028
2019	51,067	2029
2020	31,175	2030
2021	1,459	2031
2022	8,087	2032
2025	1,301	2035
	$ 154,710	

As of December 31, 2025, for taxation losses of the Group (foreign subsidiaries) not recognized as deferred income tax assets, the deduction period is as follows:

Year of losses	Unrecognized losses not deducted		Last year available for deduction
2021	$	9,153	2026
2022		23,944	2027
2023		23,342	2028
2024		77,196	2029
2025		127,975	2030
	$	**261,610**	

(3) Recognized deferred income tax assets and liabilities

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

		Defined benefit plans	Provision for land value increment tax	Others	Total
Deferred income tax liabilities:					
Balance as of January 1, 2025	$	70,374	276,574	18,173	365,121
Debit (credit) on the income statement		524	-	(2,461)	(1,937)
Debit (credit) on other comprehensive income		367	-	-	367
Effects on changes in exchange rates		-	-	108	108
Balance as of December 31, 2025	**$**	**71,265**	**276,574**	**15,820**	**363,659**
Balance as of 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 as of December 31, 2024	**$**	**70,374**	**276,574**	**18,173**	**365,121**

	Defined benefit plans	Relocation and compensation	Others	Total
Deferred income tax assets:				
Balance as of January 1, 2025	$ 38,215	146,481	27,924	212,620
(Debit) credit on the income statement	(1,239)	(5,797)	889	(6,147)
(Debit) credit on other comprehensive income	(9,384)	-	-	(9,384)
Effects on changes in exchange rates	(134)	4,536	(454)	3,948
Balance as of December 31, 2025	**$ 27,458**	**145,220**	**28,359**	**201,037**
Balance as of 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 as of December 31, 2024	**$ 38,215**	**146,481**	**27,924**	**212,620**

3. Assessment of tax

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

The consolidated company – Bao Long Interior Crafts Co., Ltd., Hoceng Service Co., Ltd. and Hohong Co., Ltd. have had their profit-seeking enterprise income tax returns assessed and approved by the taxation authorities up to the year ended 2023.

(XXI) Capital and other equity

As of December 31, 2025 and 2024, 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.

1. Capital surplus

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

	2025.12.31	2024.12.31
Treasury share transactions	$ 13,035	12,951
Changes in net equity of subsidiaries recognized by using the equity method	1,919	1,919
Consolidation premium	1,275	1,275
Others	817	702
	$ 17,046	16,847

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.

2. Retained earnings

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

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

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

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

(1) Legal reserve

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

(2) Special reserve

For the initial application of IFRS that is approved by the FSC, the Company chose to adopt the exemptions in IFRS1 "First-time Adoption of International Financial Reporting Standards." Therefore, for the unrealized revaluation increment under the shareholder's equity, retained earnings increased by NT$658,175 thousand according to the requirements. Pursuant to the Order Jin-Guan-Zheng-Fa-Zi No.1010012865 of the FSC dated April 6, 2012, the same amount of special reserves should be appropriated, and when relevant assets are used, disposed of, or reclassified, the special reserve appropriated initially shall be reversed as distributable earnings proportionately. As of December 31, 2025 and 2024, the carrying amount of the special reserve amounted to NT$458,116 thousand.

(3) Dividends from retained earnings

The proposal for earning distribution for 2024 and 2023 was approved as a resolution at the shareholders' meeting on June 16, 2025 and June 26, 2024. The amount of dividends distributed to the owners is as follows:

	2024		**2023**	
	Payout ratio (NTD)	**Amount**	**Payout ratio (NTD)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.19	57,438	0.20	60,461

3. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2025 and 2024 is as follows:

		2025.12.31			2024.12.31		
Company name of the shareholding	**Accounting item**	**Shares (thousand shares)**	**Costs**	**Market price**	**Shares (thousand shares)**	**Costs**	**Market price**
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	$ 4,781	7,818	445	4,781	7,707

4. 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 as of January 1, 2025	$	54,775	609,940	62,656
Net profits for the period		-	-	3,152
Exchange differences arising from the translation of net assets of foreign operations		(71,228)	-	(1,261)
Unrealized (losses) gains of financial assets at fair value through other comprehensive income		-	(11,828)	478
Disposal of equity instruments measured at fair value through other comprehensive income		-	(16,399)	-
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method		-	118,546	-
Disposal of equity instruments measured at fair value through other comprehensive income		-	(45,910)	-
Others		-	-	9,314
Balance as of December 31, 2025	$	(16,453)	654,349	74,339

	Exchange differences on translation of foreign operations	Unrealized (losses) gains of financial assets at fair value through other comprehensive income	Non-controlling interests
Balance as of 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	-	47,945	151
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)	-
Others	-	-	1,997
Balance as of December 31, 2024	$ 54,775	609,940	62,656

(XXII) Earnings per share

1. Basic earnings per share

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

	2025	2024
Net profit of the period attributable to the Company	$ 14,304	58,418

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

	2025	2024
Issued ordinary shares as at January 1	302,304	302,304
Effect of treasury shares	(445)	(445)
Weighted average number of issued ordinary shares as at December 31	301,859	301,859

2. Diluted earnings per share

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

	2025	2024
Net profit attributable to ordinary shareholders of the Company	$ 14,304	58,418

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

	2025	2024
Weighted average number of issued ordinary shares (basic)	301,859	301,859
Effect of employee share bonus	325	323
Weighted average number of issued ordinary shares as of December 31 (diluted)	**302,184**	**302,182**

3. Earnings per share are as follows:

	2025	2024
Basic earnings per share	**$ 0.05**	**0.19**
Diluted earnings per share	**$ 0.05**	**0.19**

(XXIII) Revenue from contracts with customers

1. Breakdown of revenue

	2025				
	Taiwan business department	**China business department**	**Philippine business department**	**Other departments**	**Total**
Primary geographical markets:					
Taiwan	$ 3,558,616	-	1,688	-	3,560,304
China	-	195,169	-	13,273	208,442
Philippines	-	-	773,302	-	773,302
Other countries	11,309	-	-	3,406	14,715
Total	**$ 3,569,925**	**195,169**	**774,990**	**16,679**	**4,556,763**
Major products/ service lines:					
Porcelain	$ 1,190,365	122,878	316,316	13,269	1,642,828
Copper ware	661,774	39,911	376,839	1,621	1,080,145
Toilet cover	532,895	3,623	34,937	49	571,504
Fine pottery	92,337	-	-	-	92,337
Others	1,092,554	28,757	46,898	1,740	1,169,949
Total	**$ 3,569,925**	**195,169**	**774,990**	**16,679**	**4,556,763**

	2024				
	Taiwan business department	**China business department**	**Philippine business department**	**Other departments**	**Total**
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	$ 3,728,423	249,657	864,880	13,986	4,856,946
Major products/ service lines:					
Porcelain	$ 1,218,183	145,482	469,134	13,240	1,846,039
Copper ware	696,793	52,011	144,110	633	893,547
Toilet cover	574,102	5,108	31,764	10	610,984
Fine pottery	73,725	-	-	-	73,725
Others	1,165,619	47,056	219,872	104	1,432,651
Total	$ 3,728,422	249,657	864,880	13,987	4,856,946

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

On June 16, 2025, the Company amended its Articles of Incorporation with a resolution passed at the shareholders’ meeting. According to the provisions of the amended Articles of Incorporation, if the Company made a profit in a year, it shall appropriate 5% to 8% as remuneration of employees (of which the remuneration of junior employees was no less than 10% of the total) and no more than 3% as directors' and supervisors' remuneration. 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, 2025 and 2024, the estimated remuneration of employees was NT$2,413 thousand and NT$4,378 thousand, and the remuneration of Directors was NT$1,207 thousand and NT$2,189 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 2024 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 2025 and 2024 is as follows:

		2025	2024
Interest from cash in the bank	$	21,431	27,995

2. Others

The breakdown of other income of the Group in 2025 and 2024 is as follows:

		2025	2024
Rental income	$	23,669	27,615
Dividend income		58,395	45,594
Royalties and others		15,907	37,096
	$	97,971	110,305

3. Other gains and losses

The breakdown of other gains and losses of the Group in 2025 and 2024 is as follows:

		2025	2024
Foreign exchange gain	$	646	1,701
Net gains on financial assets at fair value through profit or loss		8,022	3,540
Net gains from disposal and scrapping of property, plant and equipment		32,995	866
Depreciation of investment properties		(14,785)	(12,811)
Other gains and losses		(16,379)	(8,416)
	$	10,499	(15,120)

The Group - A fire incident occurred at Bao Long Interior Crafts Co., Ltd. on May 8, 2025, causing damage to some equipment and inventories. The relevant inventory and equipment obsolescence and compensation losses totaled NT$4,613,674 thousand, which were listed under non-operating income and expenses – other gains and losses.

4. Finance costs

The breakdown of finance costs of the Group in 2025 and 2024 is as follows:

		2025	2024
Interest expenses	$	25,132	29,264

(XXVI) Financial assets

1. Credit risks

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

The major customers of the Group are centralized in several distributors. In order to reduce the credit risk, the Group continues to evaluate the financial status of these customers and request collateral or guarantee when necessary. The Group regularly assesses the likelihood of collectability of accounts receivable and sets aside an allowance for bad debts, and the impairment losses generally fall within the expectations of the management. As of December 31, 2025 and 2024, 58% and 48% of notes receivable balance and 16% and 20% of accounts receivable balance were concentrated on five customers. Thus, the credit risk of the Group is significantly centralized.

2. Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Cash flows of contract	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2025							
Non-derivative financial instruments							
Secured bank borrowings	$ 473,082	506,583	31,255	110,198	59,720	286,531	18,879
Unsecured bank borrowings	136,156	136,770	136,770	-	-	-	-
Short-term notes payable	50,000	50,006	50,006	-	-	-	-
Notes payable	48,657	48,657	48,657	-	-	-	-
Accounts payable	454,737	454,737	454,737	-	-	-	-
Other payables	354,198	354,198	354,198	-	-	-	-
Lease liabilities	67,675	69,509	21,788	16,920	27,373	3,428	-
	$ 1,584,505	1,620,460	1,097,411	127,118	87,093	289,959	18,879
December 31, 2024							
Non-derivative financial instruments							
Secured bank	$ 502,215	551,708	8,047	84,610	87,858	350,027	21,166

	Carrying amount	Cash flows of contract	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
borrowings							
Unsecured bank borrowings	205,517	207,411	193,973	13,438	-	-	-
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

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:

	2025.12.31			2024.12.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 215	31.430	6,757	390	32.785	12,786
CNY	6,295	4.496	28,302	8,153	4.478	36,509
Financial liabilities						
Monetary items						
USD	1,000	31.430	31,430	2,203	32.785	72,225

(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, 2025 and 2024, if an appreciation or depreciation of 1% of the NTD against the USD and CNY occurs, the net profit after tax of 2025 and 2024 would have increased by NT$32 thousand and decreased by NT$182 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 2025 and 2024 were losses of NT$646 and NT$1,701 thousand, respectively.

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$6,409 thousand and NT$4,756 thousand for the years ended December 31, 2025 and 2024, 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)

	2025.12.31				
		Fair value:			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 194,879	194,879	-	-	194,879
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	1,348,303	1,348,303	-	-	1,348,303
Domestic non-listed stocks	2,265	-	-	2,265	2,265
Corporate bonds redeemable	28,850	-	28,850	-	28,850
Subtotal	1,379,418	1,348,303	28,850	2,265	1,379,418
Financial assets measured at amortized cost					
Cash and cash equivalents	599,185	-	-	-	-
Notes and accounts receivable	951,877	-	-	-	-
Other receivables	49,927	-	-	-	-
Other Financial assets	575,530	-	-	-	-
Restricted assets (recognized as other non-current assets - other)	526	-	-	-	-
Refundable deposits	40,349	-	-	-	-
Subtotal	2,217,394	-	-	-	-
Total	$ 3,791,691	1,543,182	28,850	2,265	1,574,297
Financial liabilities at amortized cost					
Bank loan	$ 609,238	-	-	-	-
Short-term notes payable	50,000	-	-	-	-
Notes and accounts payable	503,394	-	-	-	-
Other payables	354,198	-	-	-	-
Lease liabilities	67,675	-	-	-	-
Guarantee deposits received (recorded as other non-current liabilities)	19,396	-	-	-	-
Total	$ 1,603,901	-	-	-	-

	2024.12.31				
		Fair value:			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 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	1,174,485	9,399	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 (recognized as other non-current assets - other)	2,358	-	-	-	-
Refundable deposits	44,559	-	-	-	-
Subtotal	2,430,311	-	-	-	-
Total	$ 3,839,226	1,396,990	9,399	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 received (recorded as other non-current liabilities)	19,404	-	-	-	-
Total	$ 1,894,407	-	-	-	-

(2) Fair value valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quotation, which is published by the main exchange or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with an open bid.

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

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

(3) Transfers between Level 1 and Level 2

There was no significant transfer of financial assets from Level 1 to Level 2 in 2025 and 2024.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income
	Equity instruments with no open quotation
January 1, 2025	$ 2,526
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(261)
December 31, 2025	**$ 2,265**
January 1, 2024	$ 2,941
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(415)
December 31, 2024	**$ 2,526**

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 2025 and 2024 are as follows:

		2025	2024
Total gains or losses			
Recognized in other comprehensive income (presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income")	$	(261)	(415)

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

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

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

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

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

(XXVII) Financial risk management

1. Overview

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

(1) Credit risks

(2) Liquidity risks

(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 risks

Credit risk means the potential loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's accounts receivables from customers and investments in securities.

(1)Accounts and other receivables

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

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

(2)Investments

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

(3)Guarantees

The Group's endorsement/ guarantee policy is limited to subsidiaries or associates with business dealings. Please refer to Note 13 for details of endorsements and guarantees provided by the Group to subsidiaries as of December 31, 2025 and 2024.

1. 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).

2. 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 risks

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

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily NTD, CNY, and PHP.

(2) Interest rate risk

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

(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:

		2025.12.31	2024.12.31
Total liabilities	$	3,427,808	3,540,915
Less: Cash and cash equivalents		(599,185)	(771,531)
Net liabilities	$	2,828,623	2,769,384
Total capital	$	6,943,109	6,902,158
Debt-to-equity ratio		40.74%	40.12%

As of December 31, 2025, there was no change in the consolidated company's approach to capital management.

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

Investing and financing activities of non-cash transactions performed by the Group in 2025 and 2024.

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

			Non-cash change			
	2025.1.1	Cash flow	Addition	Decrease	Changes in exchange rate	2025.12.31
Short-term borrowings	$ 205,517	(17,294)	-	-	(2,067)	186,156
Long-term borrowings	502,215	(74,970)	-	-	(4,163)	423,082
Lease liabilities	67,857	(40,574)	55,032	(11,885)	(2,755)	67,675
Short-term notes payable	100,000	(50,000)	-	-	-	50,000
Guarantee deposits	19,404	(8)	-	-	-	19,396
Total liabilities from financing activities	$ 894,993	(182,846)	55,032	(11,885)	(8,985)	746,309

			Non-cash change			
	2024.1.1	Cash flow	Addition	Decrease	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)	(1,651)	67,857
Short-term notes payable	-	100,000	-	-	-	100,000
Guarantee deposits	19,057	347	-	-	-	19,404
Total liabilities from financing activities	$ 1,107,524	(236,020)	22,997	(1,374)	1,866	894,993

VII. Related-Party Transactions

(I) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(II) Names and relationships with related parties

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

Name of the related parties	Relationship with the Group
Triple S Holdings Corporation	An investee accounted for by using the equity method by
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd.	An investee accounted for by using the equity method by Hocheng (China) Co., Ltd. (joint ventures under joint arrangements).
Yuhong Co., Ltd.	Substantial related party (other related parties)
Yuhong (SuZhou) Co., Ltd.	Substantial related party (other related parties)
Hoceng Cultural & Educational Foundation	The chairman of the foundation is the same as the Group (other related parties)
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:

	2025	2024
Other related parties	$ 2,004	8,310
Joint ventures under joint arrangements	-	29,087
	$ 2,004	37,397

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. Purchases

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

	2025	2024
Other related parties	$ 133,832	139,653

The consolidated company negotiated the purchase price of the above-mentioned companies with reference to the market price, and the payment term is120days.

3. Amounts receivable from related parties

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

Accounting item	Type of related parties	2025.12.31	2024.12.31
Notes receivable	Other related parties	$ 4	4
Accounts receivable	Joint ventures under joint arrangements	-	9,230
Accounts receivable	Other related parties	62	2,270
Other receivables	Other related parties	6,572	7,095
		$ 6,638	18,599

4. Amounts payable to related parties

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

Accounting item	Type of related parties	2025.12.31	2024.12.31
Notes payable	Other related parties		
	Yuhuang Co., Ltd.	$ 34,619	36,544
Accounts payable	Other related parties	14,733	15,121
Other payables	Other related parties	4	11
		$ 49,356	51,676

5. Leases

The consolidated company leased offices from other related parties for the years ended December 31, 2025 and 2024 for an amount of NT$306 thousand, NT$313 thousand, and NT$414 thousand, and NT$419 thousand, respectively.

6. Others

(1) As of December 31, 2025 and 2024, the carrying amounts of the land and buildings of the consolidated company's Yingge plant and business premises were NT$136,864 thousand and NT$94,173 thousand, respectively. As the land is classified as agricultural land, it has not yet been transferred under the name of the consolidated company. As of December 31, 2025, it is temporarily registered under the name of Li-Chien Chiu as the trust registrant; as of December 31, 2024, it is temporarily registered under the names of Li-Chien Chiu and Hong-Yu Chiu as trust registrants. The consolidated company has entered into real estate trust agreements with the trust registrants, clearly stipulating the rights and obligations of both parties, and the trust assets have been pledged as collateral to the consolidated company.

(2) Other related parties

Accounting item	**Type of related parties**		**2025**	**2024**
Operating expenses	Other related parties	$	4,710	663
Non-Operating revenue	Other related parties		1,876	1,877
		$	**6,586**	**2,540**

(IV) Key management transaction

The compensation of the key management includes:

		2025	**2024**
Short-term employee benefits	$	61,743	65,234
Post-employment benefits		2,451	2,688
	$	**64,194**	**67,922**

The consolidated company provided 11 automobiles with a cost of NT$15,333 thousand and 12 automobiles with a cost of NT$18,252 thousand for use by key management personnel for the years ended 2025 and 2024, respectively.

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	2025.12.31	2024.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	$ 1,837,974	1,934,627
Investment property - Land and houses	Long-term and short-term borrowings	457,770	396,542
Restricted assets (recognized as other non-current assets - other)	Bid bond and performance bond for projects	526	2,358
Refundable deposits	House lease and deposits for construction and sales	40,349	44,559
		$ 2,336,619	2,378,086

IX. Significant contingencies and unrecognized contractual commitments

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

	2025.12.31	2024.12.31
Promissory notes for engineering and product warranty and subject guarantee	$ 82,242	61,567

(II) In order to meet the economic development and construction needs of Luzhi Town, Wuzhong District, Suzhou City, the Group, the consolidated company – Hocheng (China) Co., Ltd., entered into an agreement on April 14, 2023 with Suzhou Runsong Development and Construction Co., Ltd. for relocation and acquisition of house and land use rights, and compensation has been paid to the consolidated company in installments in accordance with the progress of the contract, with a total compensation amount of CNY404,260 thousand. The litigation with the lessee received the final court judgment on July 21, 2025, ruling in favor of the consolidated company and requiring the lessee to complete relocation within ten days after the effective date of the judgment. As of December 31, 2025, the lessee has not yet fulfilled the obligation, and therefore the relocation has not been completed. Subsequent enforcement will be carried out by the court. In accordance with the contract, advance compensation received amounted to CNY322,982 thousand (recognized under other current liabilities).

X. Losses due to major disasters: None.

XI. Significant events after the period: None.

XII. Others

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

Function / Type	2025			2024		
	Operating costs	**Operating expenses**	**Total**	**Operating costs**	**Operating expenses**	**Total**
Employee benefits expense						
Salary expenses	452,997	450,283	903,280	458,507	473,541	932,048
Labor and health insurance	46,462	46,518	92,980	45,368	45,503	90,871
Pension costs	14,306	22,825	37,131	15,694	27,523	43,217
Other employee benefits expense	35,254	51,094	86,348	43,444	41,636	85,080
Depreciation expenses (Note)	92,758	92,507	185,265	99,607	97,777	197,384
Amortization expense	1,790	5,603	7,393	2,131	7,235	9,366

(Note): The depreciation expenses, excluding the depreciation of investment properties, in 2025 and 2024 amounted to NT$14,785 thousand and NT$12,811 thousand, respectively.

XIII. Additional Disclosures

(I) Significant transactions information

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, 2025 is as follows:

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

Unit: NT$ thousand

No.	Endorser/ guarantor	Party being endorsed/ guaranteed		Limits of endorsement/ guarantees provided to a single enterprise (Note 2)	Maximum balance of endorsement/ guarantee for the period	Balance of endorsement/ guarantee at the end of the period	Actual drawdown amount	Endorsements and guarantees secured by property	Ratio of accumulated amount of endorsement/ guarantee to the net worth on the latest financial statements (Note 4)	Maximum limits of endorsement/ guarantee (Note 3)	Endorsement/ guarantee provided by the parent company to a subsidiary	Endorsement/ guarantee provided by a subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China
		Company name	Relationship (Note 1)										
0	Hocheng Corporation	Hoceng Philippines Corporation	3	6,868,770	226,251	152,048	21,340	-	2.21%	6,868,770	Y		
0	〃	Bao Long Interior Crafts Co., Ltd.	3	6,868,770	150,000	130,000	-	50,000	1.89%	6,868,770	Y		
1	Hoceng Service Co., Ltd.	Hocheng Corporation	3	139,353	5,840	-	-	-	- %	139,353		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 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): None.

Note: The carrying amount of marketable securities at period-end less than NT$ 300 million is not disclosed.

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

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

Unit: NT$ thousand

Company of purchase (sales)	Counterparty	Relationship	Transaction status				Differences between transaction conditions and general transactions and the reason therefor		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Ratio to total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
Hocheng Corporation	Bao Long Interior Crafts Co., Ltd.	Subsidiary	Purchases	216,382	13.63%	Three months	-	No general transaction is comparable	(51,215)	(18.00)%	
〃	Yuhuang Co., Ltd.	Substantive Related Party	Purchases	133,158	8.39%	Four months	-	〃	(47,157)	(16.58)%	
Bao Long Interior Crafts Co., Ltd.	Hocheng Corporation	Parent company	Sale of goods	(217,240)	(32.27)%	Three months	-	〃	51,281	30.84%	

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

5. Amount receivable from related parties exceeding NT$100 million or 20% of the paid-in capital: None.
6. Business relationships and significant transactions between the parent company and its subsidiaries:

No.	Company	Counter-party	Relationship with the counterparty	Status of transaction			
				Account title	Amount	Term	Ratio to the consolidated total operating revenue
0	Hocheng Corporation	Hoceng Service Co., Ltd.	1	Sales income	62,952	At the transfer price	1.38%
0	〃	Bao Long Interior Crafts Co., Ltd.	1	Cost of sales	216,382	At the transfer price	4.75%

Note 1: The numbering is as follows:
  1. 0 represents the parent company.
  2. Subsidiaries are numbered starting from 1.
Note 2: Relationship with counterparties is classified into three types as follows:
  1. Parent company to subsidiary.
  2. Subsidiary to parent company.
  3. Subsidiary to subsidiary.
Note 3:Transaction amounts that are less than 1% of the total assets or total operating revenue were not disclosed.
Note 4: The intragroup transactions were written off in preparing the consolidated financial statements.

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

(II) Information on investees:

Information on the investees of the Group in 2025 is as follows:

Unit: NT$ thousand

Name of investor	Name of investee	Location	Main business activities	Original/ investment amount		Held at the end of the period			Highest shareholding or capital contribution during the period	Investee's gains (losses) for the period	Investment (losses) gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount				
Hocheng Corporation	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	484,435	100.00%	(96,899)	(97,040)	Note 2
	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,620	198,620	34,713,522	99.60%	804,954	99.60%	7,508	7,395	Note 1
	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	2,100,000	70.00%	79,236	70.00%	6,497	4,814	Note 2
Hocheng Corporation	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%	239,400	100.00%	11,550	11,059	Note 2
	HUB Corp.	Taiwan	Sales of modular bathroom products and engineering design supervision and construction thereof	21,000	-	2,100,000	70.00%	20,090	70.00%	(1,301)	(910)	Note 4
Ritiboon International Limited	Philippines Property	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	61,976	40.00%	5,990	4,492	
	Hocheng Group Holding Corp.	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	243,432	100.00%	(111,505)	(111,505)	
	HCG North American, LLC	The U.S.	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%	226,657	100.00%	4,856	4,856	
Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	586,053	100.00%	15,308	15,308	
	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	51,108	40.00%	1,363	1,199	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 Company's 70%-owned subsidiary, HUB Corp., was registered for establishment on February 17, 2025.

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

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

(III)Information on investments in China:

1. Information on investment in businesses in Mainland China:

Unit: NT$ thousand

Investee in Mainland China	Main business activities	Paid-in capital	Method of investment (Note 1)	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Amount of investment remitted or repatriated for the current period		Accumulated investment amount of remittance from Taiwan at the end of the period	Net profit (loss) of the investee for the current period	Shareholding of the Company's direct or indirect investments	Highest shareholding or capital contribution during the period	Investment (losses) gains recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered							
Hocheng (China) Co., Ltd.	Production and sale of plumbing products	953,760	(II)	894,627	-	-	894,627	(125,097)	100.00%	100.00%	(125,097)	(536,299)	-
Hocheng TRADING (SHANGHAI) CO., LTD.	Sale of bathroom equipment	29,805	(II)	5,961	-	-	5,961	(4,211)	100.00%	100.00%	(4,211)	7,699	-
Hocheng (China) Co., Ltd.													
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(II)	-	-	-	-	(22,739)	100.00%	100.00%	(22,739)	(137,397)	-
Hocheng (Ningbo) Corporation (Note 9)	Sale of bathroom equipment	-	(II)	-	-	-	-	-	- %	- %	-	-	-
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd. (Note 10)	Sale of bathroom equipment	4,300	(II)	-	-	-	-	-	- %	- %	(2,156)	-	-

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	4,121,262

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) Co., Ltd. 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.
Note 9: The sub-subsidiary company Hocheng (Ningbo) Corporation, in which the subsidiary Hocheng (China) Co., Ltd. holds 100% equity, was approved for registration and establishment on December 24, 2024, and no capital contribution has been made to date.
Note 10: The subsidiary Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd. was deregistered on June 18, 2025.

3. Significant transactions:

For details of the significant transactions between the Group and investees in Mainland China in 2025, please refer to "Information on significant transactions."

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, 2025 and 2024, the above departments did not meet the quantitative thresholds.

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

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

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

The operating segments' accounting policies are equivalent to those described in note 4 "description of the summary of significant accounting policies," except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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

2025	Taiwan business department	Investment department	Philippine business department	China business department	Other departments	Adjustment and write-off	Total
Revenue:							
Revenue from external customers	$ 3,569,925	-	774,990	195,169	16,679	-	4,556,763
Inter-segment	357,483	-	216	31,685	15,042	(404,426)	-
Total revenue	$ 3,927,408	-	775,206	226,854	31,721	(404,426)	4,556,763
Interest expenses	$ 17,127	5	6,675	1,381	497	(553)	25,132
Depreciation and amortization	152,076	1,037	48,394	24,640	614	(19,318)	207,443
Share of profit or loss of associates and joint ventures accounted for using the equity method	(74,684)	4,856	-	(2,156)	(219,687)	290,714	(957)
Profit or loss of reportable departments	$ 133,364	13,603	20,204	(125,621)	16,674	(3,664)	54,560
2024							
Revenue:							
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

(III)Geographic information

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

Region	**2025**	**2024**
Revenue from external customers		
Taiwan	$ 3,569,925	3,728,423
Mainland China	211,848	263,643
Philippines	774,990	864,880
Total	$ 4,556,763	4,856,946

Region	**2025.12.31**	**2024.12.31**
Non-current assets:		
Taiwan	$ 3,498,252	3,266,615
Mainland China	420,566	570,738
Philippines	353,450	399,841
Total	$ 4,272,268	4,237,194

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, post-employment benefit assets, and other financial assets.

(IV) Information on major customers

For the years ended 2025 and 2024, the consolidated company did not have sales to any single external customer amounting to 10% or more of consolidated operating revenue.

Independent Auditors’ Report Translated from Chinese

To the Board of Directors of Hocheng Corporation:

Audit opinion

We have audited the accompanying balance sheet of HOCHENG CORPORATION as of 2025 and 2024, and the statement of comprehensive income, statement of changes in shareholders’ equity and statement of cash flow and notes hereto (including the summary of major accounting policies) from January 1 to December 31 of 2025 and 2024.

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 parent company only financial position as of December 31, 2025 and 2024, 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(5) 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(6) 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$1,628,115 thousand, accounting for 19% 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% of total assets as of December 31, 2025 and 2024, respectively; the share of gains or losses from subsidiaries, associates, and joint ventures accounted for (336)% and (91)% of net profit before tax for the years ended December 31, 2025 and 2024, 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. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 2025 parent company only financial statements of HOCHENG CORPORATION 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

CPA:		Hsu Shu-Min Wu Tsao-Jen
No. of approval and certification from the competent authority of securities	:	Jin-Guan-Zheng-Liu-Zi No. 0940100754 Jin-Guan-Zheng-Shen-Zi No. 1070304941

March 10, 2026

Hocheng Corporation
Balance Sheet
December 31, 2025 and 2024

Unit: NT$ thousand

		2025.12.31		2024.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 296,758	4	376,360	4
1110	Current financial assets at fair value through profit or loss (Note 6(2))	35,783	-	129,998	2
1151	Notes receivable (Notes 6(4) and 7)	338,486	4	306,385	4
1170	Accounts receivable, net (Notes 6(4) and 7)	405,417	5	495,993	6
1200	Other receivables - net	24,276	-	34,989	-
1210	Other receivables - Related parties (note 7)	35,581	-	36,260	-
130X	Inventories, net (Note 6(5))	1,139,308	14	1,135,376	13
1479	Other Current assets - Others	62,676	1	61,675	1
		2,338,285	28	2,577,036	30
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(3))	798,763	9	694,706	8
1550	Investments accounted for using the equity method, net (Note 6(6))	1,628,115	19	1,668,964	20
1600	Property, plant and equipment (Notes 6(7), 7 and 8)	2,614,183	31	2,822,702	33
1755	Right-of-use assets (Note 6(8) and 7)	41,716	1	34,224	1
1760	Investment property, net (Note 6(9) and 8)	656,584	8	443,276	5
1780	Intangible assets (Note 6(10))	9,511	-	12,921	-
1840	Deferred tax assets (Note 6(18))	32,476	-	40,362	1
1920	Guarantee deposits paid (Note (8))	16,921	-	21,516	-
1975	Net defined benefit assets – Non-current (Note 6(17))	208,268	3	168,762	2
1984	Other non-current assets - Others (Note 8)	526	-	2,358	-
1995	Other non-current assets - Others (Note 8)	80,744	1	32,577	-
		6,087,807	72	5,942,368	70
	Total Assets	$ 8,426,092	100	8,519,404	100

		2025.12.31		2024.12.31	
	Financial liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Notes 6(11))	$ 158,706	2	168,615	2
2110	Short-term notes and bills payable (Notes 6(12))	50,000	1	100,000	1
2150	Notes payable	11,342	-	11,214	-
2160	Notes payable - Related parties (note 7)	34,619	-	36,544	1
2171	Accounts payable	166,943	2	194,322	2
2180	Accounts payable - Related parties (note 7)	71,560	1	76,118	1
2200	Other payables	205,011	2	213,829	3
2220	Other payables - Related parties (note 7)	5,283	-	5,957	-
2230	Income tax liabilities for the period (Note 6(18))	14,349	-	12,191	-
2250	Debt allowance – Current (Note 6(15))	2,363	-	4,703	-
2280	Lease liabilities - Current (Notes 6(14) and 7)	21,593	-	13,930	-
2320	Long-term liabilities due within one year (Notes 6(13))	50,000	1	25,000	-
2399	Other current liabilities－Others	51,409	1	52,683	1
		843,178	10	915,106	11
	Non-current liabilities:				
2540	Long-term borrowings (Notes 6(13))	325,000	4	375,000	5
2570	Deferred income tax liabilities (Note 6(18))	349,503	4	349,123	4
2580	Lease liabilities - Non-current (Notes 6(14) and 7)	20,245	-	21,269	-
2645	Guarantee deposits	19,396	-	19,404	-
		714,144	8	764,796	9
	Total liabilities	1,557,322	18	1,679,902	20
	Equity (Note 6(19)):				
3100	Capital stock	3,023,037	36	3,023,037	35
3200	Capital surplus	17,046	-	16,847	-
3300	Retained earnings	3,195,572	38	3,139,684	37
3400	Other equity	637,896	8	664,715	8
3500	Treasury shares	(4,781)	-	(4,781)	-
	Total equity	6,868,770	82	6,839,502	80
	Total Liabilities and Equity	$ 8,426,092	100	8,519,404	100

(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 Comprehensive income

January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

		2025		2024	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6(21) and 7)**	$ 2,970,491	100	3,132,034	100
5000	**Operating costs (Note 6(5) and 7)**	2,233,574	75	2,387,917	76
5900	**Gross profit before adjustment**	736,917	25	744,117	24
5910	Less: Unrealized sales gains or losses	2,954	-	3,145	-
5920	Add: Realized sales gains or losses	3,145	-	8,632	-
5950	**Operating gross profit**	737,108	25	749,604	24
	Operating expenses (Note 7):				
6100	Sales and marketing expenses	456,209	16	473,085	15
6200	General and administrative expenses	181,260	6	175,522	6
6300	Research and development expenses	89,762	3	100,377	3
6450	Expected credit impairment losses (reversal gains) (Note 6(4))	59	-	(1,920)	-
6300	**Subtotal**	727,290	25	747,064	24
6900	**Operating profit**	9,818	-	2,540	-
	Non-operating income and expenses:				
7100	Interest income (Note 6(23))	2,034	-	4,222	-
7010	Other income (Note 6(23) and 7)	97,682	3	98,559	3
7020	Other gains and losses (Note 6(23))	17,870	1	(5,988)	-
7050	Finance costs (Note 6(23))	(16,120)	(1)	(17,264)	(1)
7070	Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method (Note 6(6))	(74,684)	(2)	(15,663)	(1)
	Subtotal	26,782	1	63,866	1
7900	**Net profits before tax**	36,600	1	66,406	1
7950	**Less: Income tax expenses (Note 6(18))**	22,296	1	7,988	-
	Net profits for the period	14,304	-	58,418	1
8300	**Other comprehensive income：**				
8310	**Not to be reclassified to profit or loss in subsequent periods:**				
8311	Remeasurements of defined benefit plans	37,673	1	51,538	2
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(11,828)	(1)	47,945	2
8330	Share of gains of subsidiaries, associates, and joint ventures recognized by using the equity method - Items not reclassified to profit or loss	127,227	4	46,481	1
8349	Less: Income tax related to items that will not be reclassified	9,641	-	12,188	-
	Total amount of items that will not be reclassified to profit or loss	143,431	4	133,776	5
8360	**Items that may be reclassified to profit or loss subsequently**				
8361	Exchange differences on translation of foreign operations	(71,228)	(2)	38,037	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	(71,228)	(2)	38,037	1
8300	**Other comprehensive income or loss of the period (net after taxes)**	72,203	2	171,813	6
8500	**Total comprehensive income for the period**	**$ 86,507**	**2**	**230,231**	**7**
	Earnings per share (NT$) (Note 6(20))				
9750	**Basic earnings per share (NT$)**	**$ 0.05**		**0.19**	
9850	**Diluted earnings per share (NT$)**	**$ 0.05**		**0.19**	

(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, 2025 and 2024

Unit: NT$ thousand

	Capital stock		Retained earnings			Other Components of Equity			
	Common stock	**Capital surplus**	**Legal reserve**	**Special reserve**	**Unappropriated earnings**	**Exchange differences on translation of foreign operations**	**Unrealized (losses) gains of financial assets at fair value through other comprehensive income**	**Treasury shares**	**Total equity**
Balance as of January 1, 2024	$ 3,023,037	16,587	1,003,581	458,116	1,555,508	16,738	600,686	(4,781)	6,669,472
Net profits for the period	-	-	-	-	58,418	-	-	-	58,418
Other comprehensive income for the year	-	-	-	-	48,088	38,037	85,688	-	171,813
Total comprehensive income for the period	-	-	-	-	106,506	38,037	85,688	-	230,231
Earnings distribution and appropriation:									
Legal reserve	-	-	4,103	-	(4,103)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(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
Dividends distributed to subsidiaries to adjust additional paid-in capital	-	89	-	-	-	-	-	-	89
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(3)	-	3	-	-
Balance as of December 31, 2024	3,023,037	16,847	1,007,684	458,116	1,673,884	54,775	609,940	(4,781)	6,839,502
Net profits for the period	-	-	-	-	14,304	-	-	-	14,304
Other comprehensive income for the year	-	-	-	-	36,713	(71,228)	106,718	-	72,203
Total comprehensive income for the period	-	-	-	-	51,017	(71,228)	106,718	-	86,507
Earnings distribution and appropriation:									
Legal reserve	-	-	18,294	-	(18,294)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(57,438)	-	-	-	(57,438)
Share of gains of associates and joint ventures recognized by using the equity method	-	-	-	-	45,910	-	(45,910)	-	-
Other changes in capital reserve	-	115	-	-	-	-	-	-	115
Dividends distributed to subsidiaries to adjust additional paid-in capital	-	84	-	-	-	-	-	-	84
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	16,399	-	(16,399)	-	-
Balance as of December 31, 2025	$ 3,023,037	17,046	1,025,978	458,116	1,711,478	(16,453)	654,349	(4,781)	6,868,770

(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
January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

		2025	2024
Cash flows from operating activities:			
Profit before tax from continuing operations	$	36,600	66,406
Net income before tax			
Adjustments to reconcile profit (loss)			
Depreciation		133,000	137,289
Amortization expense		3,410	4,358
Expected credit impairment losses		59	(1,920)
Net gains on financial assets at fair value through profit or loss		(574)	(1,732)
Interest expenses		16,120	17,264
Interest income		(2,034)	(4,222)
Dividend income		(41,507)	(29,169)
Share of losses (gains) of subsidiaries, associates, and joint ventures recognized by using the equity method		74,684	15,663
Losses (gains) from disposal and scrapping of property, plant and equipment		(31,659)	6
Losses (gains) from lease modification		323	(146)
Unrealized (realized) gains from sales		(191)	(5,487)
Total items of income and expenses		151,631	131,904
Changes in assets/ liabilities related to operating activities:			
Net changes in assets related to operating activities:			
Notes receivable		(32,101)	79,204
Accounts receivable		90,517	(2,646)
Other receivables		11,392	(13,973)
Inventory		(24,265)	11,255
Other current assets		6,520	5,222
Net defined benefit assets		(1,833)	(12,372)
Total net changes in assets related to operating activities		50,230	66,690
Net changes in liabilities related to operating activities			
Notes payable		(1,797)	(2,705)
Accounts payable		(31,937)	26,156
Other payables		(9,399)	(4,003)
Debt allowance		(2,340)	(2,432)
Other current liabilities		(1,274)	(9,708)
Total net changes in liabilities related to operating activities		(46,747)	7,308
Total net changes in assets and liabilities related to operating activities		3,483	73,998
Total item of adjustments		155,114	205,902
Cash inflows generated from operations		191,714	272,308
Interest received		2,034	4,222
Dividends received		82,840	51,732
Interest paid		(16,213)	(17,230)
Income tax paid		(26,928)	(37,784)
Net cash inflows from operating activities		233,447	273,248

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

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

Hocheng Corporation

Statement of Cash Flows (cont'd)

January 1 to December 31, 2025 and 2024

Unit: NT$ thousand

	2025	2024
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(155,760)	(922)
Disposal of financial assets measured at fair value through other comprehensive income	39,875	2,924
Acquisition of financial assets at fair value through profit or loss	(27,500)	(11,000)
Disposal of financial assets at fair value through profit or loss	122,289	-
Acquisition of investments accounted for under the equity method	(21,000)	-
Acquisition of property, plant and equipment	(66,861)	(44,586)
Proceeds from disposal of property, plant and equipment	4,563	65
Decrease in refundable deposits	4,595	2,125
Acquisition of intangible assets	-	(1,590)
Acquisition of investment properties	(70)	-
Other financial assets decreased (increased)	1,832	(26)
Increase in other non-current assets	(50,261)	(11,552)
Net cash outflow in investing activities	(148,298)	(64,562)
Cash flows from financing activities:		
Decrease in short-term borrowings	(9,909)	(181,385)
Increase (decrease) in short-term notes payable	(50,000)	100,000
Increase in long-term loans	-	400,000
Decrease in long-term loans	(25,000)	(440,000)
(Decrease) increase in refundable deposits	(8)	347
Repayment of principal of lease liabilities	(22,511)	(21,047)
Cash dividends paid	(57,438)	(60,461)
Others	115	171
Net cash outflows from financing activities	(164,751)	(202,375)
Net increase (decrease) in cash and cash equivalents during the period	(79,602)	6,311
Cash and cash equivalents at beginning of year	376,360	370,049
Cash and cash equivalents at end of year	$ 296,758	376,360

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

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

Hocheng Corporation
Notes to the Parent-Only Financial Statements
2025 and 2024
(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. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying parent-only financial statements were authorized for issue by the Board of Directors (the “Board") on March 10, 2026.

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 initially applied the following amended IFRS Accounting Standards endorsed by the Financial Supervisory Commission from January 1, 2025, which did not have a material impact on the parent company only financial statements.

- Amendment to IAS 21 -- "Lack of Exchangeability"
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”, including the application guidance related to Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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

The Company has assessed that the initial application of the following amended IFRS Accounting Standards, effective from January 1, 2026, will not have a material impact on the parent company only financial statements.

- Amendments to IFRS No. 17 “Insurance Contracts” and IFRS No. 17
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”, including the application guidance related to Section 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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 issued by the IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	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. • A more structured statement of profit or loss: Under current standards, companies use different formats to present their operating results, making it difficult for investors to compare financial performance across 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. • Management-defined performance measures (MPMs): The new standard introduces a definition of management-defined performance measures and requires a company to explain in a single note to the financial statements why each measure provides useful information, how it is calculated, and how it is reconciled to amounts recognized in accordance with IFRS Accounting Standards. • 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	January 1, 2027 Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will align with IFRS 18 in the 2028 fiscal year. If the Company needs to apply the requirements early, it may do so after approval from the FSC.

divided in the notes.

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"
- IFRS No. 19 "Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS No. 19
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

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 measured at fair value through profit or loss;

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

(3) The net defined benefit liabilities (assets) are recognized as the fair value of the plan assets less the present value of the defined obligation, which is limited, as explained in Note 4(17).

2. Functional and presentation currency

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

(III) Foreign currency

1. Foreign currency transaction

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

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

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

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

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

2. Foreign operations

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

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

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

(IV) Classification of current and non-current assets and liabilities

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

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

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

1. It is expected to be settled in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; 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.

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 measured 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 asset measured 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.

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.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL is discounted at the effective interest rate of the financial asset.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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.

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 shares. 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.

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 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 worth presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(VII) 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 affiliates

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) Investment in subsidiaries

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

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

(X) Investment property

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

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

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

(XI) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent expenditure

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

3. Depreciation

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

Lands are not depreciated.

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

(1) 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 properties

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

(XII) Leases

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

1. As a lessee

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

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

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

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

(1) fixed payments, including in substance fixed payments;

(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(3) amounts expected to be payable under a residual value guarantee; and

(4) payments for purchase or termination options that are reasonably certain to be exercised.

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

(1) there is a change in future lease payments arising from the change in c;

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

(3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset;

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

(5) there is a lease modification

When the lease liability is remeasured, when are changes in an index or rate to determine lease payments, changes in the amount of residual value guarantee, or changes in the assessment of purchase, extension, or termination options above, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as separate line items, respectively, in the balance sheets.

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

2. As a lessor

When the Company is the lessor in the transactions, it classifies lease contracts based on whether substantially all risks and compensations from the ownership of target assets are transferred; if yes, the contracts are classified as financing leases, and if no, operating leases. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(XIII) Intangible assets

1. Recognition and measurement

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

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

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

Other intangible assets that are acquired by the Company and have useful lives that are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

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

3. Amortization

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

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

Computer software cost 2~15 years

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

(XIV) Impairment of non-financial assets

At each reporting date, the Company 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.

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

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

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

(2) Rental income

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

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

2. Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each of the plans by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to prior service costs or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(XVIII) Income tax

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

Current income tax includes estimated income tax payable or tax refund receivable calculated based on the taxable income (losses) of the year and any adjustment made to the income tax payable 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, and no equivalent taxable and deductible temporary differences is incurred at the time of the transaction.
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred income taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:
   (1) The same taxable entity; or
   (2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

(XIX) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Potential ordinary shares of the Company include the remuneration of employees.

(XX) Segment information

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

VI. Explanation of significant accounting items

(I) Cash

		2025.12.31	2024.12.31
Cash and petty cash	$	3,252	3,022
Checking account deposits		2,834	2,117
Demand deposit		290,672	371,221
Cash and cash equivalents presented in the statement of cash flows	**$**	**296,758**	**376,360**

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

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

The breakdown of financial assets is as follows:

		2025.12.31	2024.12.31
Financial assets mandatorily measured at fair value through profit or loss:			
Beneficiary certificates - open-end fund	**$**	**35,783**	**129,998**

1. For details of the remeasurement of fair values recognized in profit or loss, please refer to Note 6(23).
2. The financial assets above had not been pledged as collateral.

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

		2025.12.31	2024.12.31
Equity investments at fair value through other comprehensive income:			
Domestic and foreign listed stocks	$	797,156	692,837
Domestic non-listed stocks		1,607	1,869
Total	**$**	**798,763**	**694,706**

1. Investments in equity instruments 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 2025 and 2024, the Company recognized a dividend income of NT$41,507 thousand and NT$29,169 thousand, respectively, for the investments in equity instruments designated as measured at fair value through other comprehensive income.

For the years ended 2025 and 2024, due to changes in investment strategy, the Company disposed of financial assets designated as measured at fair value through other comprehensive income. The fair value at the time of disposal amounted to NT$39,875 thousand and NT$2,924 thousand, respectively, and the cumulative disposal gains (losses) amounted to NT$16,399 thousand and (NT$3 thousand), respectively. Accordingly, the aforementioned cumulative disposal gains (losses) have been transferred from other equity to retained earnings.

2. For information on credit risk and market risk, please refer to Note 6(24).
3. The financial assets above had not been pledged as collateral.

(IV) Notes and accounts receivable

		2025.12.31	**2024.12.31**
Notes receivable	$	338,486	306,385
Accounts receivable		406,258	496,775
Less: loss allowance		(841)	(782)
	$	**743,903**	**802,378**

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:

	2025.12.31		
	Carrying amount of notes and accounts receivable	**Weighted average ECL rate**	**Loss allowance for lifetime ECL**
Current	$ 737,539	0%~0.02%	133
1 to 30 days past due	1,936	0%~3.25%	63
31 to 120 days past due	4,810	0%~3.91%	188
121 to 365 days past due	2	0%~18.34%	-
More than one year past due	457	0%~100%	457
	$ 744,744		**841**

	2024.12.31		
	Carrying amount 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%	-
	$ 803,160		**782**

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

	2025	**2024**
Beginning balance	$ 782	2,702
Impairment loss recognized (reversal)	59	(1,920)
Ending balance	**$ 841**	**782**

(V) Inventory

	2025.12.31	**2024.12.31**
Raw material	$ 240,041	214,979
Supplies	9,211	8,635
Work in progress	173,899	170,968
Finished goods	506,690	489,383
Merchandise	190,464	219,928
Raw materials in transit	19,003	31,483
	$ 1,139,308	**1,135,376**

For the years ended December 31, 2025 and 2024, the cost of goods sold and expenses amounted to NT$2,233,574 thousand and NT$2,387,917 thousand, respectively. In 2024, 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$9,201 thousand and NT$5,904 thousand were recognized in 2025 and 2024, respectively.

The Company scrapped its inventories due to a fire accident in July 2025, and the amount of NT$1,213 thousand was accounted for under non-operating income and expenses - other gains and losses; for details, please refer to Note 6(23).

As of December 31, 2025 and 2024, none of the Company's inventories was pledged as collateral.

(VI) Investments accounted for using equity method

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

	2025.12.31	2024.12.31
Subsidiary	$ 1,628,115	1,668,964

Please refer to the 2025 consolidated financial statements.

As of December 31, 2025 and 2024, none of the Company's investments accounted for using the equity method was pledged as collateral.

(VII) 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	Transportation equipment	Office equipment	Other equipment	Total
Costs:							
Balance as of January 1, 2025	$ 2,250,842	618,051	1,576,417	69,775	158,384	671,527	5,344,996
Addition	75,939	2,508	19,877	1,626	3,898	5,809	109,657
Disposal	(15,617)	-	(14,611)	(2,080)	(140)	(1,260)	(33,708)
Transfer	-	-	396	-	263	-	659
Transferred to investment property	(179,125)	(52,464)	-	-	-	-	(231,589)
Balance as of December 31, 2025	$ 2,132,039	568,095	1,582,079	69,321	162,405	676,076	5,190,015
Balance as of January 1, 2024	$ 2,256,359	622,255	1,591,787	66,914	151,852	659,241	5,348,408
Addition	-	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 as of December 31, 2024	$ 2,250,842	618,051	1,576,417	69,775	158,384	671,527	5,344,996
Depreciation:							
Balance as of January 1, 2025	$ -	285,835	1,457,282	57,347	141,460	580,370	2,522,294
Depreciation this period	-	35,786	33,607	4,030	4,738	25,118	103,279
Disposal	-	-	(14,564)	(2,044)	(140)	(1,260)	(18,008)
Transferred to investment property	-	(31,733)	-	-	-	-	(31,733)
Balance as of December 31, 2025	$ -	289,888	1,476,325	59,333	146,058	604,228	2,575,832
Balance as of January 1, 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 as of December 31, 2024	$ -	285,835	1,457,282	57,347	141,460	580,370	2,522,294
Carrying amount:							
December 31, 2025	$ 2,132,039	278,207	105,754	9,988	16,347	71,848	2,614,183
January 1, 2024	$ 2,256,359	362,968	141,166	13,820	16,160	104,340	2,894,813
December 31, 2024	$ 2,250,842	332,216	119,135	12,428	16,924	91,157	2,822,702

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, 2025 and 2024 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, 2025 and 2024, 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.

(VIII) 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	Transportation equipment	Others	Total
Costs of right-of-use assets:					
Balance as of January 1, 2025	$ 1,499	113,605	9,928	4,977	130,009
Addition	560	28,267	-	-	28,827
Decrease	(1,011)	(50,917)	-	(104)	(52,032)
Balance as of December 31, 2025	$ 1,048	90,955	9,928	4,873	106,804
Balance as of January 1, 2024	$ 1,499	114,440	9,037	4,977	129,953
Addition	-	2,077	7,978	-	10,055
Decrease	-	(2,912)	(7,087)	-	(9,999)
Balance as of December 31, 2024	$ 1,499	113,605	9,928	4,977	130,009
Depreciation of right-of-use assets:					
Balance as of January 1, 2025	$ 1,268	88,988	2,275	3,254	95,785
Depreciation this period	249	18,233	2,360	493	21,335
Decrease	(1,011)	(50,917)	-	(104)	(52,032)

Balance as of December 31, 2025	$ 506	56,304	4,635	3,643	65,088
Balance as of January 1, 2024	$ 1,022	74,168	6,424	2,745	84,359
Depreciation this period	246	17,732	2,011	509	20,498
Decrease	-	(2,912)	(6,160)	-	(9,072)
Balance as of December 31, 2024	$ 1,268	88,988	2,275	3,254	95,785
Carrying amount:					
December 31, 2025	$ 542	34,651	5,293	1,230	41,716
December 31, 2024	$ 231	24,617	7,653	1,723	34,224
January 1, 2024	$ 477	40,272	2,613	2,232	45,594

(IX) Investment property

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

	Land	Houses and buildings	Total
Costs:			
Balance as of January 1, 2025	$ 441,188	271,305	712,493
Addition	-	70	70
Transferred from property, plant and equipment	179,125	52,464	231,589
Reclassification	21,768	-	21,768
Balance as of December 31, 2025	$ 642,081	323,839	965,920
Balance as of January 1, 2024	$ 435,671	258,712	694,383
Transferred from property, plant and equipment	5,517	12,593	18,110
Balance as of December 31, 2024	$ 441,188	271,305	712,493
Depreciation and impairment losses:			
Balance as of January 1, 2025	$ 5,285	263,932	269,217
Depreciation during the year	-	8,386	8,386
Transferred from property, plant and equipment	-	31,733	31,733
Balance as of December 31, 2025	$ 5,285	304,051	309,336
Balance as of January 1, 2024	$ 5,285	245,657	250,942
Depreciation during the year	-	6,234	6,234
Transferred from property, plant and equipment	-	12,041	12,041

Balance as of December 31, 2024	$ 5,285	263,932	269,217
Carrying amount:			
December 31, 2025	$ 636,796	19,788	656,584
January 1, 2024	$ 430,386	13,055	443,441
December 31, 2024	$ 435,903	7,373	443,276
Fair value:			
December 31, 2025			$ 2,376,964
December 31, 2024			$ 2,110,401

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(16).

As of December 31, 2025 and 2024, 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.

(X) Intangible assets

The breakdown of costs and amortization of intangible assets of the Company in 2025 and 2024 is as follows:

	Computer software cost
Costs:	
Balance as of December 31, 2025 (i.e. beginning balance)	$ 71,929
Balance as of January 1, 2024	$ 70,339
Addition	1,590
Balance as of December 31, 2024	$ 71,929
Amortization:	
Balance as of January 1, 2025	$ 59,008
Amortization during the period	3,410
Balance as of December 31, 2025	$ 62,418
Balance as of January 1, 2024	$ 54,650
Amortization during the period	4,358
Balance as of December 31, 2024	$ 59,008
Carrying amount:	
December 31, 2025	$ 9,511

January 1, 2024	**$ 15,689**
December 31, 2024	**$ 12,921**

1. Amortization expenses

Amortization expenses of intangible assets were presented in the following items of the statement of comprehensive income in 2025 and 2024:

	2025	**2024**
Operating cost	**$ 112**	**117**
Operating expenses	**$ 3,298**	**4,241**

(XI) Short-term borrowings

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

	2025.12.31	**2024.12.31**
Borrowings on unsecured letters of credit	$ 8,706	18,615
Unsecured bank borrowings	100,000	150,000
Secured bank borrowings	50,000	-
Total	**$ 158,706**	**168,615**
Outstanding limits	**$ 1,551,294**	**1,641,385**
Interest rates	**1.95%~5.51%**	**1.95%~6.65%**

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

(XII) Short-term notes payable

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

	2025.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	2.018%	$ 50,000
Outstanding limits			$ 250,000

	2024.12.31		
	Guarantee or acceptance institution	**Interest rates**	**Amount**
Commercial papers payable	Bills finance company	1.98%~2.18%	$ 100,000
Outstanding limits			$ 330,000

(XIII) Long-term borrowings

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

	2025.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	2.49%	2029.10.19	$ 375,000
Less: Portion due within one year				(50,000)
Total				$ 325,000
Outstanding limits				$ -

	2024.12.31			
	Currency	**Interest rates**	**Maturity date**	**Amount**
Secured bank borrowings	TWD	2.49%	2029.10.19	$ 400,000
Less: Portion due within one year				(25,000)
Total				$ 375,000
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.

(XIV) Lease liabilities

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

	2025.12.31	2024.12.31
Current	$ 21,593	13,930
Non-current	$ 20,245	21,269

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

The amount recognized in profit or loss is as follows:

	2025	2024
Interest expenses on lease liabilities	$ 942	659
Expenses relating to short-term leases	$ 756	233
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	$ 1,192	982

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

	2025	2024
Total cash used in leases	$ 25,401	22,921

1. Land, house and building leases

   As of December 31, 2025 and 2024, 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.

(XV) Debt allowance

		Debt allowance for discount
Balance as of January 1, 2025	$	4,703
Debt allowance increased during the period		6,129
Debt allowance used during the period		(8,469)
Debt allowance reversed during the period		-
Balance as of December 31, 2025	**$**	**2,363**
Balance as of 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 as of December 31, 2024	**$**	**4,703**

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.

(XVI) 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(9) 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:

		2025.12.31	2024.12.31
Less than 1 year	$	20,797	21,775
1 to 5 years		26,563	43,389
> 5 years		123	1,418
Total undiscounted lease payment	**$**	**47,483**	**66,582**

For the years ended December 31, 2025 and 2024, the rental revenue from investment properties amounted to NT$22,988 thousand and NT$15,961 thousand, respectively.

(XVII) Employee benefits

1. Defined benefit plans

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

		2025.12.31	2024.12.31
Defined benefit obligation	$	497,999	546,821
Fair value of plan assets		(706,267)	(715,583)
Net defined benefit assets	**$**	**(208,268)**	**(168,762)**

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$706,267 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.

The Company obtained approval letters from the Department of Labor, Taipei City Government with approval letter numbers Bei-Shi-Lao-Zi No. 1146044268 and No. 1136117261 on November 20, 2025 and December 26, 2024, respectively, approving the suspension of contributions to the labor pension reserve fund from November 2025 to October 2026 and from November 2024 to October 2025.

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

The changes in the present value of the Company’s defined benefit obligations for the years ended 2025 and 2024 are as follows:

		2025	2024
Defined benefit obligations as at January 1	$	546,821	583,655
Current service costs and interest		7,625	7,920
Remeasurements of net defined benefit liability			
- Adjustments based on experiences		11,634	16,350
- Actuarial gains or losses arising from financial assumptions		3,427	(3,928)
Prior service costs		-	681

Benefits paid under the plan		(71,508)	(57,857)
Defined benefit obligations as at December 31	**$**	**497,999**	**546,821**

(3) Movements in the fair value of plan assets

The changes in the fair value of the Company's defined benefit plan assets for 2025 and 2024 are as follows:

		2025	**2024**
Fair value of plan assets as at January 1	$	715,583	688,507
Interest income		9,458	8,518
Net defined benefit (liabilities) assets remeasurement			
- Return on plan assets (excluding interest income the current period)		52,734	63,960
Contributions appropriated to the plan		-	12,455
Benefits paid under the plan		(71,508)	(57,857)
Fair value of plan assets as at December 31	**$**	**706,267**	**715,583**

(4) Expenses recognized as profit or loss

The details of expenses recognized by the Company for 2025 and 2024 are as follows:

		2025	**2024**
Current period service costs	$	487	828
Prior service costs		-	681
Net interest of net defined benefit liabilities (assets)		7,138	7,092
Interest income from plan assets		(9,458)	(8,518)
	$	**(1,833)**	**83**
Operating cost	$	(807)	37
Sales and marketing expenses		(568)	26
General and administrative expenses		(238)	11
Research and development expenses		(220)	9
	$	**(1,833)**	**83**

(4) 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:

	2025.12.31	**2024.12.31**
Discount rate	1.250%	1.375%
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 2025 is NT$0.

The weighted average lifetime of the defined benefits plans is 5.5 years.

(5) Sensitivity analysis

The effects of changes in the major actuarial assumptions used as of December 31, 2025 and 2024 on the present value of the defined benefit obligations are as follows:

	Influences on defined benefit obligations	
	Increased by 0.25%	**Decreased by 0.25%**
December 31, 2025		
Discount rate (changes of 0.25%)	(6,818)	6,965
Future salary increase (changes of 0.25%)	6,842	(6,730)

	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)

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 plan

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's pension expenses under the definite contribution pension plan for 2025 and 2024 were NT$17,360 thousand and NT$17,839 thousand, respectively, and have been contributed to the Bureau of Labor Insurance.

(XVIII) Income tax

1. Income tax expense

The details of the Company's income tax expenses for 2025 and 2024 are as follows:

	2025	**2024**
Current income tax expense		
Arising during the period	$ 19,521	8,178
Current income tax with adjustments to the prior period	2,044	(3,218)
	21,565	4,960
Deferred income tax expense		

Occurrence and reversal of temporary differences	731	3,028
Income tax expenses for continuing operations	$ 22,296	7,988

The breakdown of income tax expenses (gains) recognized in other comprehensive income by the Company for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of defined benefit plans	$ 9,641	12,188

The relationship between the Company's income tax expenses and net income before tax for 2025 and 2024 is reconciled as follows:

	2025	2024
Net profits before tax	$ 36,600	66,406
Income tax calculated at the domestic tax rate at the place where the Company locates	$ 7,320	13,281
Additional tax on undistributed earnings	5,360	-
Adjustments to non-temporary differences	(12,279)	(5,267)
Tax incentives	(2,427)	(3,505)
Changes in unrecognized temporary differences	22,278	7,643
Prior under (over) estimation	2,044	(3,218)
Others	-	(946)
Income tax expense	$ 22,296	7,988

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:

	2025.12.31	2024.12.31
Deductible temporary differences	$ 12,158	12,158
Aggregate amount of temporary differences related to investments in subsidiaries	387,707	363,128
	$ 399,865	375,286

(2) Recognized deferred income tax assets and liabilities

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

	Unrealized revaluation appreciation	**Provision for land value increment tax**	**Defined benefit plans**	**Others**	**Total**
Deferred income tax liabilities:					

Balance as of January 1, 2025	$ 13,868	274,420	60,603	232	349,123
Debit (credit) on the income statement	-	-	366	14	380
Balance as of December 31, 2025	**$ 13,868**	**274,420**	**60,969**	**246**	**349,503**
Balance as of January 1, 2024	$ 13,868	274,420	58,129	301	346,718
Debit (credit) on the income statement	-	-	2,474	(69)	2,405
Balance as of December 31, 2024	**$ 13,868**	**274,420**	**60,603**	**232**	**349,123**

		Defined benefit plans	Others	Total
Deferred income tax assets:				
Balance as of January 1, 2025	$	22,307	18,055	40,362
(Debit) credit on the income statement		-	(351)	(351)
(Debit) credit on other comprehensive income		(7,535)	-	(7,535)
Balance as of December 31, 2025	$	14,772	17,704	32,476
Balance as of 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 as of December 31, 2024	$	22,307	18,055	40,362

3. Assessment of tax

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

(XIX) Capital and other equity

As of December 31, 2025 and 2024, 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.

1. Capital reserve

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

		2025.12.31	2024.12.31
Treasury share transactions	$	13,035	12,951
Changes in net equity of subsidiaries recognized by using the equity method		1,919	1,919
Consolidation premium		1,275	1,275
Others		817	702
	$	17,046	16,847

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.

2. Retained earnings

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

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

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

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

(1) Legal reserve

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

(2) Special reserve

For the initial application of IFRS that is approved by the FSC, the Company chose to adopt the exemptions in IFRS1 "First-time Adoption of International Financial Reporting Standards." Therefore, for the unrealized revaluation increment under the shareholder's equity, retained earnings increased by NT$658,175 thousand according to the requirements. Pursuant to the Order Jin-Guan-Zheng-Fa-Zi No.1010012865 of the FSC dated April 6, 2012, the same amount of special reserves should be appropriated, and when relevant assets are used, disposed of, or reclassified, the special reserve appropriated initially shall be reversed as distributable earnings proportionately. As of December 31, 2025 and 2024, the carrying amount of the special reserve amounted to NT$458,116 thousand.

(3) Earnings distribution

The proposal for earning distribution for 2024 and 2023 was approved as a resolution at the shareholders' meeting on June 16, 2025 and June 26, 2024. The amount of dividends distributed to the owners is as follows:

	2024		2023	
	Payout ratio (NTD)	**Amount**	**Payout ratio (NTD)**	**Amount**
Dividends distributed to owners of ordinary shares:				
Cash	$ 0.19	57,438	0.20	60,461

3. Treasury shares

The breakdown of shares of the Company held by the Company's subsidiaries as of December 31, 2025 and 2024 is as follows:

Holding		**2025.12.31**			**2024.12.31**		
Company	**Accounting item**	**Number of shares (thousand shares)**	**Costs**	**Market price**	**Number of shares (thousand shares)**	**Costs**	**Market price**
Hohong Co., Ltd.	Financial assets at fair value through other comprehensive income - Non-current	445	4,781	7,818	445	4,781	7,707

4. 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
Balance as of January 1, 2025	$	54,775	609,940
Exchange differences arising from the translation of net assets of foreign operations		(71,228)	-
Unrealized (losses) gains of financial assets at fair value through other comprehensive income		-	(11,828)
Disposal of equity instruments measured at fair value through other comprehensive income		-	(16,399)
Share of unrealized gains or losses of financial assets at fair value through other comprehensive income of subsidiaries accounted for using the equity method		-	118,546
Disposal of equity instruments measured at fair value through other comprehensive income		-	(45,910)
Balance as of December 31, 2025	**$**	**(16,453)**	**654,349**
Balance as of 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 as of December 31, 2024	**$**	**54,775**	**609,940**

(XX) Earnings per share

1. Basic earnings per share

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

	2025	2024
Net profit attributable to ordinary shareholders of the Company	**$ 14,304**	**58,418**

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

	2025	2024
Ordinary shares issued as of January 1	302,304	302,304
Effect of treasury shares	(445)	(445)
Weighted average number of issued ordinary shares as at December 31	**301,859**	**301,859**

2. Diluted earnings per share

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

	2025	2024
Net profit attributable to ordinary shareholders of the Company (diluted)	**$ 14,304**	**58,418**

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

	2025	2024
Weighted average number of issued ordinary shares (basic)	301,859	301,859
Effect of employees’ compensation on shares	325	323
Weighted average number of issued ordinary shares (diluted) as of December 31	**302,184**	**302,182**

3. Earnings per share are as follows:

	2025	2024
Basic earnings per share	**$ 0.05**	**0.19**
Diluted earnings per share	**$ 0.05**	**0.19**

(XXI) Revenue from contracts with customers

1. Breakdown of revenue

		2025	2024
Primary geographical markets:			
Taiwan	$	2,956,108	3,127,674
China		329	1,143
Philippines		2,745	2,585
Other countries		11,309	632
	$	**2,970,491**	**3,132,034**
Major products/ service lines:			
Porcelain	$	1,184,566	1,213,274
Copper ware		658,576	697,668
Toilet cover		502,153	548,077
Fine pottery		92,337	73,725
Others		532,859	599,290
	$	**2,970,491**	**3,132,034**

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

On June 16, 2025, the Company amended its Articles of Incorporation with a resolution passed at the shareholders' meeting. According to the provisions of the amended Articles of Incorporation, if the Company made a profit in a year, it shall appropriate 5% to 8% as remuneration of employees (of which the remuneration of junior employees was no less than 10% of the total) and no more than 3% as directors' and supervisors' remuneration. 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, 2025 and 2024, the estimated remuneration of employees was NT$2,413 thousand and NT$4,378 thousand, and the remuneration of Directors was NT$1,207 thousand and NT$2,189 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 2024 were equivalent; for relevant information, please visit MOPS for inquiries.

(XXIII) Non-operating income and expenses

1. Interest income

The breakdown of the interest income of the Company in 2025 and 2024 is as follows:

		2025	2024
Interest from cash in the bank	**$**	**2,034**	**4,222**

2. Other income

The breakdown of other income of the Company in 2025 and 2024 is as follows:

		2025	2024
Rental income	$	22,988	21,184
Dividend income		41,507	29,169
Royalties and others		33,187	48,206
	$	**97,682**	**98,559**

3. Other gains and losses

The breakdown of other gains and losses of the Company in 2025 and 2024 is as follows:

		2025	2024
Foreign exchange gains	$	1	952
Net gains from disposal and scrapping of property, plant and equipment		31,659	(6)
Depreciation of investment properties		(8,386)	(6,234)
Net gains on financial assets at fair value through profit or loss		574	1,732
Disaster losses of inventory		(1,213)	-
Others		(4,765)	(2,432)
	$	**17,870**	**(5,988)**

4. Finance costs

The breakdown of finance costs of the Company in 2025 and 2024 is as follows:

		2025	2024
Interest expenses	**$**	**16,120**	**17,264**

(XXIV) Financial assets

1. Credit risks

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

The major customers of the Company are centralized in several distributors. In order to reduce the credit risk, the Company continues to evaluate the financial status of these customers and request collateral or guarantee when necessary. The Company regularly assesses the likelihood of collectability of accounts receivable and sets aside an allowance for bad debts, and the impairment losses generally fall within the expectations of the management. As of December 31, 2025 and 2024, 56% and 50% of notes receivable balance and 17% and 26% of accounts receivable balance were concentrated on three customers. Thus, the credit risk of the Company is significantly centralized.

(3) Credit risk of amounts receivable

For information on the exposure to credit risks of notes and accounts receivable, please refer to Note 6(4).

2. Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Cash flows of contract	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2025							
Non-derivative financial instruments							
Secured bank borrowings	$ 425,000	452,453	30,037	79,410	57,531	285,475	-
Unsecured bank borrowings	108,706	108,867	108,867	-	-	-	-
Short-term notes payable	50,000	50,006	50,006	-	-	-	-
Notes payable	45,961	45,961	45,961	-	-	-	-
Accounts payable	238,503	238,503	238,503	-	-	-	-
Other payables	210,294	210,294	210,294	-	-	-	-
Lease liabilities	41,838	42,715	11,624	10,609	17,087	3,395	-
	$ 1,120,302	1,148,799	695,292	90,019	74,618	288,870	-
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	-

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:

	2025.12.31			2024.12.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 169	31.43	5,312	192	32.79	6,295
CNY	11,851	4.496	53,282	13,671	4.478	61,219
Financial liabilities						
Monetary items						
USD	681	31.43	21,404	1,636	32.79	53,636

(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, 2025 and 2024, if an appreciation or depreciation of 1% of the NTD against the USD occurs, the net profit after tax of 2025 and 2024 would have increased or decreased by NT$301 thousand and NT$122 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 2025 and 2024 were losses of NT$1 thousand and NT$952 thousand, respectively.

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 (loss) before tax will decrease or increase by NT$5,938 thousand and NT$4,100 thousand for the years ended December 31, 2025 and 2024, respectively, with all other variables remain constant.

5. Information on fair value

(1) Types and fair value of financial instruments

Regarding the financial assets and liabilities at fair value through profit or loss, financial assets and liabilities for hedging, and financial assets at fair value through other comprehensive income (financial assets available for sales) of the Company, the carrying amount and fair value of various financial assets and financial liabilities measured at fair value on a repetitive basis (including the information on the level of fair value; however, for financial instruments not measured at fair value with their carrying amount being reasonable approximates and investments in equity instruments with no active quote in an active market and the fair value cannot reliably measures, the information on fair value is not required to be disclosed according to the requirements) are set out as follows:

	2025.12.31				
		Fair value:			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 35,783	35,783	-	-	35,783
Financial assets measured at fair value through other comprehensive income					
Domestic and foreign listed stocks	797,156	797,156	-	-	797,156
Domestic non-listed stocks	1,607	-	-	1,607	1,607
Subtotal	798,763	797,156	-	1,607	798,763

	2025.12.31				
		Fair value:			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	296,758	-	-	-	-
Notes and accounts receivable	743,903	-	-	-	-
Other receivables	59,857	-	-	-	-
Restricted assets (recognized as other financial assets – other – non-current)	526	-	-	-	-
Refundable deposits	16,921	-	-	-	-
Subtotal	1,117,965	-	-	-	-
Total	$ 1,952,511	832,939	-	1,607	834,546
Financial liabilities at amortized cost					
Bank loan	$ 533,706	-	-	-	-
Short-term notes payable	50,000	-	-	-	-
Notes and accounts payable	284,464	-	-	-	-
Other payables	210,294	-	-	-	-
Lease liabilities	41,838	-	-	-	-
Guarantee deposits	19,396	-	-	-	-
Total	$ 1,139,698	-	-	-	-

	2024.12.31				
		Fair value:			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 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
Financial assets measured at amortized cost					
Cash and cash equivalents	376,360	-	-	-	-
Notes and accounts receivable	802,378	-	-	-	-
Other receivables	71,249	-	-	-	-
Restricted assets (recognized as other financial assets – other – non-current)	2,358	-	-	-	-
Refundable deposits	21,516	-	-	-	-
Subtotal	1,273,861	-	-	-	-
Total	$ 2,098,565	822,835	-	1,869	824,704

	2024.12.31				
		Fair value:			
	Carrying amount	Level 1	Level 2	Level 3	Total
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	-	-	-	-

(2) Fair value valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quotation, which is published by the main exchange or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with an open bid.

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

If the financial instruments held by the Company have an active market, the fair value, by category and attribute, is set out as follows:

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

Apart from the financial instruments with an active market above, the fair value of the remaining financial instruments is determined based on the general recognition pricing model that is used as the basis through cash flow discount analysis.

If the financial instruments held by the Company has no active market, the fair value, by category and attribute, is set out as follows:

Equity instruments with no open quote: The Company adopts the net asset value method, which primarily assumes that the measurement shall be made based on the net worth per share of the investee.

(3) Transfers between Level 1 and Level 2

There was no significant transfer of financial assets from Level 1 to Level 2 in 2025 and 2024.

(4) Statement of changes in Level 3

	Measured at fair value through other comprehensive income
	Equity instruments with no open quotation
January 1, 2025	$ 1,869
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(262)
December 31, 2025	**$ 1,607**
January 1, 2024	$ 2,178
Total gains or losses	
Deferred tax income (expense) recognized in other comprehensive income	(309)
December 31, 2024	**$ 1,869**

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 2025 and 2024 are as follows:

	2025	**2024**
Total gains or losses		
Recognized in other comprehensive income (presented as "unrealized gains of losses from investments in equity instruments at fair value through other comprehensive income")	**$ (262)**	**(309)**

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

The Company's financial instruments that are classified for fair value measurement by using Level 3 inputs include financial assets at fair value through other comprehensive income - securities investments.

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

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

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

(XXV) Financial risk management

1. Overview

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

(1) Credit risks
(2) Liquidity risks
(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 risks

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 statistics of similar financial assets.

(2) Investments

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

(3) Guarantees

The Company's endorsement/ guarantee policy is limited to subsidiaries or associates with business dealings. Please refer to Note 7 for details of endorsements and guarantees provided by the Company to subsidiaries as of December 31, 2025 and 2024

4. Liquidity risks

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 risks

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.

(XXVI) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the faith of investors, creditors, and the market and support future operations. Capital consists of share capital, capital reserve, retained earnings, 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:

	2025.12.31	**2024.12.31**
Total liabilities	$ 1,557,322	1,679,902
Less: Cash and cash equivalents	(296,758)	(376,360)
Net liabilities	$ 1,260,564	1,303,542
Total equity	$ 6,868,770	6,839,502
Debt-to-equity ratio	18.35%	19.06%

As of December 31, 2025, there was no change in the Company's approach to capital management.

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

Investing and financing activities of non-cash transactions performed by the Company in 2025 and 2024.

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

			Non-cash change		
	2025.1.1	**Cash flow**	**Addition**	**Disposal**	**2025.12.31**
Short-term borrowings	$ 168,615	(9,909)	-	-	158,706
Long-term borrowings	400,000	(25,000)	-	-	375,000

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Lease liabilities	35,199	(22,511)	28,827	323	41,838
Short-term notes payable	100,000	(50,000)	-	-	50,000
Guarantee deposits	19,404	(8)	-	-	19,396
Total liabilities from financing activities	$ 723,218	(107,428)	28,827	323	644,940

			Non-cash change		
	2024.1.1	Cash flow	Addition	Disposal	2024.12.31
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

VII. Related-Party Transactions

(I) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and the attributed Group.

(II) Names and relationships with related parties

During the period covered by the parent company only financial statements, subsidiaries of the Company and other related parties with transactions with the Company are as follows:

Name of the related parties	Relationship with the Company
Hohong Co., Ltd.	Subsidiary
SWATTON INTERNATIONAL CORP.	〃
Bao Long Interior Crafts Co., Ltd.	〃
Hoceng Service Co., Ltd.	〃
HUB Corp.	〃
Ritiboon International Limited	〃
Hocheng Philippines Property Holding, Inc.	〃
HOCHENG GROUP HOLDING CORP.	〃
Hocheng (China) Co., Ltd.	〃
Hoceng Philippines Corporation	Subsidiary
Hocheng TRADING (SHANGHAI) CO., LTD.	〃
Lazuli International Co., Ltd.	〃
Hecheng Jianlang (Shamghai) 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:

	2025	2024
Subsidiary		
Hoceng Service Co., Ltd.	$ 62,951	61,504
Other subsidiaries	8,174	6,500
Other related parties	80	7
	$ 71,205	68,011

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 to four months after the end of the month.

2. Purchases

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

		2025	2024
Subsidiary			
Bao Long Interior Crafts Co., Ltd.	$	216,382	262,755
Other subsidiaries		7,799	36,921
Other related parties			
Yuhuang Co., Ltd.		133,158	139,052
	$	**357,339**	**438,728**

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 to four months.

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**		**2025.12.31**	**2024.12.31**
Notes receivable	Subsidiary			
	Hoceng Service Co., Ltd.	$	12,244	8,369
	Other related parties		4	4
Accounts receivable	Subsidiary			
	Hoceng Service Co., Ltd.		6,671	8,529
	Bao Long Interior Crafts Co., Ltd.		2,247	385
	Other subsidiaries		375	1,135
	Other related parties		62	-
Other receivables -- Rent and royalties	Subsidiary			
	Hocheng (China) Co., Ltd.		22,446	23,064
	Bao Long Interior Crafts Co., Ltd.		2,750	2,939
	Other subsidiaries		3,812	3,162
	Other related parties		57	55
	Key management transaction		6,516	7,040
		$	**57,184**	**54,682**

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**	**2025.12.31**	**2024.12.31**
Notes payable	Other related parties		
	Yuhuang Co., Ltd.	$ 34,619	36,544
Accounts payable	Subsidiary		
	Bao Long Interior Crafts Co., Ltd.	51,215	54,933
	Hocheng (China) Co., Ltd.	7,807	8,834
	Other related parties		
	Yuhuang Co., Ltd.	12,538	12,351
Other payables	Subsidiary		
	Hoceng Service Co., Ltd.	5,223	5,023
	Bao Long Interior Crafts Co., Ltd.	54	920
	Other subsidiaries	3	3
	Other related parties	3	11
		$ 111,462	118,619

5. Property transactions

(1) Acquisition of property, plant and equipment

The breakdown of property, plant and equipment acquired from related parties is as follows:

	2025	**2024**
Subsidiary	$ 145	2,014

6. Endorsements/ guarantees

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

As of December 31, 2025 and 2024, the Company issued letters of credit for the guarantee of bank borrowings for subsidiaries in the amount of PHP285,000 thousand and US$1,500 thousand, and PHP285,000 thousand, respectively.

As of December 31, 2025 and 2024, the Company provided endorsement and guarantee amounts for bank borrowings of subsidiaries of NT$130,000 thousand and NT$150,000 thousand, respectively.

(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.

7. Royalty income

Subsidiaries of the Company use the Company's trademark rights, and for the years ended 2025 and 2024, the Company recognized royalty income from related parties of NT$21,273 thousand and NT$23,054 thousand, respectively.

8. Rental income

The Company collects rental income from subsidiaries and other related parties based on mutual agreement and on a monthly basis. For the years ended 2025 and 2024, rental income received from related parties amounted to NT$7,590 thousand and NT$7,186 thousand, respectively.

9. Rent expenses

For the years ended 2025 and 2024, the Company leased office premises located in the South District of Tainan City from other related parties and recognized right-of-use assets and lease liabilities of NT$166 thousand, NT$170 thousand and NT$220 thousand, NT$222 thousand, respectively.

10. Others

(1) As of December 31, 2025 and 2024, the carrying amounts of the land and buildings of the Company's Yingge plant and business premises were NT$136,864 thousand and NT$94,173 thousand, respectively. As the land is classified as agricultural land, it has not yet been transferred under the name of the Company. As of December 31, 2025, it is temporarily registered under the name of Li-Chien Chiu as the trust registrant; as of December 31, 2024, it is temporarily registered under the names of Li-Chien Chiu and Hong-Yu Chiu as trust registrants. The Company has entered into real estate trust agreements with the trust registrants, clearly stipulating the rights and obligations of both parties, and the trust assets have been pledged as collateral to the consolidated company.

(2) Other Related-Party Transactions

Accounting item	**Type of related parties**	**2025**	**2024**
Operating cost	Subsidiary	$ 143	110
Operating expenses	Subsidiary	2,916	5,065
	Other related parties	4,710	663
Non-Operating revenue	Subsidiary	52	51

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$44,696 thousand and NT$46,920 thousand in 2025 and 2024, respectively.

(IV) Key management transaction

The compensation of the key management includes:

	2025	2024
Short-term employee benefits	$ 12,806	13,053
Post-employment benefits	257	258
	$ 13,063	13,311

The Company provided 4 company cars with a cost of NT$7,801 thousand for the key management's use in 2025 and 2024.

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	2025.12.31	2024.12.31
Property, plant and equipment - Land and houses	Long-term and short-term borrowings	$ 1,684,183	1,774,468
Investment property - Land and houses	Long-term and short-term borrowings	457,770	396,542
Restricted assets (recognized as other non-current assets - other)	Bid bond and performance bond for projects	526	2,358
Refundable deposits	House lease and deposits for construction	16,921	21,516
		$ 2,159,400	2,194,884

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:

	2025.12.31	2024.12.31
Promissory notes for engineering and product warranty and subject guarantee	$ 44,674	29,180

X. Losses due to major disasters: None.

XI. Significant events after the period: None.

XII. Others

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

Function Type	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expenses	308,584	259,904	568,488	309,124	276,670	585,794
Labor and health insurance	33,796	28,824	62,620	33,302	28,896	62,198
Pension costs	5,521	10,006	15,527	6,787	11,135	17,922
Directors' remuneration	-	2,989	2,989	-	3,117	3,117
Other employee benefits expense	12,634	17,036	29,670	12,355	14,894	27,249
Depreciation expenses (Note)	74,378	48,036	122,414	76,764	54,291	131,055
Amortization expense	112	3,298	3,410	117	4,241	4,358

(Note): The abovementioned depreciation expenses exclude the depreciation expenses of investment properties; in 2025 and 2024, the expenses amounted to NT$8,386 thousand and NT$6,234 thousand (accounted for under other gains and losses).

The additional information on the number of employees and employee benefits for the Company for 2025 and 2024 is as follows:

	2025	2024
Number of employees	932	968
Number of employees who are not concurrently Directors	4	4
Average employee benefits expenses	$ 729	719
Average employee salary expenses	$ 613	608
Average adjustments to employee salary expenses	0.82%	1.16%

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

The distribution of remuneration, salaries, incentives, and employee bonuses of the directors and managerial officers are subject to the dividend policy in the Company's Articles of Incorporation, Remuneration Committee Charter, and other relevant requirements and are determined based on the industrial characteristics and business nature of the Company. Remuneration related to Directors and managerial officers is implemented after being reviewed by the Remuneration Committee and approved by the Board.

XIII. Additional Disclosures

(I) Significant transactions information

For 2025, the Company shall disclose the following significant transactions in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

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

Unit: NT$ thousand

No.	Endorser/ guarantor	Party being endorsed/ guaranteed		Limits of endorsement/ guarantees provided to a single enterprise (Note 2)	Maximum balance of endorsement/ guarantee for the period	Balance of endorsement/ guarantee at the end of the period	Actual drawdown amount	Endorsements and guarantees secured by property	Ratio of accumulated amount of endorsement/ guarantee to the net worth on the latest financial statements (Note 4)	Maximum limits of endorsement/ guarantee (Note 3)	Endorsement/ guarantee provided by the parent company to a subsidiary	Endorsement / guarantee provided by a subsidiary to the parent company	Provision of endorsements/ guarantees to the party in China
		Company name	Relationship (Note 1)										
0	Hocheng Corporation	Hoceng Philippines Corporation	3	6,868,770	226,251	152,048	21,340	-	2.21%	6,868,770	Y		
0	〃	Bao Long Interior Crafts Co., Ltd.	3	6,868,770	250,000	130,000	-	50,000	1.89%	6,868,770	Y		
1	Hoceng Service Co., Ltd.	Hocheng Corporation	3	139,353	5,840	-	-	-	- %	139,353		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 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): None.

Note: The carrying amount of marketable securities at period-end less than NT$ 300 million is not disclosed.

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

Unit: NT$ thousand

Company of purchase (sales)	Counterparty	Relationship	Transaction status				Differences between transaction conditions and general transactions and the reason therefor		Notes and accounts receivable (payable)		Remarks
			Purchases (sales)	Amount	Ratio to total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
Hocheng Corporation	Bao Long Interior Crafts Co., Ltd.	Subsidiary	Purchases	216,382	13.63%	Three months	-	No general transaction is comparable	(51,215)	(18.00)%	
〃	Yuhuang Co., Ltd.	Substantive Related Party	Purchases	133,158	8.39%	Four months	-	〃	(47,157)	(16.58)%	
Bao Long Interior Crafts Co., Ltd.	Hocheng Corporation	Parent company	(sales)	(217,240)	(32.27)%	Three months	-	〃	51,281	30.84%	

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

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

(II) Information on investees:

Information on the investees of the Company in 2025 is as follows:

Unit: NT$ thousand/ share

Name of investor	Name of investee	Location	Main business activities	Original / investment amount		Held at the end of the period			Investee's gains (losses) for the period	Investment (losses) gains recognized during the period	Remarks
				Ending balance of the period	At the end of last year	Shares	Percentage	Carrying amount			
Hocheng Corporation	Ritiboon International Limited	British V	Holding	2,410,366	2,410,366	78,646,373	100.00%	484,435	(96,899)	(97,040)	Note 2
〃	Hohong Co., Ltd.	Taiwan	Invested in production and trading business	198,620	198,620	34,713,522	99.60%	804,954	7,508	7,395	Note 1
〃	Hoceng Service Co., Ltd.	Taiwan	Interior design, trading, installment, and repair of bathroom and stove equipment and its components	6,000	6,000	2,100,000	70.00%	79,236	6,497	4,814	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%	239,400	11,550	11,059	Note 2
〃	HUB Corp.	Taiwan	Sales of modular bathroom products and engineering design supervision and construction thereof	21,000	-	2,100,000	70.00%	20,090	(1,301)	(910)	Note 4
Ritiboon International Limited	Philippines Property	Philippines	Land lease	29,040	29,040	13,974,571	40.00%	61,976	5,990	4,492	
〃	Hocheng Group Holding Corp.	Cayman Islands	Holding	1,392,323	1,392,323	49,389,182	100.00%	243,432	(111,505)	(111,505)	
	HCG North American, LLC	The U.S.	Sale of bathroom equipment	14,230	14,230	-	49.00%	-	-	-	
Hohong Co., Ltd.	Swatton International Corp.	British V	Holding	41,590	41,590	13,004	100.00%	226,657	4,856	4,856	
Hocheng Group Holding Corp.	Hoceng Philippines Corporation	Philippines	Production and sale of plumbing products	395,155	395,155	507,843,879	100.00%	586,053	15,308	15,308	
〃	Triple S Holdings Corp.	Philippines	Holding	46,086	46,086	8,040,000	40.00%	51,108	1,363	1,199	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.

Note 4: The Company's 70%-owned subsidiary, HUB Corp., was registered for establishment on February 17, 2025.

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

(III) Information on investments in China:

1. Information on investment in businesses in Mainland China:

Unit: NT$ thousand

Investee in Mainland China	Main business activities	Paid-in capital	Method of investment (Note 1)	Accumulated investment amount of remittance from Taiwan at the beginning of the period	Amount of investment remitted or repatriated for the current period		Accumulated investment amount of remittance from Taiwan at the end of the period	Net profit (loss) of the investee for the current period	Shareholding of the Company's direct or indirect investments	Investment (losses) gains recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Accumulated investment gains remitted back to Taiwan as of the end of the period
					Remitted	Recovered						
Hocheng (China) Co., Ltd.	Production and sale of plumbing products	953,760	(II)	894,627	-	-	894,627	(125,097)	100.00%	(125,097)	(536,299)	-
Hocheng TRADING (SHANGHAI) CO., LTD.	Sale of bathroom equipment	29,805	(II)	5,961	-	-	5,961	(4,211)	100.00%	(4,211)	7,699	-
Hocheng (China) Co., Ltd.												
Hocheng Shanghai Corporation	Sale of bathroom equipment	4,581	(II)	-	-	-	-	(22,739)	100.00%	(22,739)	(137,397)	-
Hocheng (Ningbo) Corporation (Note 9)	Sale of bathroom equipment	-	(II)	-	-	-	-	-	- %	-	-	-
Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd. (Note 10)	Sale of bathroom equipment	4,300	(II)	-	-	-	-	-	- %	(2,156)	-	-

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	4,121,262

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) Co., Ltd. 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.
Note 9: The sub-subsidiary company Hocheng (Ningbo) Corporation, in which the subsidiary Hocheng (China) Co., Ltd. holds 100% equity, was approved for registration and establishment on December 24, 2024, and no capital contribution has been made to date.
Note 10: The subsidiary Hecheng Jianlang (Shamghai) Kitchen and Bathroom Co., Ltd. was deregistered on June 18, 2025.

3. Significant transactions:

For details of the significant transactions between the Company and investees in Mainland China in 2025, please refer to "Information on significant transactions."

XIV. Segment information

Please refer to the 2025 consolidated financial statements.

Hocheng Corporation

Breakdown of cash and cash equivalents

December 31, 2025

Unit: NT$ thousand

Item	Summary	Amount
Cash	Cash in hand	$ 513
	Working capital	2,739
	Subtotal	3,252
Bank deposits	Checking account deposits	2,834
	Demand deposit	284,168
	Deposits in foreign currency	6,504
	Subtotal	293,506
		$ 296,758

Hocheng Corporation

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

December 31, 2025

Unit: NT$ thousand

Name	Opening balance		Increase this period		Decrease this period		Ending balance		Status of providing guarantee or pledge	Remarks
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Taishin 1699 Money Market Fund	1,890,737	$ 26,749	525,213	7,547	1,890,737	26,749	525,213	7,547	None	
Yuanta Wan Tai Money Market Fund	1,299,788	20,502	-	-	1,051,110	16,523	248,678	3,979	〃	
Sinopac TWD Money Market Fund	2,027,912	29,418	-	-	1,681,066	24,311	346,846	5,107	〃	
Capital Money Market Fund	1,821,545	30,639	-	-	1,821,545	30,639	-	-	〃	
Hua Nan Phoenix Money Market Fund	1,088,967	18,470	-	-	1,088,967	18,470	-	-	〃	
Hua Nan Kirin Money Market Fund	338,550	4,220	-	-	338,550	4,220	-	-	〃	
Fubon Chi-Hsiang Money Market Fund	-	-	485,564	8,050	-	-	485,564	8,050	〃	
UPAMC James Bond Money Market	-	-	685,746	12,112	57,300	1,012	628,446	11,100	〃	
		$ 129,998		27,709		121,924		35,783		

Hocheng Corporation

Breakdown of notes receivable

December 31, 2025

Unit: NT$ thousand

Client Name	Summary	Amount	Remarks
Related party:			
Hoceng Service Co., Ltd.	Due within one year	$ 12,244	
Yuhuang Co., Ltd.	〃	4	
Subtotal		12,248	
Non-related party:			
Company A	Due within one year	153,140	
Company B	〃	21,901	
Others	〃	151,197	The balance of a single customer has not exceeded 5%
Subtotal		326,238	
Total		**$ 338,486**	

Hocheng Corporation
Breakdown of accounts receivable
December 31, 2025

Unit: NT$ thousand

Client Name	Summary	Amount	Remarks
Related party:			
Hoceng Service Co., Ltd.		$ 6,671	
Bao Long Interior Crafts Co., Ltd.		2,247	
Hocheng (China) Co., Ltd.		243	
Hoceng Philippines Corporation		132	
Yuhuang Co., Ltd.		62	
Subtotal		9,355	
Non-related party:			
Company A		34,369	
Company C		21,073	
Others		341,461	The balance of a single customer has not exceeded 5%
Subtotal		396,903	
Less: Impairment loss allowance		(841)	
Net worth		396,062	
Total		$ 405,417	

Breakdown of other receivables

Item	Summary	Amount	Remarks
Related party:			
Hocheng (China) Co., Ltd.	Use of trademark rights	$ 22,446	
Others	Rental income and rights to use trademarks	13,135	
Subtotal		35,581	
Non-related party	Trademark income	24,276	
Total		$ 59,857	

Hocheng Corporation

Breakdown of inventories

December 31, 2025 **Unit: NT$ thousand**

Item	Amount		Remarks
	Costs	Net realized value	
Raw material	$ 245,915	239,492	
Supplies	9,550	9,331	
Work in progress	184,040	271,004	
Finished goods	520,639	799,623	
Merchandise	214,967	291,594	
In transit inventory	19,003	19,003	
Subtotal	1,194,114	**1,630,047**	
Less: loss allowance	(54,806)		
Total	**$ 1,139,308**		

Breakdown of other current assets

Item	Summary	Amount	Remarks
Provisional payments	Provisional rents and payment for natural gas	$ 20,309	
Prepayments	Prepaid rent and advertisement fees	11,384	
	Others	20,517	
Prepayment for supplies purchases	Prepayment for raw material purchases	2,945	
Income tax assets		7,521	
Total		**$ 62,676**	

Hocheng Corporation

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

January 1 to December 31, 2025

Unit: NT$ thousand

Name	Opening balance		Increase this period		Decrease this period		Ending balance		Status of providing guarantee or pledge	Remarks
	Shares	Fair value	Number or amount of shares	Amount	Number or amount of shares	Amount	Shares	Fair value		
Listed stocks										
Cathay Financial Holdings Limited	651,834	$ 44,520	-	4,889	-	-	651,834	49,409	None	Based on the closing price on December 31, 2025
KGI Financial Holding Co., Ltd.	452,067	7,775	4,520	101	-	-	456,587	7,876	〃	〃
Taishin Financial Holding Co., Ltd.	580,174	10,095	-	-	580,174	10,095	-	-	〃	〃
United Microelectronics Corporation	800,000	34,440	-	4,960	-	-	800,000	39,400	〃	〃
Taiwan PCB Techvest Co., Ltd.	6,575,315	225,205	-	-	-	11,179	6,575,315	214,026	〃	〃
Capital Securities Corporation	8,551,000	210,782	-	-	200,000	10,776	8,351,000	200,006	〃	〃
Pegatron Corporation	75,000	6,893	-	-	75,000	6,893	-	-	〃	〃
Mega Financial Holding Company Ltd.	1,412,268	54,655	-	-	412,000	14,644	1,000,268	40,011	〃	〃
CTBC Financial Holding Co., Ltd.	2,498,000	97,672	-	27,728	-	-	2,498,000	125,400	〃	〃
Yuhuang Co., Ltd.	49,205	251	-	-	-	251	49,205	-	〃	〃
Core Pacific City Co., Ltd.	98,869	1,344	-	-	-	41	98,869	1,303	〃	〃
Power Chip Technology Corporation	27,816	274	-	30	-	-	27,816	304	〃	〃
Power Chip Semiconductor Manufacturing Corp.	50,336	800	-	-	50,336	800	-	-	〃	〃
SANITAR CO., LTD.	-	-	3,160,000	121,028	-	-	3,160,000	121,028	〃	〃
		$ 694,706		158,736		54,679		798,763		

Hocheng Corporation

Breakdown of changes in investments accounted for using the equity method

January 1 to December 31, 2025

Unit: NT$ thousand

Name	Beginning balance		Increase this period		Decrease this period		Ending balance			Market value or equity net value		Status of providing guarantee or pledge	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit price	Total amount		
Ritiboon International Limited	78,646,373	$ 638,103	-	-	-	153,668	78,646,373	100.00%	484,435	6. 17	485,422	None	Note
Hohong Co., Ltd.	34,713,522	719,192	-	85,762	-	-	34,713,522	99.60%	804,954	23. 54	817,197	〃	〃
Hoceng Service Co., Ltd.	1,050,000	73,196	1,050,000	6,040	-	-	2,100,000	70.00%	79,236	46. 45	97,547	〃	〃
Bao Long Interior Crafts Co., Ltd.	21,001,000	238,473	-	927	-	-	21,001,000	100.00%	239,400	11. 60	243,682	〃	〃
HUB Corp.	-	-	2,100,000	20,090	-	-	2,100,000	70.00%	20,090	9. 57	20,090	〃	〃
		$ 1,668,964		112,819		153,668			1,628,115				

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, 2025

Unit: NT$ thousand

Item	Summary	Amount	Remarks
Prepayments for equipment		$ 76,646	
Others		4,098	
Total		**$ 80,744**	

Hocheng Corporation

Breakdown of short-term borrowings

December 31, 2025

Unit: NT$ thousand

Types of borrowings	Summary description	Ending balance	Contract Duration	Interest rates	Financing limit	Pledge or Guarantee	Remarks
Credit borrowings	Borrowings from financial institutions	$ 50,000	2025.12.18 - 2026.1.16	1.95%	50,000	None	Note 1
〃	〃	50,000	2025.12.18 - 2026.1.16	1.975%	150,000	〃	〃
〃	〃	50,000	2025.9.5 - 2026.9.5	1.975%	150,000	Land and houses	〃
〃	〃	8,706	2025.7.21 - 2026.1.13	5.02% -5.51%	150,000	None	〃
		$ 158,706			**$ 500,000**		

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, 2025

Unit: NT$ thousand

Client Name	Summary	Amount	Remarks
Related party:			
Yuhuang Co., Ltd.		$ 34,619	
Non-related party:			
Company A		6,022	
Company B		2,795	
Others		2,525	The balance of a single supplier has not exceeded 5%
Subtotal		11,342	
Total		**$ 45,961**	

Breakdown of accounts payable

Client Name	Summary	Amount	Remarks
Related party:			
Bao Long Interior Crafts Co., Ltd.		$ 51,215	
Yuhuang Co., Ltd.		12,538	
Hocheng (China) Co., Ltd.		7,807	
Subtotal		71,560	
Non-related party:			
Company C		50,495	
Others		116,448	The balance of a single supplier has not exceeded 5%
Subtotal		166,943	
Total		**$ 238,503**	

Hocheng Corporation

Breakdown of other payables

December 31, 2025

Unit: NT$ thousand

Item	Summary	Amount	Remarks
Salary, annual bonus, and board wages payable		$ 119,789	
Labor and health insurance payable		11,714	
Pension payable		3,412	
Others		70,096	
Total		**$ 205,011**	

Breakdown of other current liabilities

Item	Summary	Amount	Remarks
Contract liabilities	Advances for products	$ 28,475	
Tax payable	Business tax	11,393	
Provisional advances	Provisional advances for taxes, labor and health insurance premiums, and rent	11,541	
Total		**$ 51,409**	

Hocheng Corporation

Breakdown of long-term borrowings

December 31, 2025

Unit: NT$ thousand

Lenders	Summary	Borrowing amount	Contract Duration	Interest rate	Pledge or Guarantee	Remarks
Mega International Commercial Bank		$ 375,000	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$200,000 thousand.
Less: Portion due within one year		(50,000)				
Total		**$ 325,000**				

Hocheng Corporation

Breakdown of operating costs

January 1 to December 31, 2025

Unit: NT$ thousand

Item	Amount	
	Subtotal	Total
Cost of sales for self-produced products		
Raw materials at the beginning of the period	$ 220,853	
Add: Incoming stock during the period	537,683	
Others	4,556	
Less: Transfer to various expenses	(4,516)	
Disposals of raw materials	(15,168)	
Scrapping	(1)	
Raw materials at the end of the period	(245,915)	497,492
Indirect raw materials		
Supplies at the beginning of the period	8,974	
Add: Incoming stock during the period	61,499	
Others	10	
Less: Disposals of supplies	(164)	
Scrapping	(7)	
Transfer to other equipment	(8,841)	
Transfer to various expenses	(22,668)	
Supplies at the end of the period	(9,550)	29,253
Direct labor costs		237,548
Manufacturing expenses		474,056
Manufacturing costs		1,238,349
Add: Work in progress at the beginning of the period	181,109	
Work in progress purchased	10,883	
Less: Work in progress sold	(1,027)	
Scrapping	(730)	
Transfer to various expenses	(934)	
Others	(56)	
Work in progress at the end of the period	(184,040)	5,205
Cost of finished good		1,243,554
Finished good at the beginning of the period		503,333
Add: Gain on inventory		27
Others - Finished good processing		7,622
Less: Scrapping		(5,987)
Losses on inventory		(126)
Transfer to other equipment		(12,801)
Transfer to various expenses		(7,736)
Others		(16,101)
Finished good at the end of the period		(520,639)
Costs of production and sales		1,191,146
Cost of sales for purchased products		
Products purchased at the beginning of the period	275,913	
Add: Purchases during the period	977,605	
Gains on inventory	15	
Less: Products purchased at the end of the period	(233,970)	
Scrapping	(2,476)	
Transfer to various expenses	(6,658)	
Losses on inventory	(873)	
Others	(1,768)	
Cost of sales - Products		1,007,788
Disposals of semi-finished good		1,027
Disposals of raw materials and supplies		15,168
Disposals of supplies		164
Cost of sales		2,215,293
Add: Loss on inventory		957
Processing costs		8,748
Inventory scraping losses		9,201
Less: Income from disposal of scraps		(625)
Total operating cost		$ 2,233,574

Hocheng Corporation

Breakdown of marketing expenses

January 1 to December 31, 2025

Unit: NT$ thousand

Item	Summary	Amount	Remarks
Salary expenses		$ 130,472	
Advertisement fees		85,628	
Social charges		39,795	
Freight		30,647	
Depreciation		25,186	
Other expenses		144,481	Any single amount has not exceeded 5%
Total		**$ 456,209**	

Breakdown of management fees

Item	Summary	Amount	Remarks
Salary expenses		$ 66,477	
Taxes		21,779	
Depreciation		13,729	
Social charges		11,925	
Other expenses		67,350	Any single amount has not exceeded 5%
Total		**$ 181,260**	

Hocheng Corporation

Breakdown of R&D expenses

January 1 to December 31, 2025

Unit: NT$ thousand

Item	Summary	Amount	Remarks
Salary expenses		$ 39,009	
Research and experiment expenses		12,667	
Depreciation		9,122	
Other expenses		28,964	Any single amount has not exceeded 5%
		$ 89,762	

HOCHENG Corporation

Chairman Chiu, Li-Chien

HCG